

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**Financial Statements and Required Reports  
Under OMB Circular A-133  
June 30, 2014**

**Bonadio & Co., LLP**  
Certified Public Accountants

# SPACKENKILL UNION FREE SCHOOL DISTRICT

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## **INDEPENDENT AUDITOR'S REPORT**

October 10, 2014

The Board of Education of  
Spackenkill Union Free School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Spackenkill Union Free School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Spackenkill Union Free School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 42 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplemental information on pages 44 through 46, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis, and is not a required part of the basic financial statements.

The supplementary information included on pages 44 through 46 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the Spackenkill Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Spackenkill Union Free School District's internal control over financial reporting and compliance.

## **SPACKENKILL UNION FREE SCHOOL DISTRICT**

### **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2014**

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This section of the Spackenkill Union Free School District's annual financial report presents its discussion and analysis of financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **FINANCIAL HIGHLIGHTS**

- In 2014, General fund revenue increased \$533K as a result of a \$838K increase in property tax revenue and \$109K in Health Services revenue partially offset by decrease in refund revenues. General fund expenses increased by approximately \$1.0 million or 2.6% in 2014 which was primarily the result of contractual salary and benefit increases. This was partially offset by a \$448K decrease in health insurance expense which was the result of having a premium holiday.
- Total liabilities increased by \$1.1 million primarily the result of recording the current year increase in the other postemployment benefits obligation liability which was partially offset by current year principal debt payments.
- The District's fiscal year 2014 government-wide revenue totaled \$40.7 million (see Table A-4), an increase of 2.3% from the prior year.
- The total cost of all programs and services totaled \$42.1 million for fiscal year 2014, which was consistent with prior year primarily due to management's strong efforts to limit non-contractual expenditures due to the potential decreases in Federal and State funding.
- At June 30, 2014, the District in its governmental funds reported combined fund balances of \$12.4 million. The General Fund had a \$68 thousand deficit. The other governmental funds were each near the break-even point for 2013-2014.

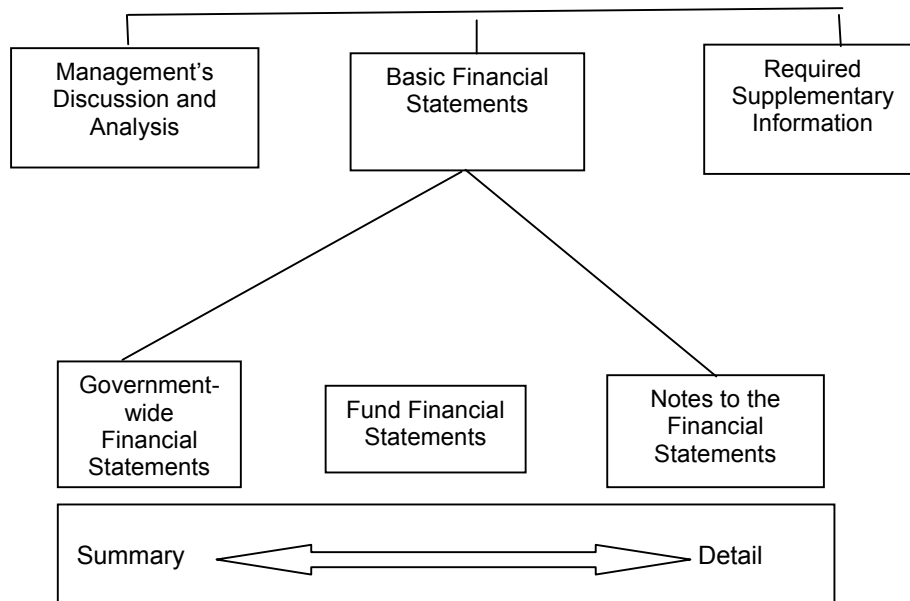
## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the operation in more detail than the entity-wide statements.
- The governmental fund statements tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

**Table A-1** Organization of the District's Annual Financial Report



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

**Table A-2** Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

### Government-Wide Statements

The Government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the School District's *net position* and how they have changed. Net position - the difference between the School District's assets and liabilities - is one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors, such as changes in the property tax base and the condition of buildings and other facilities, should be considered.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Government-Wide Statements (Continued)**

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Investment in capital assets, net of related debt.
  - Restricted net position are those with constraints placed on use by external sources or imposed by law.
  - Unrestricted net position are net position that do not meet any of the above restrictions.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental funds statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, debt service and the capital project fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Financial Analysis of the District as a Whole

Our analysis below focuses on the net position (Table A-3) and the change in net position (Table A-4) of the District's governmental activities.

**Table A-3** Condensed Statements of Net position - Governmental Activities (In Millions)(Rounded)

	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Percent <u>Change</u>
Current and other assets	\$ 16.2	\$ 15.6	4%
Capital assets	<u>17.3</u>	<u>18.2</u>	-5%
Total assets	<u>\$ 33.5</u>	<u>\$ 33.8</u>	-1%
Current liabilities	\$ 5.2	\$ 4.6	12%
Long-term liabilities	<u>25.4</u>	<u>24.9</u>	2%
Total liabilities	<u>\$ 30.6</u>	<u>\$ 29.5</u>	4%
Net assets:			
Investment in capital assets, net of related debt	\$ 2.6	\$ 2.2	18%
Restricted	7.7	7.4	4%
Unrestricted	<u>(7.4)</u>	<u>(5.3)</u>	40%
Total net position	<u>\$ 2.9</u>	<u>\$ 4.3</u>	-33%

In Table A-3, capital assets decreased by approximately \$1.1 million as there were a limited amount of additions in the current year. Current liabilities increased by approximately \$600 thousand mainly as a result of recording the current year increase in the due to TRS and ERS liabilities.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Financial Analysis of the District as a Whole (Continued)

**Table A-4** Changes in Net position from Operating Results Governmental Activities Only (In Millions)(Rounded)

	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Total % <u>Change</u>
Revenue:			
Charges for services	\$ 0.5	\$ 0.4	35%
Operating grants	0.6	0.5	20%
General revenue:			
Real property taxes	25.1	24.2	4%
Other tax items	6.8	6.8	0%
Use of money and property	0.3	0.3	0%
State sources	7.0	6.9	1%
Sale of property	-	-	NA
Other	0.4	0.7	-43%
Total revenue	<u>\$ 40.7</u>	<u>\$ 39.8</u>	2%
Expenses:			
General support	\$ 5.9	\$ 5.5	7%
Instruction	33.5	33.1	1%
Pupil transportation	1.7	1.5	15%
Debt service	0.4	0.5	-16%
Cost of sales school lunch	0.6	0.6	4%
Total expenses	<u>\$ 42.1</u>	<u>\$ 41.2</u>	2%
(Decrease) in net position	<u>\$ (1.4)</u>	<u>\$ (1.4)</u>	0%

