

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**Financial Statements and Required Reports  
Under OMB Circular A-133 as of  
June 30, 2015**

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

# SPACKENKILL UNION FREE SCHOOL DISTRICT

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## **INDEPENDENT AUDITOR'S REPORT**

October 13, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***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, 2015, 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.

## **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, schedule of funding progress – other postemployment benefit plans, schedule of proportionate share of net pension liability (asset), and schedule of contributions - pension plans on pages 3 through 13 and 52 through 56 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. The supplemental information on pages 57 through 59, 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 schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

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

The supplementary information included on pages 57 through 59 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2015 on our consideration of 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, 2015**

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This section of Spackenkill Union Free School District's annual financial report presents its discussion and analysis of financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The District continues to offer a sound educational plan that supports student achievement.
- The District's fiscal year 2015 government-wide revenue totaled \$42.0 million (see Table A-4), an increase of approximately 3% from the prior year.
- The total cost of all programs and services totaled \$40.5 million for fiscal year 2015, which represented a \$1.6 million decrease from the prior year which was primarily the result of implementing GASB 68 and 71.
- At June 30, 2015, the District in its governmental funds reported combined fund balances of \$12.7 million. The General Fund operated at a \$590 thousand deficit. The Capital Projects Fund reported a surplus of \$1.1 million that was primarily the result of the timing of the construction in progress related to the \$2.8 million Energy Performance Contract as well as the receipt of \$585 thousand in State Sources funding pertaining to the High School Project which was completed in the prior year.
- The District's total net position increased by \$1.5 million during 2015. The increase in net position was primarily caused by the District implementing GASB Statement Nos. 68 and 71 related to pensions which are discussed in further detail in the notes to the financial statements.

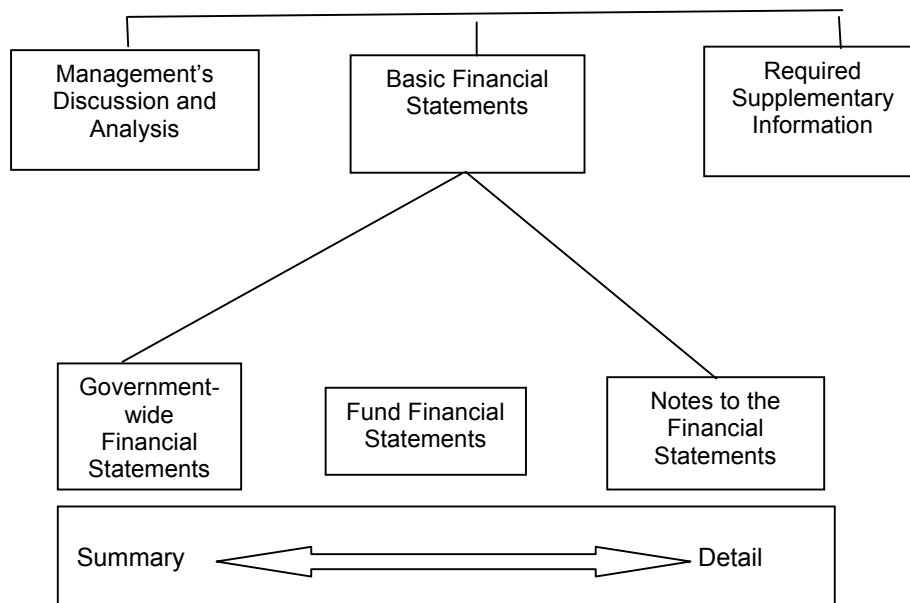
## OVERVIEW OF THE FINANCIAL STATEMENTS

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 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, deferred outflows, liabilities and deferred inflows 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 District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the 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 District's *net position* and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the 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 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.

Government-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:
  - Net Investment in capital assets
  - 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 District's funds - not the District as a whole. Funds are accounting devices the 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 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 District's programs. Because this information does not encompass the additional long-term focus of the Government-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 Projects Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The 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 District excludes these activities from the Government-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

The District's net position as of June 30, 2015, is detailed in Tables A-3 and A-4.

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

	Fiscal Year <u>2015</u>	Fiscal Year <u>2014</u>	Percent <u>Change</u>
Current and other assets	\$ 16.6	\$ 16.2	2%
Non-Current Assets	<u>31.6</u>	<u>17.3</u>	83%
Total assets	<u>48.2</u>	<u>33.5</u>	44%
Deferred outflows of resources	<u>3.3</u>	<u>-</u>	N/A
Current liabilities	5.5	5.2	5%
Long-term liabilities	<u>29.8</u>	<u>25.4</u>	17%
Total liabilities	<u>35.3</u>	<u>30.6</u>	15%
Deferred inflows of resources	<u>8.6</u>	<u>-</u>	N/A
Net assets:			
Investment in capital assets, net of related debt	4.0	2.6	54%
Restricted	7.1	7.7	-8%
Unrestricted	<u>(3.5)</u>	<u>(7.4)</u>	-53%
Total net position	<u>\$ 7.6</u>	<u>\$ 2.9</u>	162%

Per Table A-3, total assets increased by approximately \$14.7 million which was primarily the result of the District reporting \$12.6 million in new non-current assets for its proportionate share of net pension assets. The recording of the pension asset is a new accounting requirement in 2015.

## 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>2015</u>	Fiscal Year <u>2014</u>	<u>Total % Change</u>
Revenue:			
Charges for services	\$ 0.5	\$ 0.5	0%
Operating grants	0.7	0.6	17%
General revenue:			
Real property taxes	25.3	25.1	1%
Other tax items	6.8	6.8	0%
Use of money and property	0.4	0.3	33%
State sources	8.0	7.0	14%
Other	0.3	0.4	-25%
Total revenue	42.0	40.7	3%
Expenses:			
General support	5.4	5.9	-8%
Instruction	32.4	33.5	-3%
Pupil transportation	1.7	1.7	-1%
Debt service	0.5	0.4	13%
Cost of sales school lunch	0.5	0.6	-16%
Total expenses	40.5	42.1	-4%
(Decrease) in net position	\$ 1.5	\$ (1.4)	-207%
NET POSITION - beginning of year, as originally restated	2.9	4.3	
Cumulative effect of change in accounting principle	3.2	-	
TOTAL NET POSITION - beginning of the year, as restated	6.1	4.3	
TOTAL NET POSITION - end of year	\$ 7.6	\$ 2.9	