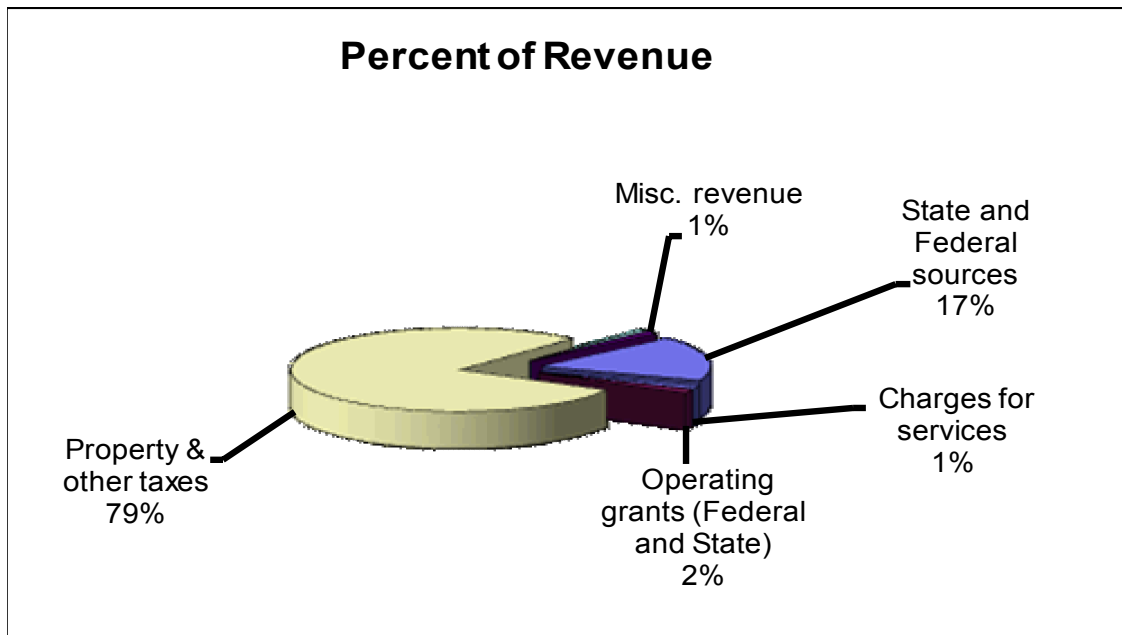
#### Changes in Net position

The District's fiscal year 2014 revenue totaled \$40.7 million (see Table A-4), an increase of approximately \$900K compared to the prior year. An increase in real property tax revenue in 2014 and \$100K in new Health Services revenues was offset by a decrease in refund revenues.

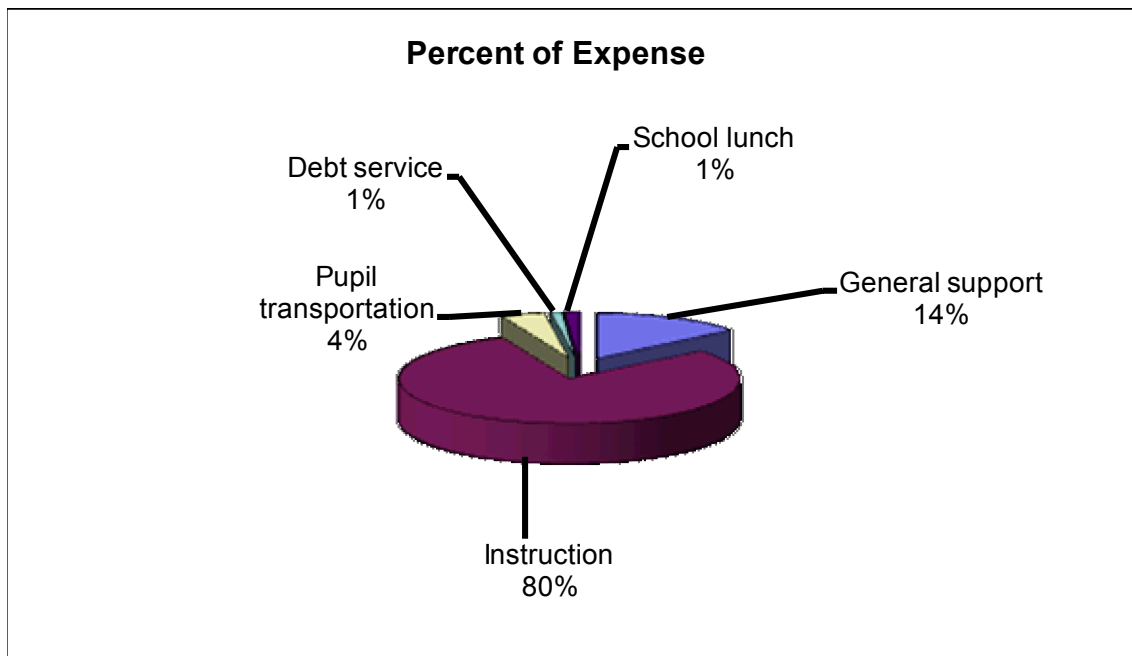
The total cost of all programs and services totaled \$42.1 million for fiscal year 2014. 80% of this was used to support general instruction, (see Table A-6). The District's board of education, administrative, and business activities accounted for 14% of total costs. The District's operating expenses increased approximately \$900 thousand primarily the result of contractual salary and benefits obligation increases.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**Table A-5** Sources of Revenue for Fiscal Year 2014



**Table A-6** Expenditures for Fiscal Year 2014



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Governmental Activities

Table A-7 presents the cost of five major District activities: General support (administration), instruction, pupil transportation, debt service and school lunch. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Table A-7** Net Cost of Governmental Activities (In Millions)

<u>Category</u>	<u>Total Cost</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net Cost</u>
General support	\$ 5.9	\$ -	\$ -	\$ 5.9
Instruction	33.6	0.1	0.4	33.1
Pupil transportation	1.7	-	-	1.7
Debt service	0.4	-	-	0.4
School lunch	0.5	0.3	0.2	-
Total	<u>\$ 42.1</u>	<u>\$ 0.4</u>	<u>\$ 0.6</u>	<u>\$ 41.1</u>

As shown in Table A-7, the cost of all governmental activities this year was \$42.1 million, of which users and program operating grants from state and federal sources contributed approximately \$1.0 million. The remainder of the costs of \$41.1 million was financed primarily by District taxpayers and general state aid.

### Financial Analysis of the District's Funds

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

For a district its size, the District's combined fund balance of \$12.4 million is indicative of a strong financial position. However, with new regulations limiting the increase in tax levies along with anticipated increases in healthcare insurance, retirement and energy costs, the District Administration must continue to monitor its operating results and its financial position.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the General Fund.

The General Fund is the only fund for which a budget is legally adopted. For the purposes of the above analysis, the budget columns do not include the appropriated fund balance.

It is noted that instructional expenditures were under budget by \$1.6 million in 2014. This was primarily related to a conservative estimate of Special Education expenditures for 2014. Enrollment numbers although increased from the prior year were significantly lower than budgeted. It is also noted that employee benefit expenditures were under budget by approximately \$1.0 million in 2014. This was primarily related to a conservative budget for teachers and employee retirement benefits and an unexpected decrease in health insurance expense in 2014.

### Actual vs. Budget (In Thousands of Dollars)

	Original Budget	Final Budget	Actual	Encumbrances	Variance (Actual/Budget)
Revenue:					
Local sources	\$ 32,428	\$ 32,440	\$ 32,549	\$ -	\$ 109
State sources	6,984	6,984	6,990	-	6
Medicaid reimbursements	-	-	20	-	20
Total	<u>39,412</u>	<u>39,424</u>	<u>39,559</u>	<u>-</u>	<u>135</u>
Expenses:					
General support	4,377	4,633	4,560	111	(38)
Instruction	23,359	23,276	21,661	38	1,577
Pupil Transportation	1,525	1,403	1,381	-	22
Employee benefits	11,153	11,148	10,160	-	988
Debt service	1,723	1,723	1,718	-	5
Transfers out	130	130	147	-	(17)
Total	<u>42,267</u>	<u>42,313</u>	<u>39,627</u>	<u>149</u>	<u>2,538</u>
Revenue over (under) expense	\$ <u>(2,855)</u>	\$ <u>(2,889)</u>	\$ <u>(68)</u>	\$ <u>(149)</u>	\$ <u>2,673</u>

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Capital Assets

By the end of 2014, the District had an investment of \$17.3 million in a broad range of capital assets. The District completed \$10.2 million in High School renovations in 2013 and there were no major capital projects completed in 2014.

**Table A-8** Capital Assets (net of depreciation) (In Millions)

Category:	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Percent <u>Change</u>
Land and land improvements	\$ 0.1	\$ 0.1	N/A
Construction in progress	0.2	0.2	0%
Buildings and improvements	16.7	17.6	-5%
Furniture and equipment	<u>0.3</u>	<u>0.3</u>	0%
Total	<u>\$ 17.3</u>	<u>\$ 18.2</u>	-5%

### Long-Term Debt

At year-end, the District had \$14.4 million in general obligation bonds outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**Table A-9** Outstanding Long-Term Debt (In Millions)

Category:	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Percent <u>Change</u>
General obligation bonds	\$ 14.4	\$ 15.7	-8%
Energy Performance Contract	0.3	0.3	-13%
Compensated absences	0.5	0.3	77%
Premium on Bonds Payable	-	0.2	-100%
Other postemployment benefits obligation	<u>11.9</u>	<u>9.7</u>	22%
Total	<u>\$ 27.1</u>	<u>\$ 26.2</u>	4%

During 2014, the District repaid \$1.3 million of outstanding bonds and no new debt was issued.

### Factors Bearing on the Future of The District

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Increase in health insurance, retirement costs, and other post-retirement costs will continue to increase and could affect the School District's financial health.
- The District receives approximately 19% of its funding through state and federal sources. Expected deficits in both Federal and New York State government finances could reduce future funding from these sources that could affect the School District's financial health.
- The continued decline in the fair market value of real property tax assessments in New York State could also affect the District's long-term financial health as well as the effect of the New York State 2% tax cap regulation.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Contacting the District's Financial Management**

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

Michele Moloney, School Business Manager  
Spackenkill Union Free School District  
15 Croft Road  
Poughkeepsie, NY 12601

# SPACKENKILL UNION FREE SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2014

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### ASSETS

#### CURRENT ASSETS:

Cash - unrestricted	\$ 14,837,615
State and federal aid receivable	1,099,880
Due from fiduciary funds	45,958
Other receivables	198,636
Inventory	<u>15,532</u>

Total current assets 16,197,621

#### NON-CURRENT ASSETS:

Capital assets, net	<u>17,336,225</u>
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Total assets 33,533,846

### LIABILITIES

#### CURRENT LIABILITIES:

Accounts payable	184,550
Accrued liabilities	174,910
Compensated absences due within one year	440,614
Due to Teachers' Retirement System	2,781,854
Due to Employees' Retirement System	186,355
Due to other governments	648
Bonds payable due within one year	1,280,000
Energy performance liability due within one year	30,558
Unearned revenues	33,060
Accrued interest payable	<u>134,830</u>

Total current liabilities 5,247,379

#### LONG-TERM LIABILITIES:

Bonds payable	13,169,813
Other postemployment benefits obligation	11,875,574
Energy performance liability	229,896
Compensated absences liability	<u>91,766</u>

Total long-term liabilities 25,367,049

Total liabilities 30,614,428

### NET POSITION

Investment in capital assets	2,633,095
Restricted	7,739,422
Unrestricted	<u>(7,453,099)</u>

Total net position \$ 2,919,418

The accompanying notes are an integral part of these statements.