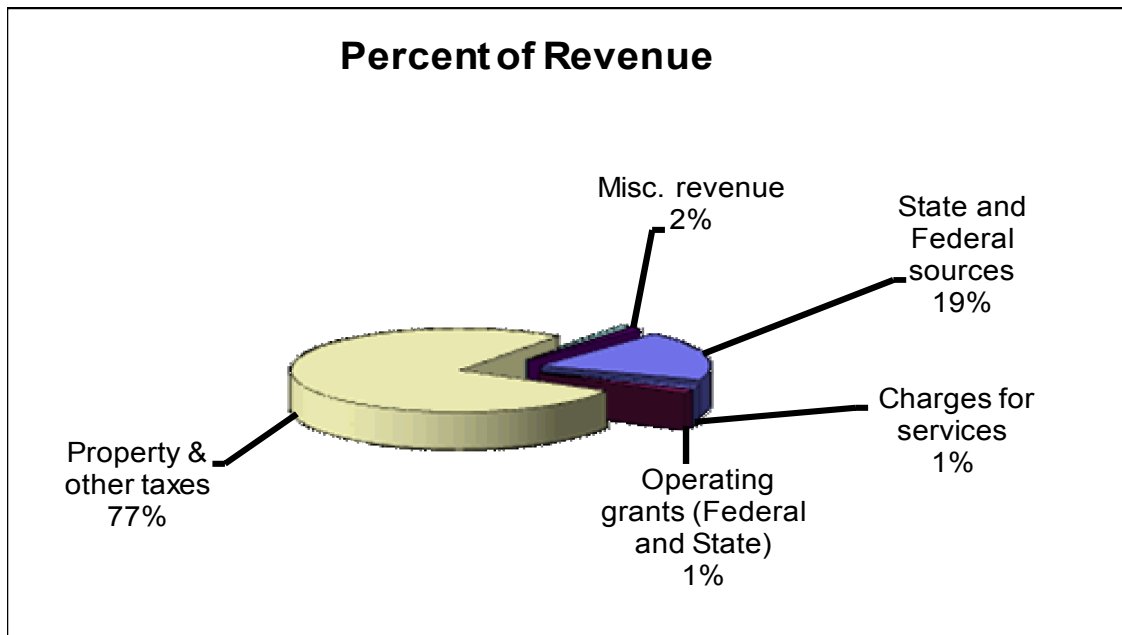
#### Changes in Net position

The District's fiscal year 2015 revenue totaled \$42.0 million (see Table A-4), an increase of approximately \$1.3 million compared to the prior year. The increase was primarily attributable to real property tax revenue and State Sources revenue including \$585 thousand in Excel funding.

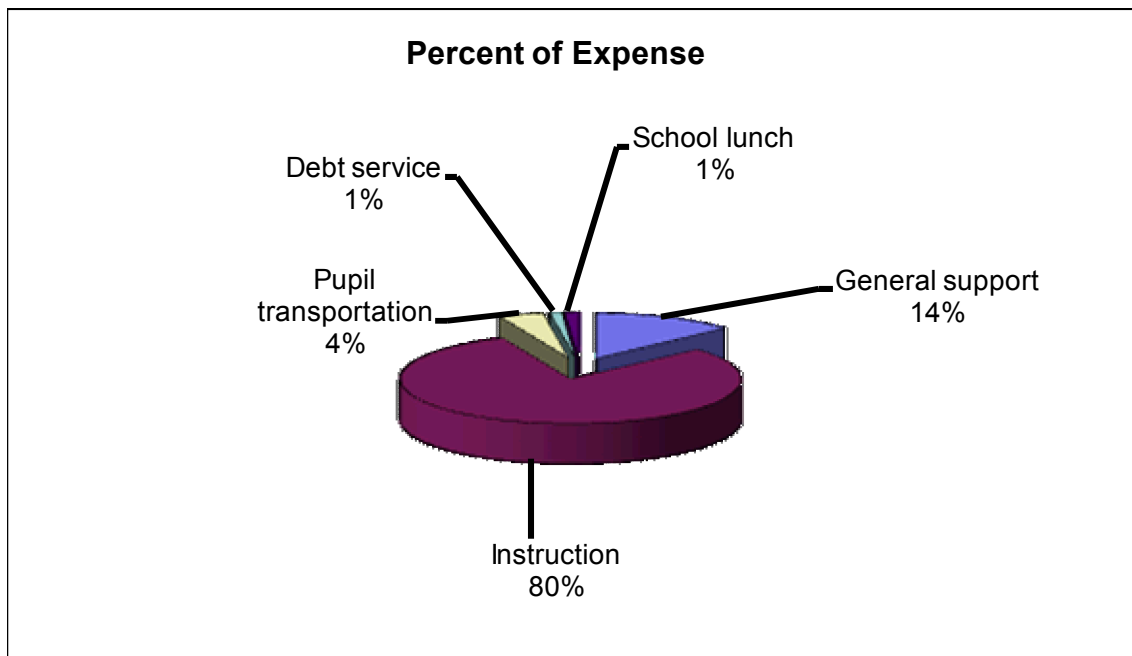
The total cost of all programs and services totaled \$40.5 million for fiscal year 2015. 80% of this was used to support general instruction, (see Table A-6). The District's board of education, administrative, and business activities accounted for 14% of total costs. The District's operating expenses decreased approximately \$1.6 million primarily the result of the increase in values of the pension systems, namely ERS and TRS and the gain was allocated to reduce expenses. The total net position increase of \$1.5 million also takes into account restating the 2013-2014 year in conformity with GASB 68.

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

**Table A-5** Sources of Revenue for Fiscal Year 2015



**Table A-6** Expenditures for Fiscal Year 2015



## 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	\$ 5.4	\$ -	\$ -	\$ 5.4
Instruction	32.4	0.2	0.5	31.7
Pupil transportation	1.7	-	-	1.7
Debt service	0.5	-	-	0.5
School lunch	0.5	0.2	0.2	0.1
Total	<u>\$ 40.5</u>	<u>\$ 0.4</u>	<u>\$ 0.7</u>	<u>\$ 39.4</u>

As shown in Table A-7, the cost of all governmental activities this year was \$40.5 million, of which users and program operating grants from state and federal sources contributed approximately \$1.1 million. The remainder of the costs of \$39.4 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 Government-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 \$12.7 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 \$745 thousand in 2015. Although under budget based on a typical conservative approach, the variance was still significantly lower than compared to the prior year budget and actual variance. It is also noted that employee benefit expenditures were under budget by approximately \$903 thousand in 2015. This was primarily related to a conservative budget for teacher and employee retirement benefits and for health insurance in 2015.

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

	Original Budget	Final Budget	Actual	Encumbrances	Variance (Actual/Budget)
Revenue:					
Local sources	\$ 32,790	\$ 32,794	\$ 33,000	\$ -	\$ 206
State sources	7,382	7,382	7,368	-	(14)
Medicaid reimbursements	<u>20</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>(20)</u>
Total	<u>40,193</u>	<u>40,196</u>	<u>40,368</u>	<u>-</u>	<u>172</u>
Expenses:					
General support	4,274	4,665	4,295	104	266
Instruction	23,276	23,239	22,436	58	745
Pupil Transportation	1,428	1,524	1,395	-	129
Employee benefits	11,871	11,932	11,027	2	903
Debt service	1,661	1,661	1,822	-	(161)
Transfers (in) and out, net	<u>130</u>	<u>130</u>	<u>(17)</u>	<u>-</u>	<u>147</u>
Total	<u>42,642</u>	<u>43,150</u>	<u>40,958</u>	<u>164</u>	<u>2,029</u>
Revenue over (under) expense	\$ <u>(2,449)</u>	\$ <u>(2,955)</u>	\$ <u>(590)</u>	\$ <u>(164)</u>	\$ <u>2,201</u>

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Capital Assets

By the end of 2015, the District had an investment of \$19.0 million in a broad range of capital assets. The District is near completion of its new \$2.8 million Energy Performance project.