# SPACKENKILL UNION FREE SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense) Revenue and Changes in <u>Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 5,936,923	\$ -	\$ -	\$ (5,936,923)
Instruction	33,479,631	139,647	423,475	(32,916,509)
Pupil transportation	1,720,574	-	-	(1,720,574)
Debt service- interest	421,373	-	-	(421,373)
Cost of sales - school lunch	526,236	313,419	137,324	(75,493)
	<u>\$ 42,084,737</u>	<u>\$ 453,066</u>	<u>\$ 560,799</u>	<u>(41,070,872)</u>
GENERAL REVENUE:				
Real property taxes				25,076,417
Other tax items				6,826,660
Use of money and property				295,304
Sale of property				2,006
Miscellaneous				434,191
State sources				6,989,951
Medicaid reimbursement				<u>20,142</u>
Total general revenue				<u>39,644,671</u>
CHANGE IN NET POSITION				(1,426,201)
TOTAL NET POSITION - beginning of year				4,345,619
TOTAL NET POSITION - end of year				<u>\$ 2,919,418</u>

The accompanying notes are an integral part of these statements.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
<b>ASSETS</b>						
Cash - unrestricted	\$ 13,607,984	\$ 525,808	\$ 190,325	\$ 64,234	\$ 449,264	\$ 14,837,615
State and federal aid receivable	997,726	82,207	19,947	-	-	1,099,880
Due from other funds	1,173,188	325,252	-	398,667	4,512	1,901,619
Other receivables	196,708	-	1,928	-	-	198,636
Inventory	-	-	15,532	-	-	15,532
<b>Total assets</b>	<b>\$ 15,975,606</b>	<b>\$ 933,267</b>	<b>\$ 227,732</b>	<b>\$ 462,901</b>	<b>\$ 453,776</b>	<b>\$ 18,053,282</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 142,976	\$ 41,574	\$ -	\$ -	\$ -	\$ 184,550
Accrued liabilities	170,826	-	4,084	-	-	174,910
Compensated absences	440,614	-	-	-	-	440,614
Due to other funds	364,632	890,075	154,315	-	446,639	1,855,661
Due to other governments	-	-	648	-	-	648
Due to Teachers' Retirement System	2,781,854	-	-	-	-	2,781,854
Due to Employees' Retirement System	186,355	-	-	-	-	186,355
Deferred revenue	783	1,618	30,659	-	-	33,060
<b>Total liabilities</b>	<b>4,088,040</b>	<b>933,267</b>	<b>189,706</b>	<b>-</b>	<b>446,639</b>	<b>5,657,652</b>
<b>FUND BALANCES:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	15,532	-	-	15,532
<b>Total nonspendable</b>	<b>-</b>	<b>-</b>	<b>15,532</b>	<b>-</b>	<b>-</b>	<b>15,532</b>
<b>RESTRICTED:</b>						
Unemployment	263,375	-	-	-	-	263,375
Worker's comp	329,783	-	-	-	-	329,783
Tax certiorari	5,170,447	-	-	-	-	5,170,447
Capital	178,365	-	-	-	-	178,365
Insurance	371,537	-	-	-	-	371,537
Retirement	800,915	-	-	-	-	800,915
Employee benefits	625,000	-	-	-	-	625,000
<b>Total restricted</b>	<b>7,739,422</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,739,422</b>
<b>ASSIGNED:</b>						
Appropriated for subsequent year's expenditures	2,300,000	-	-	-	-	2,300,000
Other	148,441	-	22,494	462,901	7,137	640,973
<b>Total assigned</b>	<b>2,448,441</b>	<b>-</b>	<b>22,494</b>	<b>462,901</b>	<b>7,137</b>	<b>2,940,973</b>
<b>UNASSIGNED</b>	<b>1,699,703</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,699,703</b>
<b>Total fund balances</b>	<b>11,887,566</b>	<b>-</b>	<b>38,026</b>	<b>462,901</b>	<b>7,137</b>	<b>12,395,630</b>
<b>Total liabilities and fund balance</b>	<b>\$ 15,975,606</b>	<b>\$ 933,267</b>	<b>\$ 227,732</b>	<b>\$ 462,901</b>	<b>\$ 453,776</b>	<b>\$ 18,053,282</b>

## SPACKENKILL UNION FREE SCHOOL DISTRICT

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2014

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

Total governmental fund balances	\$ 12,395,630
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government fund financial statements	17,336,225
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the government fund financial statements	(14,449,813)
Interest payable at June 30, 2014, reported in the government-wide statements under full accrual accounting	(134,830)
Other postemployment benefits obligation at June 30, 2014, in government-wide statements under full accrual accounting	(11,875,574)
Energy performance liability at June 30, 2014, in government-wide statements under full accrual accounting	(260,454)
Compensated absences at June 30, 2014, in government-wide statements under full accrual accounting	<u>(91,766)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,919,418</u>

The accompanying notes are an integral part of these statements.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Fund Types					Total Government Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
<b>REVENUE:</b>						
Real property taxes	\$ 25,076,417	\$ -	\$ -	\$ -	\$ -	\$ 25,076,417
Other tax items	6,826,660	-	-	-	-	6,826,660
Charges for services	139,647	-	-	-	-	139,647
Use of money and property	294,735	-	49	520	-	295,304
Sale of property	2,006	-	-	-	-	2,006
Miscellaneous	209,209	-	17,763	-	-	226,972
State sources	6,989,951	86,966	5,262	-	-	7,082,179
Federal sources	-	336,509	132,062	-	-	468,571
Medicaid Reimbursement	20,142	-	-	-	-	20,142
Sales	-	-	313,419	-	-	313,419
<b>Total revenue</b>	<b>39,558,767</b>	<b>423,475</b>	<b>468,555</b>	<b>520</b>	<b>-</b>	<b>40,451,317</b>
<b>EXPENDITURES:</b>						
General support	4,559,661	-	-	-	-	4,559,661
Instruction	21,661,222	419,577	-	-	-	22,080,799
Pupil transportation	1,381,514	25,640	-	-	-	1,407,154
Employee benefits	10,160,192	-	90,120	-	-	10,250,312
Debt service -						
Principal	1,291,601	-	-	-	-	1,291,601
Interest	426,118	-	-	-	-	426,118
Cost of sales	-	-	396,098	-	-	396,098
Capital outlays	-	-	-	-	102,166	102,166
<b>Total expenditures</b>	<b>39,480,308</b>	<b>445,217</b>	<b>486,218</b>	<b>-</b>	<b>102,166</b>	<b>40,513,909</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EX</b>	<b>78,459</b>	<b>(21,742)</b>	<b>(17,663)</b>	<b>520</b>	<b>(102,166)</b>	<b>(62,592)</b>
<b>OTHER SOURCES AND (USES):</b>						
Transfers in	-	21,742	25,000	-	100,000	146,742
Transfers out	(146,742)	-	-	-	-	(146,742)
<b>Total other financing sources</b>	<b>(146,742)</b>	<b>21,742</b>	<b>25,000</b>	<b>-</b>	<b>100,000</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND</b>	<b>(68,283)</b>	<b>-</b>	<b>7,337</b>	<b>520</b>	<b>(2,166)</b>	<b>(62,592)</b>
<b>FUND BALANCES - beginning of year</b>	<b>11,955,849</b>	<b>-</b>	<b>30,689</b>	<b>462,381</b>	<b>9,303</b>	<b>12,458,222</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 11,887,566</b>	<b>\$ -</b>	<b>\$ 38,026</b>	<b>\$ 462,901</b>	<b>\$ 7,137</b>	<b>\$ 12,395,630</b>