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

Category:	Fiscal Year <u>2015</u>	Fiscal Year <u>2014</u>	Percent <u>Change</u>
Land and land improvements	\$ 0.1	\$ 0.1	N/A
Construction in progress	2.4	0.2	1100%
Buildings and improvements	15.9	16.7	-5%
Furniture and equipment	<u>0.6</u>	<u>0.3</u>	100%
Total	<u>\$ 19.0</u>	<u>\$ 17.3</u>	10%

### Long-Term Liabilities

At year-end, the District had \$15.9 million in general obligation bonds outstanding as well as \$14.6 million in other postemployment benefits obligation which represented an increase of \$2.7 million from the prior year which is based on an actuarial valuation. 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>2015</u>	Fiscal Year <u>2014</u>	Percent <u>Change</u>
General obligation bonds	\$ 15.9	\$ 14.4	10%
Energy performance contract	0.2	0.3	-23%
Compensated absences	0.6	0.5	13%
Net pension liability	0.4	-	N/A
Other postemployment benefits obligation	<u>14.6</u>	<u>11.9</u>	23%
Total	<u>\$ 31.7</u>	<u>\$ 27.1</u>	17%

During 2015, the District received \$2.8 Million in proceeds from obligations for its new Energy Performance project and repaid \$1.4 million of outstanding bonds.

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

### **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:

- The State of New York continues to underfund public schools. The current state aid payments to public schools are approximately \$5 billion less than the formulas indicate schools should be paid.
- 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 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.
- The District performs multiyear financial planning and has effectively used reserves and financial gains to off-set some future expenditures, which helps to minimize the financial impact to tax payers.

### **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, 2015

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### ASSETS

#### CURRENT ASSETS:

Cash - unrestricted	\$ 14,164,422
Cash in escrow	452,383
State and federal aid receivable	929,030
Taxes receivable	838,364
Due from fiduciary funds	45,918
Other receivables	194,463
Inventory	13,880
	<hr/>
Total current assets	16,638,460

#### NON-CURRENT ASSETS:

Net pension asset	12,574,351
Capital assets, net	19,022,689
	<hr/>
Total non-current assets	31,597,040
	<hr/>
Total assets	48,235,500

#### DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources- TRS Pension	2,988,830
Deferred outflows of resources- ERS Pension	330,511
	<hr/>
Total deferred outflows of resources	3,319,341

### LIABILITIES

#### CURRENT LIABILITIES:

Accounts payable	94,136
Accrued liabilities	181,208
Compensated absences due within one year	441,189
Due to Teachers' Retirement System	3,009,445
Due to Employees' Retirement System	178,169
Due to other governments	983
Bonds payable due within one year	1,420,213
Energy performance liability due within one year	30,719
Unearned revenues	39,469
Accrued interest payable	156,391
	<hr/>
Total current liabilities	5,551,922

#### LONG-TERM LIABILITIES:

Bonds payable	14,468,806
Other postemployment benefits obligation	14,595,294
Energy performance liability	198,783
Net pension liability	405,004
Compensated absences liability	123,071
	<hr/>
Total long-term liabilities	29,790,958

Total liabilities 35,342,880

#### DEFERRED INFLOWS OF RESOURCES:

Deferred Inflows of resources- TRS Pension	8,628,915
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### NET POSITION

Net Investment in capital assets	3,963,862
Restricted	7,096,328
Unrestricted	(3,477,144)
	<hr/>
Total net position	\$ 7,583,046

The accompanying notes are an integral part of these statements.

# SPACKENKILL UNION FREE SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 5,417,641	\$ -	\$ -	\$ (5,417,641)
Instruction	32,446,618	192,035	496,399	(31,758,184)
Pupil transportation	1,686,710	-	-	(1,686,710)
Debt service- interest	453,511	-	-	(453,511)
Cost of sales - school lunch	<u>502,272</u>	<u>259,803</u>	<u>161,316</u>	<u>(81,153)</u>
Total functions/programs	<u>\$ 40,506,752</u>	<u>\$ 451,838</u>	<u>\$ 657,715</u>	<u>(39,397,199)</u>
GENERAL REVENUE:				
Real property taxes				25,380,392
Other tax items				6,790,099
Use of money and property				350,240
Sale of property				600
Miscellaneous				433,958
State sources				<u>7,953,060</u>
Total general revenue				<u>40,908,349</u>
CHANGE IN NET POSITION				<u>1,511,150</u>
TOTAL NET POSITION - beginning of year, as originally restated				2,919,418
Cumulative effect of change in accounting principle				<u>3,152,478</u>
TOTAL NET POSITION - beginning of year, as restated				<u>6,071,896</u>
TOTAL NET POSITION - end of year				<u>\$ 7,583,046</u>

The accompanying notes are an integral part of these statements.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	Governmental Fund Types					Total Governmental Funds
	General Fund	Special Aid	School Lunch	Debt Service	Capital Projects	
<b>ASSETS</b>						
Cash - unrestricted	\$ 12,595,264	\$ 509,906	\$ 97,448	\$ 245,702	\$ 716,102	\$ 14,164,422
Cash in escrow	-	-	-	-	452,383	452,383
State and federal aid receivable	748,081	150,636	30,313	-	-	929,030
Taxes receivable	838,364	-	-	-	-	838,364
Due from other funds	1,180,468	332,121	-	53,373	4,512	1,570,474
Other receivables	192,798	-	1,665	-	-	194,463
Inventory	-	-	13,880	-	-	13,880
<b>Total assets</b>	<b>\$ 15,554,975</b>	<b>\$ 992,663</b>	<b>\$ 143,306</b>	<b>\$ 299,075</b>	<b>\$ 1,172,997</b>	<b>\$ 18,163,016</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 78,520	\$ 3,658	\$ -	\$ -	\$ 11,958	\$ 94,136
Accrued liabilities	177,718	-	3,490	-	-	181,208
Compensated absences	441,189	-	-	-	-	441,189
Due to other funds	371,501	989,005	62,705	-	101,345	1,524,556
Due to other governments	-	-	983	-	-	983
Due to Teachers' Retirement System	3,009,445	-	-	-	-	3,009,445
Due to Employees' Retirement System	178,169	-	-	-	-	178,169
Deferred revenue	783	-	38,686	-	-	39,469
<b>Total liabilities</b>	<b>4,257,325</b>	<b>992,663</b>	<b>105,864</b>	<b>-</b>	<b>113,303</b>	<b>5,469,155</b>
<b>FUND BALANCE:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	13,880	-	-	13,880
<b>Total nonspendable</b>	<b>-</b>	<b>-</b>	<b>13,880</b>	<b>-</b>	<b>-</b>	<b>13,880</b>
<b>RESTRICTED:</b>						
Unemployment	208,787	-	-	-	-	208,787
Worker's comp	298,577	-	-	-	-	298,577
Tax certiorari	4,744,644	-	-	-	-	4,744,644
Capital	71,871	-	-	-	-	71,871
Insurance	346,537	-	-	-	-	346,537
Retirement	800,912	-	-	-	-	800,912
Employee benefits	625,000	-	-	-	-	625,000
<b>Total restricted</b>	<b>7,096,328</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,096,328</b>
<b>ASSIGNED:</b>						
Appropriated for subsequent year's expenditures	2,300,000	-	-	-	-	2,300,000
Other	163,955	-	23,562	299,075	1,059,694	1,546,286
<b>Total assigned</b>	<b>2,463,955</b>	<b>-</b>	<b>23,562</b>	<b>299,075</b>	<b>1,059,694</b>	<b>3,846,286</b>
<b>UNASSIGNED</b>	<b>1,737,367</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,737,367</b>
<b>Total fund balance</b>	<b>11,297,650</b>	<b>-</b>	<b>37,442</b>	<b>299,075</b>	<b>1,059,694</b>	<b>12,693,861</b>
<b>Total liabilities and fund balance</b>	<b>\$ 15,554,975</b>	<b>\$ 992,663</b>	<b>\$ 143,306</b>	<b>\$ 299,075</b>	<b>\$ 1,172,997</b>	<b>\$ 18,163,016</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, 2015

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

Total governmental fund balances	\$ 12,693,861
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government fund financial statements	19,022,689
GASB 68 related government wide activity	
Net pension asset	12,574,351
Deferred outflows of resources	3,319,341
Net pension liability	(405,004)
Deferred inflows of resources	(8,628,915)
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	(15,889,019)
Interest payable at June 30, 2015, reported in the government-wide statements under full accrual accounting	(156,391)
Other postemployment benefits obligation at June 30, 2015, in government-wide statements under full accrual accounting	(14,595,294)
Energy performance liability at June 30, 2015, in government-wide statements under full accrual accounting	(229,502)
Compensated absences at June 30, 2015, in government-wide statements under full accrual accounting	<u>(123,071)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,583,046</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, 2015**

	Governmental Fund Types					Total Government Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
<b>REVENUE:</b>						
Real property taxes	\$ 25,380,392	\$ -	\$ -	\$ -	\$ -	\$ 25,380,392
Other tax items	6,790,099	-	-	-	-	6,790,099
Charges for services	192,035	-	-	-	-	192,035
Use of money and property	349,891	-	31	318	-	350,240
Sale of property	600	-	-	-	-	600
Miscellaneous	286,723	25,000	19,754	-	102,481	433,958
State sources	7,367,901	124,940	7,340	-	585,159	8,085,340
Federal sources	-	371,459	153,976	-	-	525,435
Medicaid Reimbursement	-	-	-	-	-	-
Sales	-	-	259,803	-	-	259,803
<b>Total revenue</b>	<b>40,367,641</b>	<b>521,399</b>	<b>440,904</b>	<b>318</b>	<b>687,640</b>	<b>42,017,902</b>
<b>EXPENDITURES:</b>						
General support	4,295,400	-	-	-	-	4,295,400
Instruction	22,435,645	511,333	-	-	-	22,946,978
Pupil transportation	1,394,749	34,262	-	-	-	1,429,011
Employee benefits	11,026,919	-	71,822	-	-	11,098,741
Debt service -						
Principal	1,390,342	-	-	-	-	1,390,342
Interest	431,950	-	-	-	-	431,950
Cost of sales	-	-	392,166	-	-	392,166
Capital outlays	-	-	-	-	2,533,679	2,533,679
<b>Total expenditures</b>	<b>40,975,005</b>	<b>545,595</b>	<b>463,988</b>	<b>-</b>	<b>2,533,679</b>	<b>44,518,267</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>(607,364)</b>	<b>(24,196)</b>	<b>(23,084)</b>	<b>318</b>	<b>(1,846,039)</b>	<b>(2,500,365)</b>
<b>OTHER SOURCES AND (USES):</b>						
Proceeds from obligations	-	-	-	-	2,798,596	2,798,596
Transfers in	164,144	24,196	22,500	-	100,000	310,840
Transfers out	(146,696)	-	-	(164,144)	-	(310,840)
<b>Total other financing sources</b>	<b>17,448</b>	<b>24,196</b>	<b>22,500</b>	<b>(164,144)</b>	<b>2,898,596</b>	<b>2,798,596</b>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(589,916)</b>	<b>-</b>	<b>(584)</b>	<b>(163,826)</b>	<b>1,052,557</b>	<b>298,231</b>
<b>FUND BALANCE - beginning 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>
<b>FUND BALANCE - end of year</b>	<b>\$ 11,297,650</b>	<b>\$ -</b>	<b>\$ 37,442</b>	<b>\$ 299,075</b>	<b>\$ 1,059,694</b>	<b>\$ 12,693,861</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, 2015**

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Net changes in fund balance - Total governmental funds	\$ 298,231
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	2,640,173
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(953,708)
Pension expense resulting from GASB 68 related pension actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	3,707,295
Proceeds from issuance of long-term debt are recorded as revenue in the governmental funds, but are not recorded as revenue in the statement of activities:	(2,798,596)
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:	1,390,342
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	(2,719,720)
Accrued interest payable	(21,561)
Compensated absences	<u>(31,306)</u>
Change in net position - Governmental activities	<u>\$ 1,511,150</u>

# SPACKENKILL UNION FREE SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS JUNE 30, 2015

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	Private Purpose <u>Trusts</u>	Trust and <u>Agency</u>
ASSETS:		
Cash	\$ 38,713	\$ 415,373
Extraclassroom cash		79,255
Due from other funds	<u>-</u>	<u>369</u>
Total assets	<u>38,713</u>	<u>494,997</u>
LIABILITIES:		
Extraclassroom activity balances	-	79,255
Due to other funds	-	46,287
Other liabilities	<u>-</u>	<u>369,455</u>
Total liabilities	<u>-</u>	<u>\$ 494,997</u>
NET POSITION:		
Reserved for scholarships	<u>\$ 38,713</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, 2015**

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	Private Purpose <u>Trusts</u>
ADDITIONS	
Gifts, contributions, fundraising and interest	\$ <u>          -</u>
DEDUCTIONS	
Scholarships, activity expenditures and awards	<u>          (2,940)</u>
NET INCREASE	(2,940)
NET POSITION - beginning of year	<u>          41,653</u>
NET POSITION - end of year	<u><u>          \$ 38,713</u></u>

The accompanying notes are an integral part of these statements.