## SPACKENKILL UNION FREE SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES-GOVERNMENT FUNDS FOR THE YEAR ENDED JUNE 30, 2014

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Net changes in fund balance - Total governmental funds	\$ (62,592)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	74,661
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(946,622)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net assets:	1,291,601
Write-off of bond premiums previously recognized as revenue in the governmental funds financial statements	207,219
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
Other postemployment benefits obligation	(2,133,377)
Accrued interest payable	4,745
Accrued liabilities	24,670
Compensated absences	<u>113,494</u>
Change in net position - Governmental activities	<u>\$ (1,426,201)</u>

The accompanying notes are an integral part of these statements.

# SPACKENKILL UNION FREE SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS JUNE 30, 2014

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	Private Purpose <u>Trusts</u>	Trust and <u>Agency</u>
ASSETS:		
Cash	\$ 41,653	\$ 420,414
Extraclassroom cash		79,967
Due from other funds	<u>-</u>	<u>369</u>
Total assets	<u>41,653</u>	<u>500,750</u>
LIABILITIES:		
Extraclassroom activity balances	-	79,967
Due to other funds	-	46,327
Other liabilities	<u>-</u>	<u>374,456</u>
Total liabilities	<u>-</u>	<u>\$ 500,750</u>
NET ASSETS:		
Reserved for scholarships	<u>\$ 41,653</u>	

The accompanying notes are an integral part of these statements.

# SPACKENKILL UNION FREE SCHOOL DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

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	Private Purpose <u>Trusts</u>
ADDITIONS	
Gifts, contributions, fundraising and interest	\$ <u>265</u>
DEDUCTIONS	
Scholarships, activity expenditures and awards	<u>(1,187)</u>
NET INCREASE	(922)
NET ASSETS - beginning of year	<u>42,575</u>
NET ASSETS - end of year	<u>\$ 41,653</u>

The accompanying notes are an integral part of these statements.

# SPACKENKILL UNION FREE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### 1. NATURE OF OPERATIONS

Spackenkill Union Free School District (School District or District) provides K-12 public education to students living within its geographic borders.

### 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the School District are described below:

#### **Reporting Entity**

The reporting entity of the District is based upon criteria set forth by GAAP. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an entity included in the School District's reporting entity.

#### **Extraclassroom Activity Funds**

The extraclassroom activity funds of the School District represent funds of the students of the School District. The board of education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

#### **Joint Venture**

The School District participates in the Dutchess Board of Cooperative Education Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.



## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Joint Venture (Continued)

BOCES are organized under §1950 of the New York State Education Law. A BOCES board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES board as a corporation (§1950(6)). In addition, BOCES boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

### Basis of Presentation

#### Government-Wide Statements

The statement of net position and the statement of activities present financial information about the School District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

#### Fund Financial Statements

The fund financial statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds determined based on criteria established by GASB, each displayed in a separate column.

The School District reports the following major governmental funds:

- **General Fund** This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- **Special Revenue Funds** These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The School District uses two special revenue type funds - special aid and school lunch.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fund Financial Statements (Continued)

- **Debt Service Fund** The debt service fund is used to account for and report on the accumulation of resources to be used for redemption of general long-term indebtedness.
- **Capital Projects Fund** These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

### Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds.

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the Government-wide financial statements because their resources do not belong to the School District and are not available to be used.

There are two classes' fiduciary funds:

- Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third-party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

### Use of Estimates

The preparation of financial statements in conformity with (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates.

### Measurement Focus and Basis of Accounting

The Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the School District gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is expected to be collected within ninety days after the end of the fiscal year.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Measurement Focus and Basis of Accounting (Continued)**

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

### **Cash**

The School District's cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

### **Property Taxes**

Real property taxes are levied annually by the board of education no later than September 1, and become a lien on August 31. Taxes were collected during the period September 1 to November 1.

Uncollected real property taxes are subsequently enforced by the County of Dutchess (the County), in which the School District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

The School District received \$4,356,900 during the 2013-2014 fiscal year representing the second installment on a 15-year Payment in Lieu of Taxes (PILOT) agreement from IBM; as per the PILOT agreement between IBM and the Town of Poughkeepsie. The second year's payment made up approximately 11% of the voter approved General fund budget.

### **Accounts Receivable**

The District records bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however the effect of using the direct write-off method is not materially different from the results that would be obtained under the allowance method.

### **Inventories and Prepaid Items**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end.

### **Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenue to provide financing or other services.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interfund Transactions (Continued)

In the District-wide statements, the amounts reported on the Statement of Net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed description of the individual fund balances at year-end is provided subsequently in Note 9.

### Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the School District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	N/A	N/A
Buildings and improvements	\$ 5,000	SL	15 - 50
Furniture and equipment	\$ 5,000	SL	5 - 20

### Vested Employee Benefits

School District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with generally accepted accounting principles, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

School District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Vested Employee Benefits (Continued)**

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the School District and the retired employee. The District pays 0-100% of the cost of premiums to an insurance company that provides health care insurance. There are currently 170 retirees receiving benefits under the plan.

### **Bond Premiums**

Premiums received by the School District due to the issuance of serial bonds are recorded and accreted over the term of the related bonds. Accretion expense is included as a reduction of interest expense in the government-wide financial statements.

### **Unearned Revenue**

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

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

### **Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities, and long-term obligations are reported in the Government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net position.

### **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Net Position/Fund Balance Classifications

#### Government-wide statements

In the government-wide statements there are three classes of net position:

Net Investment in capital assets - consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted net position consists of the following:

Unemployment	\$	263,375
Worker's comp		329,783
Tax certiorari		5,170,447
Capital		178,365
Insurance		371,537
Retirement		800,915
Employee benefits		625,000
Total restricted net assets	\$	<u>7,739,422</u>

Unrestricted net position - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

#### Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund.

Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The School District has available the following restricted fund balances:

#### Capital

Capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Net Position/Fund Balance Classifications (Continued)

#### Governmental Fund Statements (Continued)

##### Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The board of education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

##### Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

##### Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund under restricted fund balance.

##### Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement.

##### Insurance

Insurance reserve is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Net Position/Fund Balance Classifications (Continued)

#### Governmental Fund Statements (Continued)

##### Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

##### Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

##### Employee Benefits and Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

##### Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

##### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted, committed or assigned fund balance based on the constraints on the use of these funds.

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2014.



**2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Position/Fund Balance Classifications (Continued)**

Governmental Fund Statements (Continued)

Assigned fund balance - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. There was an amount designated for subsequent year's expenditures in the general fund of \$2,300,000. As of June 30, 2014, the School District's encumbrances were classified as follows:

General fund encumbrances:

General Support	\$	110,854
Instruction		<u>37,587</u>
Total General fund encumbrances	\$	<u>148,441</u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determine next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities compared with the current financial resources focus of the governmental funds.

### **3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL GOVERNMENT-WIDE STATEMENTS (Continued)**

#### **Total Fund Balances of Governmental Funds vs. Net position of Governmental Activities**

Total fund balances of the School District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

The "excess of revenues and other sources over expenditures and other uses" of the School District's governmental funds differ from the "change in net position" of governmental activities reported on the Statement of Activities. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus on the governmental funds.

#### Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

#### Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

#### Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of activities.

### **4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures, (and encumbrances), that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

#### 4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

##### Budgets (Continued)

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget, (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

#### 5. CASH

##### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed in Note 2.

##### Custodial Credit Risk - Deposits

As of June 30, 2014, the carrying amount of the District's cash was \$15,379,649 and was exposed to custodial credit risk as follows:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	<u>\$ 16,803,363</u>	<u>\$ 15,379,649</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 16,397,416	
Covered by FDIC insurance	<u>583,306</u>	
Total	<u>\$ 16,980,922</u>	

Collateral is required for time deposits and certificates of deposit at 102% of all deposits not covered by the federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and towns. The District did not have all of its deposits fully collateralized in one financial institution at year end.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

## 6. PARTICIPATION IN BOCES

During the year, the School District was billed \$2,960,614 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$1,388,268. Financial statements for BOCES are available from the BOCES administrative office.

## 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014, were as follows:

	July 1, 2013 <u>Balance</u>	Additions or <u>Transfers in</u>	Disposals or <u>Transfers out</u>	June 30, 2014 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 121,545	\$ -	\$ -	\$ 121,545
Construction in process	<u>150,395</u>	<u>65,500</u>	<u>-</u>	<u>215,895</u>
Total nondepreciable cost	<u>271,940</u>	<u>65,500</u>	<u>-</u>	<u>337,440</u>
Buildings and improvements	29,080,053	-	-	29,080,053
Furniture and equipment	<u>1,906,553</u>	<u>9,160</u>	<u>-</u>	<u>1,915,713</u>
Total depreciable historical cost	<u>30,986,606</u>	<u>9,160</u>	<u>-</u>	<u>30,995,766</u>
Less accumulated depreciation:				
Buildings	11,474,560	865,069	-	12,339,629
Furniture and equipment	<u>1,575,799</u>	<u>81,553</u>	<u>-</u>	<u>1,657,352</u>
Total accumulated depreciation	<u>13,050,359</u>	<u>946,622</u>	<u>-</u>	<u>13,996,981</u>
Total depreciable cost - net	<u>\$ 18,208,187</u>	<u>\$ (871,962)</u>	<u>\$ -</u>	<u>\$ 17,336,225</u>

Depreciation expense for the year ended June 30, 2014 was allocated to specific functions as follows:

General support	\$ 151,748
Instruction	734,861
Pupil transportation	46,831
Cost of sales	<u>13,182</u>
Total depreciation	<u>\$ 946,622</u>

## 8. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid - Long-term debt	\$ 426,118
Less: Interest accrued in the prior year	(139,575)
Plus: Interest accrued in the current year	<u>134,830</u>
<b>Total Expense</b>	<b><u>\$ 421,373</u></b>

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
Bonds and notes payable:					
General obligation debt:					
Serial bonds	\$ 15,710,000	\$ -	\$ 1,260,187	\$ 14,449,813	\$ 1,280,000
Other liabilities:					
Energy Performance Contract	291,868	-	31,414	260,454	30,558
Unamortized Bond Premiums	207,219	-	207,219	-	-
Other postemployment benefits	9,742,197	3,383,314	1,249,937	11,875,574	-
Compensated absences	<u>332,930</u>	<u>199,450</u>	<u>-</u>	<u>532,380</u>	<u>-</u>
Total long-term liabilities	<u>\$ 26,284,214</u>	<u>\$ 3,582,764</u>	<u>\$ 2,748,757</u>	<u>\$ 27,118,221</u>	<u>\$ 1,310,558</u>

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2014 Balance</u>
Serial Bond	9/15/1994	2016	6.13%	\$ 50,000
Serial Bond	7/15/2005	2015	4.00-4.13%	135,000
Serial Bond	7/15/2007	2023	4.25%	1,490,000
Serial Bond	11/17/2010	2021	4.00%	1,780,000
Serial Bond	9/23/2010	2026	2.00-3.00%	8,940,000
Serial Bond	3/19/2013	2026	2.00%	<u>2,054,813</u>
<b>Total bond issue</b>				<b><u>\$ 14,449,813</u></b>

**8. LONG-TERM DEBT (Continued)**

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,280,000	\$ 395,932	\$ 1,675,932
2016	1,265,000	358,994	1,623,994
2017	1,310,000	323,875	1,633,875
2018	1,350,000	287,494	1,637,494
2019	1,405,000	249,694	1,654,694
2020-2024	5,710,000	709,932	6,419,932
2025-thereafter	<u>2,129,813</u>	<u>60,275</u>	<u>2,190,088</u>
Totals	<u>\$ 14,449,813</u>	<u>\$ 2,386,196</u>	<u>\$ 16,836,009</u>

**Energy Performance Payable**

During 2004, the School District entered into an Energy Performance Contract financing arrangement with a bank for the acquisition of energy efficient equipment to assist the School District in reducing its ongoing energy costs. The financing agreement qualifies as a capital lease with annual installments estimated at \$29,000-\$33,000 per year, including a variable interest rate, currently 0.70% for the year ended June 30, 2014.