# SPACKENKILL UNION FREE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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 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 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:** This fund is used to account for the financial resources used to make debt service payments on the District's outstanding bonds and state loans.
- **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 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 sixty 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 2014-2015 fiscal year representing the third 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 10% 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 Government-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 Government-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	20 - 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 GAAP, 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 182 retirees receiving benefits under the plan.

### **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)

### Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate financial statement element, *deferred outflows of resources*, which is presented directly after assets and *deferred inflows of resources*, which is presented directly after liabilities. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

### 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	\$	208,787
Worker's comp		298,577
Tax certiorari		4,744,644
Capital		71,871
Insurance		346,537
Retirement		800,912
Employee benefits		625,000
Total restricted net assets	\$	<u>7,096,328</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.

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

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

#### Governmental Fund Statements (Continued)

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.

#### 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. The reserve is accounted for in the debt service fund under the restricted fund category



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

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

#### Governmental Fund Statements (Continued)

##### 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.

##### 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.

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

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

#### Governmental Fund Statements (Continued)

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, 2015.

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, 2015, the School District's encumbrances were classified as follows:

General fund encumbrances:

General Support	\$	104,051
Instruction		57,804
Employee Benefits		<u>2,100</u>
Total General fund encumbrances	\$	<u>163,955</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.

#### **Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities**

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 net position.

### **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.

##### Newly Adopted Accounting Standards

The District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 establishes 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.

This statement required the addition of several lines to the District's government-wide financial statements and a cumulative change in accounting principle adjustment to net position as reflected in the table below:

	Government-Wide Statement of Net Position			
	Net Pension Asset	Net Pension Liability	Deferred Outflows	Net Position
Balance at June 30, 2014, as previously reported	\$ -	\$ -	\$ -	\$ 2,919,418
Restatement of beginning balance - Adoption of GASB Statements No. 68 and No. 71				
NYS Employee Retirement System Plan	-	541,747	186,355	(355,392)
NYS Teachers Retirement System Plan	<u>798,277</u>	<u>-</u>	<u>2,709,593</u>	<u>3,507,870</u>
	798,277	541,747	2,895,948	3,152,478
Balance at June 30, 2014, as restated	<u>\$ 798,277</u>	<u>\$ 541,747</u>	<u>\$ 2,895,948</u>	<u>\$ 6,071,896</u>

The District also adopted GASB 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. This Statement did not have an immediate impact to the District's financial statements.

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

##### Newly Adopted Accounting Standards (Continued)

The District also adopted GASB 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. This Statement required accounting for the impact of the payment the District made to the TRS during the fiscal year on the District's portion of net pension asset from TRS.

#### 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, 2015, the carrying amount of the District's cash was \$14,697,763 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>\$ 16,000,379</u>	<u>\$ 14,697,763</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 15,418,307	
Covered by FDIC insurance	<u>582,072</u>	
Total	<u>\$ 16,000,379</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 \$3,497,185 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$1,245,619. Financial statements for BOCES are available from the BOCES administrative office.

## 7. CAPITAL ASSETS, NET

Capital asset balances and activity for the year ended June 30, 2015, were as follows:

	July 1, 2014 <u>Balance</u>	Additions or <u>Transfers in</u>	Disposals or <u>Transfers out</u>	June 30, 2015 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 121,545	\$ -	\$ -	\$ 121,545
Construction in process	<u>215,895</u>	<u>2,373,124</u>	<u>215,895</u>	<u>2,373,124</u>
 Total nondepreciable cost	 <u>337,440</u>	 <u>2,373,124</u>	 <u>215,895</u>	 <u>2,494,669</u>
Buildings and improvements	29,080,053	90,014	-	29,170,067
Furniture and equipment	<u>1,915,713</u>	<u>392,929</u>	<u>-</u>	<u>2,308,642</u>
 Total depreciable historical cost	 <u>30,995,766</u>	 <u>482,943</u>	 <u>-</u>	 <u>31,478,709</u>
Less accumulated depreciation:				
Buildings	12,339,629	853,404	-	13,193,033
Furniture and equipment	<u>1,657,352</u>	<u>100,304</u>	<u>-</u>	<u>1,757,656</u>
 Total accumulated depreciation	 <u>13,996,981</u>	 <u>953,708</u>	 <u>-</u>	 <u>14,950,689</u>
 Total depreciable cost - net	 <u>\$ 17,336,225</u>	 <u>\$ 1,902,359</u>	 <u>\$ 215,895</u>	 <u>\$ 19,022,689</u>

Depreciation expense for the year ended June 30, 2015 was allocated to specific functions as follows:

General support	\$ 140,952
Instruction	752,995
Pupil transportation	46,892
Cost of sales	<u>12,869</u>
 Total depreciation	 <u>\$ 953,708</u>

## 8. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid - Long-term debt	\$ 431,950
Less: Interest accrued in the prior year	(134,830)
Plus: Interest accrued in the current year	<u>156,391</u>
<b>Total Expense</b>	<b><u>\$ 453,511</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>
Bonds and notes payable:					
Serial bonds	\$ 14,449,813	\$ -	\$ 1,280,000	\$ 13,169,813	\$ 1,265,000
Ameresco energy bond	<u>-</u>	<u>2,798,596</u>	<u>79,390</u>	<u>2,719,206</u>	<u>155,213</u>
Total Bonds and notes payable	14,449,813	2,798,596	1,359,390	15,889,019	1,420,213
Energy performance contract	260,454	-	30,952	229,502	30,719
Other postemployment benefits	11,875,574	2,719,720	-	14,595,294	-
Net pension liability	-	405,004	-	405,004	-
Compensated absences	<u>532,380</u>	<u>31,880</u>	<u>-</u>	<u>564,260</u>	<u>441,189</u>
Total long-term liabilities	<u>\$ 27,118,221</u>	<u>\$ 5,955,200</u>	<u>\$ 1,390,342</u>	<u>\$ 31,683,079</u>	<u>\$ 1,892,121</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, 2015 Balance</u>
Serial Bond	7/15/2007	2023	4.25%	1,350,000
Serial Bond	11/17/2010	2021	4.00%	1,480,000
Serial Bond	9/23/2010	2026	2.00-3.00%	8,310,000
Serial Bond	3/19/2013	2026	2.00%	2,029,813
Ameresco energy bond	8/1/2014	2030	2.73%	<u>2,719,206</u>
Total bond issue				<u>\$ 15,889,019</u>
Energy Performance Contract:	2004	2022	0.70%	<u>\$ 229,502</u>

**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>
2016	\$ 1,420,213	\$ 432,069	\$ 1,852,282
2017	1,469,473	392,690	1,862,163
2018	1,513,851	351,933	1,865,784
2019	1,573,347	309,635	1,882,982
2020	1,327,967	264,834	1,592,801
2021-2025	6,543,707	748,252	7,291,959
2026-thereafter	<u>2,040,461</u>	<u>81,826</u>	<u>2,122,287</u>
Totals	<u>\$ 15,889,019</u>	<u>\$ 2,581,239</u>	<u>\$ 18,470,258</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, 2015.

The following is the net present value of minimum lease payments as of June 30, 2015:

<u>Year Ending June 30.</u>	<u>Long-Term Debt Date</u>
2016	\$ 31,829
2017	31,829
2018	31,829
2019	31,829
2020-2023	<u>124,666</u>
Minimum Lease Payment- Capital Leases	251,982
Less: Amount representing 0.70% per annum	<u>22,480</u>
Present Value-Minimum Lease Payments	<u>\$ 229,502</u>



**9. INTERFUND BALANCES AND ACTIVITY**

	Interfund		Transfers	
	<u>Payable</u>	<u>Receivable</u>	<u>In</u>	<u>Out</u>
General fund	\$ 371,501	\$ 1,180,468	\$ 164,144	\$ 146,696
Special aid fund	989,005	332,121	24,196	-
School lunch	62,705	-	22,500	-
Debt service fund	-	53,373	-	164,144
Capital fund	101,345	4,512	100,000	-
Trust and agency fund	<u>46,287</u>	<u>369</u>	<u>-</u>	<u>-</u>
 Total government activities	 <u>\$ 1,570,843</u>	 <u>\$ 1,570,843</u>	 <u>\$ 310,840</u>	 <u>\$ 310,840</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**

New York State Employees' Retirement System

The District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

## 10. PENSION PLANS (Continued)

### *Contributions*

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27<sup>th</sup>, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>NYSERS</u>	
2015	\$	672,874
2014	\$	655,398
2013	\$	570,298

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability of \$405,004 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2015, the District's proportion was 0.0119886 percent, which was an increase of 0% from its proportion measured at June 30, 2014.

For the year ended June 30, 2015, the District recognized pension expense of \$102,731. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,965	\$ -
Net difference between projected and actual earnings on pension plan investments	70,344	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	69,033	-
Contributions subsequent to the measurement date	<u>178,169</u>	<u>-</u>
Total	<u>\$ 330,511</u>	<u>\$ -</u>

Of the total reported as deferred outflows of resources, \$178,169 related to the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015.

## 10. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2016	\$	38,085
2017		38,085
2018		38,085
2019		38,085
2020		-
Thereafter		-
	\$	<u>152,340</u>

### **Actuarial Assumptions**

The total pension liability at March 31, 2015, was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014, measurement date was determined by using an actuarial valuation as of April 1, 2014. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.70%
Salary scale	4.9 percent indexed by service
Projected COLAs	1.4% compounded annually
Decrement	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.5% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

## 10. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

#### Long Term Expected Rate of Return

<u>Asset Type</u>	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	38.0	7.30
International Equity	13.0	8.55
Private Equity	10.0	11.00
Real Estate	8.0	8.25
Absolute Return	3.0	6.75
Opportunistic Portfolio	3.0	8.60
Real Assets	3.0	8.65
Bonds & Mortgages	18.0	4.00
Cash	2.0	2.25
Inflation-Indexed Bonds	<u>2.0</u>	4.00
	<u>100%</u>	

#### Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) or 1 percent higher (8.5%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount <u>7.50%</u>	1% Increase <u>8.50%</u>
Proportionate Share of Net Pension liability (asset)	\$ 2,699,522	\$ 405,004	\$ (1,532,140)

**10. PENSION PLANS (Continued)**

New York State Employees' Retirement System (Continued)

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows:

**Pension Plan Fiduciary Net Position**

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 164,591,504,000	\$ 19,732,217	0.0119886%
Net position	(161,213,259,000)	(19,327,213)	0.0119886%
Net pension liability (asset)	<u>\$ 3,378,245,000</u>	<u>\$ 405,004</u>	0.0119886%
Fiduciary net position as a percentage of total pension liability	97.9%	97.9%	

New York State Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers 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.

*Contributions*

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

**10. PENSION PLANS (Continued)**

New York State Teachers' Retirement System (Continued)

*Contributions - Continued*

The District is required to contribute at an actuarially determined rate. The 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>NYSTRS</u>		
2015	\$	2,781,854
2014	\$	2,203,568
2013	\$	1,967,702

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported an asset of \$12,574,351 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2014, the District's proportion was 0.112882 percent, which was an increase of less than .01 percent from its proportion measured at June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of (\$487,033). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 183,877
Net difference between projected and actual earnings on pension plan investments	-	8,445,038
Changes in proportion and differences between the District's contributions and proportionate share of contributions	49,475	-
Contributions subsequent to the measurement date	<u>2,939,355</u>	-
Total	<u>\$ 2,988,830</u>	<u>\$ 8,628,915</u>

## 10. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

The entire amount reported as deferred outflows of resources related to pensions resulted from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. The amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2015	\$	(2,126,888)
2016		(2,126,888)
2017		(2,126,888)
2018		(2,126,888)
2019		(15,628)
Thereafter		(56,261)
	\$	<u>(8,579,441)</u>

### **Actuarial Assumptions**

The total pension liability at the June 30, 2014, measurement date was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. Total pension liability at the June 30, 2013, measurement date was determined by an actuarial valuation as of June 30, 2012, with update procedures used to roll forward the total pension liability to June 30, 2013. These actuarial valuations used the following actuarial assumptions:

Inflation	3.00%
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

<u>Age</u>	<u>Female</u>	<u>Male</u>
25	10.35%	10.91%
35	6.26%	6.27%
45	5.39%	5.04%
55	4.42%	4.01%

Projected COLAs	1.625% compounded annually
Investment Rate of Return	8.0% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2013 and 2012 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

## 10. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2013 (see the discussion of the pension plan's investment policy) are summarized in the following table:

#### **Long Term Expected Rate of Return**

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-term expected real rate of return in %</u>
Domestic Equity	37.0	7.3
International Equity	18.0	8.5
Real Estate	10.0	5.0
Alternative Investments	7.0	11.0
Domestic Fixed Income Securities	18.0	1.5
Global Fixed Income Securities	2.0	1.4
Mortgages	<u>8.0</u>	3.4
	<u>100%</u>	

#### **Discount Rate**

The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**10. PENSION PLANS (Continued)**

New York State Teachers' Retirement System (Continued)

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the net pension liability (asset) of the School Districts calculated using the discount rate of 8.0 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

**Share of the net Pension Liability to the Discount Rate Assumption**

	1% Decrease <u>7.00%</u>	Current Discount <u>8.00%</u>	1% Increase <u>9.00%</u>
Proportionate Share of Net Pension liability (asset)	\$ (271,246)	\$ (12,574,341)	\$ (23,058,292)

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension (asset) of the employers as June 30, 2014, were as follows:

**Pension Plan Fiduciary Net Position**

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 97,015,706,548	\$ 109,513,270	0.1128820%
Net position	(108,155,083,127)	(122,087,621)	0.1128820%
Net pension liability (asset)	<u>\$ (11,139,376,579)</u>	<u>\$ (12,574,351)</u>	0.1128820%
Fiduciary net position as a percentage of total pension liability	111.5%	111.5%	

## 11. POSTEMPLOYMENT BENEFITS

### Plan Description

The District provides for postretirement medical benefits to retiring employees after 10 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.