## 8. LONG-TERM DEBT (Continued)

The following is the net present value of minimum lease payments as of June 30,2014:

Year Ending <u>June 30,</u>	Long-Term Debt <u>Date</u>
2015	\$ 31,829
2016	31,829
2017	31,829
2018	31,829
2019-2023	<u>156,495</u>
Minimum Lease Payment- Capital Leases	283,811
Less: Amount representing 0.70% per annum	<u>23,357</u>
Present Value-Minimum Lease Payments	<u><u>\$ 260,454</u></u>

## 9. INTERFUND BALANCES AND ACTIVITY

	Interfund		Transfers	
	<u>Payable</u>	<u>Receivable</u>	<u>In</u>	<u>Out</u>
General fund	\$ 364,632	\$ 1,173,188	\$ -	\$ 146,742
Special aid fund	890,075	325,252	21,742	-
School lunch	154,315	-	25,000	-
Debt service fund	-	398,667	-	-
Capital fund	446,639	4,512	100,000	-
Trust and agency fund	<u>46,327</u>	<u>369</u>	<u>-</u>	<u>-</u>
Total government activities	<u><u>\$ 1,901,988</u></u>	<u><u>\$ 1,901,988</u></u>	<u><u>\$ 146,742</u></u>	<u><u>\$ 146,742</u></u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

## 10. PENSION PLANS

The School District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing, multiple employer public employee retirement systems. The systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

## 10. PENSION PLANS (Continued)

NYSERS provides retirement benefits, as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and benefits to employees. The system issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12207.

The Systems are noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. For employees who joined after April 1, 2012, employees in NYSERS contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership and those in NYSTRS contribute 3.5% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The School District is required to contribute at an actuarially determined rate. The School District contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>TRS</u>	<u>ERS</u>
2014	\$ 2,203,568	\$ 655,398
2013	\$ 1,967,702	\$ 570,298
2012	\$ 1,524,318	\$ 475,774

## 11. POSTEMPLOYMENT BENEFITS

### Plan Description

The District provides for postretirement medical benefits to retiring employees after 5 years of service. When a retiree reaches age 65, Medicare will provide primary coverage, except as otherwise provided by law. Dental and life insurance benefits are available with select individuals and classes of employees. The Plan can be amended by action of the District through agreements with different bargaining units. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.



## 11. POSTEMPLOYMENT BENEFITS (Continued)

### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation:

Annual required contribution	\$ 3,163,288
Interest on net OPEB obligation	487,110
Adjustment to ARC	<u>(267,084)</u>
Annual OPEB cost	3,383,314
Contributions made	<u>(1,249,937)</u>
Increase in net OPEB obligation	2,133,377
Net OPEB obligation - beginning of year	<u>9,742,197</u>
Net OPEB obligation - end of year	<u>\$ 11,875,574</u>
Percentage of Annual OPEB Cost Contributed	36.9%

### Trend Information

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

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 3,383,314	\$ 1,249,937	37%	\$ 11,875,574
6/30/2013	\$ 3,192,129	\$ 1,228,988	39%	\$ 9,742,197
6/30/2012	\$ 3,737,834	\$ 1,260,974	34%	\$ 7,779,056

### Funded Status and Funding Progress

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

As of the date of these financial statements, New York State did not yet have legislation that would enable government entities to establish a Governmental Accounting Standards Board (GASB) qualifying trust for the purpose of funding OPEB benefits.

## 11. POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2013	\$ -	\$ 44,464,848	\$ 44,464,848	0%	\$ 21,251,266	209%
7/1/2012	\$ -	\$ 41,775,241	\$ 41,775,241	0%	\$ 20,663,477	202%
7/1/2011	\$ -	\$ 45,172,013	\$ 45,172,013	0%	\$ 20,776,187	217%

### Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	5.0%
Medical care cost trend rate	9.0% initially. The rate is reduced by decrements to an ultimate rate of 5.0%.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Closed

\* As the plan is unfunded, the assumed discount rate considers that the District's investment assets are low risk in nature, such as money market funds or certificates of deposit.

## 12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks are expected to exceed commercial insurance coverage.

### Health Insurance

The School District participates in a Health Consortium, a non-risk retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 27 individual governmental units located within the pool's geographic area, as is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool. The District also offers to its employees and eligible retirees community rated insurance programs through commercial carriers.

### Workers Compensation

The Spackenkill Union Free School District participates in a risk-sharing pool, New York State Public Schools Statewide Workers' Compensation Trust, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risk related to workers' compensation claims.

### **13. CONTINGENCIES AND COMMITMENTS**

#### **Litigation**

The School District has been named as defendant in several tax certiorari cases. A review by management and the School District's attorneys indicate that the total projected settlement within the next five fiscal years is approximately \$5.2 million.

#### **Other Contingencies**

The School District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial.

### **14. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED**

In June 2012, the GASB issued Statement *No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of Statement No. 68 is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. The District is required to adopt the provisions of these Statements for the year ending June 30, 2015, with early adoption encouraged.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The District is required to adopt the provisions of this Statement for the year ending June 30, 2015. A prospective basis should be applied and early adoption is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The District is required to adopt the provisions of this Statement in conjunction with GASB Statement No. 68, for the year ending June 30, 2015, with early adoption encouraged.

The District has not assessed the impact of these statements on its future financial statements.

### **15. SUBSEQUENT EVENTS**

The School District entered into a 15 year Master Tax-Exempt Lease/Purchase Agreement in August 2014 with a bank. This Energy Services agreement includes \$2.8 million in total principal payments plus interest at 2.7% over the life of the agreement.

**SUPPLEMENTARY INFORMATION**

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUE</b>					
LOCAL SOURCES:					
Real property taxes	\$ 25,146,177	\$ 25,146,177	\$ 25,076,417	\$ -	\$ (69,760)
Other tax items	6,756,900	6,756,900	6,826,660	-	69,760
Charges for services	44,500	44,500	139,647	-	95,147
Use of money and property	280,000	280,000	294,735	-	14,735
Sale of property	-	-	2,006	-	2,006
Miscellaneous	<u>200,500</u>	<u>212,053</u>	<u>209,209</u>	<u>-</u>	<u>(2,844)</u>
Total local sources	32,428,077	32,439,630	32,548,674	-	109,044
State sources	6,984,000	6,984,000	6,989,951	-	5,951
Medicaid reimbursement	<u>-</u>	<u>-</u>	<u>20,142</u>	<u>-</u>	<u>20,142</u>
Total revenue	<u>39,412,077</u>	<u>39,423,630</u>	<u>39,558,767</u>	<u>-</u>	<u>135,137</u>

(Continued)

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDEND JUNE 30., 2014 (CONTINUED)**