### 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	\$ 3,442,646
Interest on net OPEB obligation	593,779
Adjustment to ARC	<u>261,151</u>
Annual OPEB cost	4,297,576
Contributions made	<u>(1,577,856)</u>
Increase in net OPEB obligation	2,719,720
Net OPEB obligation - beginning of year	<u>11,875,574</u>
Net OPEB obligation - end of year	<u>\$ 14,595,294</u>
Percentage of Annual OPEB Cost Contributed	36.7%

### 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 <u>Ended</u>	Annual <u>OPEB Cost</u>	OPEB Cost <u>Contributed</u>	Percentage of <u>Annual OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2015 \$	4,297,576	\$ 1,577,856	37%	\$ 14,595,294
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

## 11. POSTEMPLOYMENT BENEFITS (CONTINUED)

### 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. The funding progress schedule is presented as required supplementary information after the footnotes to the financial statements.

### 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, 2014 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**

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

### **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 could be approximately \$4.9 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 February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District is required to adopt the provisions of this Statement for the year ending June 30, 2016.

#### 14. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED (Continued)

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and amends certain provisions of Statement No. 67 *Financial Reporting for Pension Plans*. The objective of this Statement is to improve the usefulness of information about pensions included in general purpose external financial reports of state and local governments for making decisions and accessing accountability. This Statement establishes requirements for defined contribution plans and defined benefit pensions not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions*, as well as, assets accumulated for the purpose of providing for those pensions. Statement 73 also clarifies the application of certain provisions of Statements 67 and 68 with regards to information required to be presented in the notes, accounting and financial information reporting for separately financed specific liabilities and the timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation. The District is required to adopt the provisions of this Statement for the year ending June 30, 2016.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – a replacement of GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Also, it includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The objective of this Statement is to improve the effectiveness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans.

It provides for decision-useful information, supporting assessments of accountability and inter-period equity, and additional transparency. This statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet specified criteria. The District is required to adopt the provisions of this Statement for the year ending June 30, 2017, with early adoption encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – a replacement of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to establish standards for recognizing and measuring liabilities, expenditures and deferred inflows of resources related to other postemployment benefit plans (OPEB). In regards to defined benefit OPEB plans, this statement defines the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employment service. This Statement also details recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts and for employers whose employees are provided with defined contribution OPEB plans. The District is required to adopt the provisions of this Statement for the year ending June 30, 2019, with early adoption encouraged.

#### 14. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED (Continued)

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category "Category A" will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category "Category B" will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. The District is required to adopt the provisions of Statement No. 76 for the year ending June 30, 2016, and should be adopted retroactively, with early adoption permitted.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, which improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Users will be better equipped to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. The District is required to adopt the provisions of this Statement for the year ending June 30, 2017, with early implementation encouraged.

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

**REQUIRED 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, 2015**

	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>REVENUE</b>					
LOCAL SOURCES:					
Real property taxes	\$ 25,405,954	\$ 25,405,954	\$ 25,380,392	\$ -	\$ (25,562)
Other tax items	6,806,900	6,806,900	6,790,099	-	(16,801)
Charges for services	60,000	60,000	192,035	-	132,035
Use of money and property	317,000	317,000	349,891	-	32,891
Sale of property	-	-	600	-	600
Miscellaneous	<u>200,500</u>	<u>203,784</u>	<u>286,723</u>	<u>-</u>	<u>82,939</u>
Total local sources	32,790,354	32,793,638	32,999,740	-	206,102
State sources	7,382,228	7,382,228	7,367,901	-	(14,327)
Medicaid reimbursement	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Total revenue	<u>40,192,582</u>	<u>40,195,866</u>	<u>40,367,641</u>	<u>-</u>	<u>171,775</u>

The accompanying notes are an integral part of these statements



**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 Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of education	48,824	46,642	40,968	270	5,404
Central administration	266,389	266,902	264,484	-	2,418
Finance	529,417	539,215	489,450	23,100	26,665
Staff	174,275	203,476	182,753	366	20,357
Central services	2,794,961	2,829,279	2,591,663	80,315	157,301
Special items	460,557	779,326	726,082	-	53,244
Total general support	4,274,423	4,664,840	4,295,400	104,051	265,389
INSTRUCTION:					
Instruction, administration, and improvement	1,376,860	1,336,556	1,300,709	32,860	2,987
Teaching - regular school	13,714,326	13,604,483	13,017,122	22,839	564,522
Programs for children with handicapping conditions	4,022,514	3,950,763	3,611,885	597	338,281
Occupational education	359,102	411,852	411,852	-	-
Teaching - special school	115,653	115,653	121,493	-	(5,840)
Instructional media	1,431,476	1,589,996	1,672,041	-	(82,045)
Pupil services	2,256,431	2,230,069	2,300,543	1,508	(71,982)
Total instruction	23,276,362	23,239,372	22,435,645	57,804	745,923
Pupil transportation	1,427,878	1,523,841	1,394,749	-	129,092
Employee benefits	11,871,429	11,932,293	11,026,919	2,100	903,274
Debt service	1,660,931	1,660,931	1,822,292	-	(161,361)
Total expenditures	42,511,023	43,021,277	40,975,005	163,955	1,882,317
Excess (deficiency) of revenue over expenditures	(2,318,441)	(2,825,411)	(607,364)	(163,955)	2,054,092
OTHER FINANCING SOURCES (USES):					
Transfers in (out),net	(130,000)	(130,000)	17,448	-	147,448
Total other financing sources	(130,000)	(130,000)	17,448	-	147,448
NET CHANGE IN FUND BALANCES	(2,448,441)	(2,955,411)	(589,916)	(163,955)	2,201,540
FUND BALANCES - beginning of year	11,887,566	11,887,566	11,887,566	-	-
FUND BALANCE - ending	\$ 9,439,125	\$ 8,932,155	\$ 11,297,650	\$ (163,955)	\$ 2,201,540

The accompanying notes are an integral part of these statements

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS- OTHER EMPLOYMENT BENEFITS PLAN  
FOR THE YEAR ENDED JUNE 30, 2015**

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Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	( c ) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
July 1, 2014	\$ -	\$ 55,284,015	\$ 55,284,015	0%	\$ 21,138,913	261.53%
July 1, 2013	\$ -	\$ 44,464,848	\$ 44,464,848	0%	\$ 21,251,266	209.23%
July 1, 2012	\$ -	\$ 41,775,241	\$ 41,775,241	0%	\$ 20,663,477	202.17%

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
FOR THE YEAR ENDED JUNE 30, 2015**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0119886%									
Proportionate share of the net pension liability (asset)	\$405									
Covered-employee payroll	\$3,302									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.27%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.95%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE TEACHER RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.112882%									
Proportionate share of the net pension liability (asset)	\$ 12,574									
Covered-employee payroll	\$ 16,674									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.41%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.48%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 673									
Contributions in relation to the contractually required contribution	673									
Contribution deficiency (excess)	\$ -									
Covered-employee payroll	\$3,302									
Contributions as a percentage of covered-employee payroll	20.38%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 2,710									
Contributions in relation to the contractually required contribution	2,710									
Contribution deficiency (excess)	\$ -									
Covered-employee payroll	\$ 16,674									
Contributions as a percentage of covered-employee payroll	16.25%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**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, 2015**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget		\$ 42,492,582
Add: Prior year's encumbrances		<u>148,441</u>
Original budget		42,641,023
Budget revision		<u>510,254</u>
Final budget		<u>\$ 43,151,277</u>

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

2015-16 voter-approved expenditure budget		\$ 43,434,194
Maximum allowed (4% of 2015-16 budget)		1,737,368

Unrestricted fund balance:

Assigned fund balance	\$ 2,463,955
Unassigned fund balance	<u>1,737,367</u>

Total unrestricted fund balance \$ 4,201,322

Less:

Appropriated fund balance	2,300,000
Encumbrances included in committed and assigned fund balance	<u>163,955</u>

Total adjustments \$ 2,463,955

General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 1,737,367

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, 2015**

	Authorization		Expenditures and Transfers to Date				Methods of Financing				Fund Balance at 2015
	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	\$ 2,949,666	\$ 334	\$ 2,950,000	\$ 16,639	\$ 2,950,000	\$ -	\$ -	\$ 2,950,000	\$ -
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	236,161	3,055	239,216	142,870	-	100,000	139,216	239,216	-
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	10,453,562	3,748	10,457,310	3,769,136	10,237,972	804,497	-	11,042,469	585,159
Capital Improvement-Energy Performance	2,798,596	2,798,596	-	2,358,171	2,358,171	440,425	2,798,596	-	-	2,798,596	440,425
Capital Improvement-Martha Lawrence	100,000	100,000	-	90,015	90,015	9,985	-	102,481	-	102,481	12,466
Capital Improvement-Various Projects	152,831	172,991	-	78,356	78,356	94,635	-	-	100,000	100,000	21,644
<b>Total</b>	<b>\$ 22,579,666</b>	<b>\$ 22,998,888</b>	<b>\$ 15,950,173</b>	<b>\$ 2,533,679</b>	<b>\$ 18,483,852</b>	<b>\$ 4,515,036</b>	<b>\$ 18,136,568</b>	<b>\$ 1,106,978</b>	<b>\$ 300,000</b>	<b>\$ 19,543,546</b>	<b>\$ 1,059,694</b>

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2015**

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Capital assets, net	\$ 19,022,689
Deduct:	
Short-term portion of capital lease	30,719
Long-term portion of capital lease	198,783
Short-term portion of bonds payable	1,420,213
Long-term portion of bonds payable	14,468,806
Less: Unspent bond proceeds	<u>(1,059,694)</u>
	<u>15,058,827</u>
Net Investment in capital assets	<u>\$ 3,963,862</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 13, 2015

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 each major fund of Spackenkill Union Free School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 13, 2015.

**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.

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

October 13, 2015

The Board of Education of  
Spackenkill Union Free School District:

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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(Continued)

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (Continued)**

### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Pass-Through NY State Dept. of Education - Special Education Cluster -			
IDEA, Part B, Sec. 611	84.027	0032-15-0185	\$ 259,286
IDEA, Preschool, Sec. 619	84.173	0033-15-0185	<u>14,262</u>
Total Special Education Cluster			<u>273,548</u>
Title I Grants Local Educational Agencies	84.010	0021-15-0680	65,806
Title II Part A, Improving Teacher Quality	84.367	0147-15-0680	27,646
Title III	84.365	N/A	<u>4,459</u>
Total U.S. Department of Education			<u>371,459</u>
U.S. Department of Agriculture- Child Nutrition Cluster			
Pass-Through NY State Education Dept. of Education (Child Nutrition Services) -			
School Breakfast Program	10.553	N/A	11,399
National School Lunch Program	10.555	N/A	<u>122,051</u>
			133,450
Pass-Through NY State Office of General Services (Division of Donated Foods) -			
National School Lunch Program	10.555	N/A	<u>20,526</u>
Total U.S. Department of Agriculture-Child Nutrition Cluster			<u>153,976</u>
Total Expenditures of Federal Awards			<u>\$ 525,435</u>

# **SPACKENKILL UNION FREE SCHOOL DISTRICT**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2015**

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### **1. GENERAL**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Spackenkill Union Free School District (District), under programs of the federal government for the year ended June 30, 2015. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows for the District.

### **2. BASIS OF ACCOUNTING**

The Schedule is presented using the modified accrual basis of accounting, as described in the District's basic financial statements.

### **3. MATCHING COSTS**

Matching costs, i.e. the District's share of certain program costs, are not included in the reported expenditures.

### **4. NON-MONETARY FEDERAL PROGRAM**

The District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a "non-monetary" program. During the year ended June 30, 2015, the District received food commodities, the fair market value of which amounted to \$20,526 is presented in the accompanying Schedule of Expenditures of Federal Awards as National School Lunch Program (Division of Donated Foods, CFDA#10.555) and was considered in the District's single audit.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015**

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No findings reported in prior year.



**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

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**Section I—Summary of Auditor’s Results**

Financial Statements

Type of independent auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?      Yes   X   No

Significant deficiency(ies) identified not considered to be material weaknesses?      Yes   X   No

Noncompliance material to financial statements noted?      Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?      Yes   X   No

Significant deficiency(ies) identified not considered to be material weaknesses?   X   Yes      No

Type of independent auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?      Yes   X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027, 84.173

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?      Yes   X   No

## **SPACKENKILL UNION FREE SCHOOL DISTRICT**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) JUNE 30, 2015**

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#### **Section II—Financial Statement Findings-None.**

#### **Section III—Federal Award Findings and Questioned Costs**

##### **2015-001. Time and Effort Certifications**

U.S. Department of Education – Passed through New York State Education Department  
Special Education Cluster (CFDAs 84.027 and 84.173)

Criteria: In accordance with OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, an employee who works less than full time on a federal program must prepare monthly time and effort certifications.

Condition: The District did not obtain the proper documentation on the time and effort certifications for the employees who were allocated to the various programs. There were instances of inaccurate time and effort certifications for both programs.

Questioned Cost: None

Cause: Lack of controls over reviewing the time and effort certifications for accuracy.

Effect: Non-compliance with Allowable Costs/Cost Principles compliance requirement.

Recommendation: The District should implement and ensure compliance with policies and procedures to ensure the District meets the requirements of OMB Circular A-87 for employees who are allocated to the programs.

View of Responsible Official and Planned Corrective Action: The District has procedures in place to assure compliance with reporting requirements relating to grants. In light of recent findings, the District will review the procedures, make adjustments as necessary, and provide training as necessary.