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	<u>Encumbrances</u>	Final Budget Variance with <u>Budgetary Actual</u>
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of education	52,782	50,538	43,369	-	7,169
Central administration	264,208	268,306	267,139	-	1,167
Finance	501,077	547,062	531,144	33,119	(17,201)
Staff	175,085	175,612	176,752	519	(1,659)
Central services	2,923,885	2,962,366	2,902,882	77,216	(17,732)
Special items	<u>459,503</u>	<u>628,908</u>	<u>638,375</u>	<u>-</u>	<u>(9,467)</u>
Total general support	<u>4,376,540</u>	<u>4,632,792</u>	<u>4,559,661</u>	<u>110,854</u>	<u>(37,723)</u>
INSTRUCTION:					
Instruction, administration, and improvement	1,546,033	1,532,271	1,411,566	-	120,705
Teaching - regular school	13,713,028	13,650,735	13,113,462	21,409	515,864
Programs for children with handicapping conditions	4,146,539	4,086,908	3,208,924	-	877,984
Occupational education	345,290	346,098	346,098	-	-
Teaching - special school	115,203	115,203	17,709	-	97,494
Instructional media	1,265,171	1,324,093	1,357,769	673	(34,349)
Pupil services	<u>2,227,263</u>	<u>2,220,907</u>	<u>2,205,694</u>	<u>15,505</u>	<u>(292)</u>
Total instruction	<u>23,358,527</u>	<u>23,276,215</u>	<u>21,661,222</u>	<u>37,587</u>	<u>1,577,406</u>
Pupil transportation	1,525,221	1,402,826	1,381,514	-	21,312
Employee benefits	11,152,577	11,148,343	10,160,192	-	988,151
Debt service	<u>1,723,472</u>	<u>1,723,472</u>	<u>1,717,719</u>	<u>-</u>	<u>5,753</u>
Total expenditures	<u>42,136,337</u>	<u>42,183,648</u>	<u>39,480,308</u>	<u>148,441</u>	<u>2,554,899</u>
Excess (deficiency) of revenue over expenditures	<u>(2,724,260)</u>	<u>(2,760,018)</u>	<u>78,459</u>	<u>(148,441)</u>	<u>2,690,036</u>
OTHER FINANCING SOURCES (USES):					
Transfers out	<u>(130,000)</u>	<u>(130,000)</u>	<u>(146,742)</u>	<u>-</u>	<u>(16,742)</u>
Total other financing sources	<u>(130,000)</u>	<u>(130,000)</u>	<u>(146,742)</u>	<u>-</u>	<u>(16,742)</u>
NET CHANGE IN FUND BALANCES	(2,854,260)	(2,890,018)	(68,283)	(148,441)	2,673,294
FUND BALANCES - beginning of year	<u>9,340,076</u>	<u>9,140,190</u>	<u>11,955,849</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ending	<u>\$ 6,485,816</u>	<u>\$ 6,250,172</u>	<u>\$ 11,887,566</u>	<u>\$ (148,441)</u>	<u>\$ 2,673,294</u>

The accompanying notes are an integral part of these statements

**REQUIRED SUPPLEMENTARY INFORMATION**

# SPACKENKILL UNION FREE SCHOOL DISTRICT

## SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION FOR THE YEAR ENDED JUNE 30, 2014

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### CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 41,892,077
Add: Prior year's encumbrances	<u>374,260</u>
Original budget	42,266,337
Budget revision	<u>47,311</u>
Final budget	<u>\$ 42,313,648</u>

### SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2014-15 voter-approved expenditure budget	\$ 42,492,582
Maximum allowed (4% of 2014-15 budget)	1,699,703

#### Unrestricted fund balance:

Assigned fund balance	\$ 2,448,441
Unassigned fund balance	<u>1,699,703</u>

Total unrestricted fund balance \$ 4,148,144

#### Less:

Appropriated fund balance	2,300,000
Encumbrances included in committed and assigned fund balance	<u>148,441</u>

Total adjustments \$ 2,448,441

General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 1,699,703

Actual percentage 4.0%

\* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.



**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Authorization		Expenditures and Transfers to Date					Methods of Financing				Fund Balance at 2014
	Original Appropriation	Revised Appropriation	Prior Years' Expenditures	Current Year's Expenditures	Total Expenditures	Available Balance	Proceeds of Obligations	Local Sources	Transfers In	Total		
Capital Improvement	\$ 2,966,639	\$ 2,966,639	\$ 2,930,396	\$ 19,270	\$ 2,949,666	\$ 16,973	\$ 2,950,000	\$ -		\$ 2,950,000	\$ 334	
Capital Improvement- High School	2,150,000	2,150,000	2,150,000	-	2,150,000	-	2,150,000	-	-	2,150,000	-	
Capital Improvement- Hagan	285,000	382,086	156,486	79,675	236,161	145,925	-	100,000	139,216	239,216	3,055	
Capital Improvement- Todd MS	192,600	202,130	160,784	-	160,784	41,346	-	100,000	60,784	160,784	-	
Capital Improvement- High School	13,934,000	14,226,446	10,450,341	3,221	10,453,562	3,772,884	10,237,972	219,338	-	10,457,310	3,748	
<b>Total</b>	<b>\$ 19,528,239</b>	<b>\$ 19,927,301</b>	<b>\$ 15,848,007</b>	<b>\$ 102,166</b>	<b>\$ 15,950,173</b>	<b>\$ 3,977,128</b>	<b>\$ 15,337,972</b>	<b>\$ 419,338</b>	<b>\$ 200,000</b>	<b>\$ 15,957,310</b>	<b>\$ 7,137</b>	

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE YEAR ENDED JUNE 30, 2014**

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Capital assets, net	\$ 17,336,225
Deduct:	
Short-term portion of capital lease	30,558
Long-term portion of capital lease	229,896
Short-term portion of bonds payable	1,280,000
Long-term portion of bonds payable	13,169,813
Less: Unspent bond proceeds	<u>(7,137)</u>
	<u>14,703,130</u>
Investment in capital assets, net of related debt	<u>\$ 2,633,095</u>

The accompanying notes are an integral part of these schedules.

**REQUIRED REPORTS UNDER OMB CIRCULAR A-133**

**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**

October 10, 2014

The Board of Education of  
Spackenkill Union Free School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Spackenkill Union Free School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 10, 2014.

**Internal Control Over Financial Reporting**

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

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

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

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(Continued)

**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**

(Continued)

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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