

p3 explanation of "unassigned fund balance"  
p15 fund balances

**Irvington Union Free School District**  
**Financial Statements and Required Reports Under**  
**OMB A-133**  
**as of**  
**June 30, 2014**  
**Together with**  
**Independent Auditor's Report**

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

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**INDEPENDENT AUDITOR'S REPORT**

September 4, 2014

The Board of Education of  
Irvington 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 the Irvington Union Free School District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 40 and 41 as required by the New York State be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplemental information on pages 42 through 44, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information 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.

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

The supplementary information included on pages 42 through 44 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 September 4, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Bonadio & Co., LLP*

# IRVINGTON UNION FREE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2014

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The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2014. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed, as well as a comparative analysis to prior year information. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

### 1. FINANCIAL HIGHLIGHTS

- New York State Law limits the unassigned fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. As of June 30, 2014 the total fund balance of the General Fund was \$7,483,191, an increase of \$42,100 from previous year's ending fund balance. Of this amount, \$722,731 has been assigned (designated) for subsequent year's expenditures. The unassigned fund balance is \$2,251,761 which represents 4% of the subsequent year's budget and therefore, falls within the 4% statutory limit. This amount is available for spending at the discretion of the School District. The remainder of the fund balance of \$4,508,669 has been restricted for specific purposes.
- On May 21, 2013 the District's residents authorized the proposed 2013-14 budget in the amount of \$54,070,000.
- Bonds are refunded to retire all or a portion of an outstanding bond issue and refinance with a bond issue at a lower interest rate. The District entered into a Bond Refunding in December 2013 that retired \$9,120,000 of bonds and replaced them with \$8,575,000 in bonds at a lower interest rate. The refunding will allow for significant savings of future debt service payments.

### 2. 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 *district-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 School District's operations in more detail than the entity-wide statements.
- The *governmental fund statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.

## 2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- *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** Major Features of the District-Wide and Fund Financial Statements

Table A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

	District-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 balances.</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/deferred inflows-outflows of resources/ liability information	All assets, deferred inflows/outflows of resources, and liabilities, both financial and capital, short-term and long-term debt	Assets, deferred inflows/outflows of deferred resources, 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/out flow information	All revenue and expenses during 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.

### A. District-Wide Statements

The district-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, deferred inflow/outflows of resources, 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.

## 2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### A. District-Wide Statements (Continued)

The two district-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows/outflows of resources, and liabilities – are 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 bases and the condition of buildings and other facilities should be considered.

In the district-wide financial statements, the District's activities are shown as *Governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Net position of the governmental activities differ from the governmental fund balance 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 as it does not provide or reduce current financial resources. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

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

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expense 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 has constraints placed on use by external sources or imposed by law.
  - Unrestricted net position is net position that does not meet any of the above restrictions.



## 2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### B. Fund Financial Statements

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

The District has two kinds of funds:

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

### 3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### A. Net Position

The District's net position decreased by \$1,836,972 in the fiscal year ended June 30, 2014 as detailed in Tables A-2.

**Table A-2 Condensed Statement of Net Position**

	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Dollar Change	Percent Change
Current and other assets	\$ 12,435,516	\$ 11,616,201	819,315	7.1%
Capital assets	44,553,659	46,133,717	(1,580,058)	-3.4%
Total assets	<u>56,989,175</u>	<u>57,749,918</u>	<u>(760,743)</u>	<u>-1.3%</u>
Deferred outflows	<u>155,011</u>	<u>-</u>	<u>155,011</u>	<u>N/A</u>
Total Assets and Deferred Outflows	<u>57,144,186</u>	<u>57,749,918</u>	<u>(605,732)</u>	<u>-1.0%</u>
Current liabilities	7,733,863	6,413,409	1,320,454	20.6%
Long-term liabilities	<u>77,161,029</u>	<u>77,250,243</u>	<u>(89,214)</u>	<u>-0.1%</u>
Total liabilities	<u>84,894,890</u>	<u>83,663,652</u>	<u>1,231,240</u>	<u>1.5%</u>
Net position:				
Investment in capital assets	8,838,659	8,048,717	789,942	9.8%
Restricted	4,508,669	4,671,382	(162,713)	-3.5%
Unrestricted	<u>(41,098,034)</u>	<u>(38,633,833)</u>	<u>(2,464,201)</u>	<u>6.4%</u>
Total net position	<u>(27,750,706)</u>	<u>(25,913,734)</u>	<u>(1,836,972)</u>	<u>7.1%</u>
Total Liabilities and Net Position	<u>\$ 57,144,186</u>	<u>\$ 57,749,918</u>	<u>(605,730)</u>	<u>-1.0%</u>

The current and other assets balance as of June 30, 2014 was \$12,435,516. The increase of \$819,315 over the prior year end balance is primarily due to an increase in the cash balance.

The capital assets balance as of June 30, 2014 was \$44,553,659. The decrease of \$1,580,058 over the prior year end balance is principally due to the depreciation recorded in the year.

The current liabilities balance as of June 30, 2014 was \$7,733,863. The increase of \$1,320,454 over the prior year end balance is mainly due to the increase in the amount payable to TRS (Teacher Retirement System). For fiscal year 2014, the TRS rate was 16.25% of teacher's salaries compared to the fiscal year 2013 TRS rate of 11.84%.

The net investment in capital asset, relates to the investment in capital assets at cost such as land, construction in progress, buildings and improvements, and machinery & equipment, net of depreciation and related debt. This increase of \$789,942 from year to year is due to capital additions offset by depreciation.

### 3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

#### B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities and Changes in Net Position. A summary for the years ended June 30, 2014 and 2013 is as follows:

**Table A-3 Changes in Net Position**

	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Percent Change
<u>Revenue</u>				
Program Revenue:				
Charges for services	\$ 1,322,927	\$ 1,366,509	\$ (43,582)	-3.2%
Operating grants	832,128	770,036	62,092	8.1%
General revenues:				
Real property taxes	43,997,117	41,708,900	2,288,217	5.5%
Other tax items	5,295,514	5,205,405	90,109	1.7%
Use of money and property	421,824	341,074	80,750	23.7%
Sale of property/compensation for loss	7,579	8,813	(1,234)	-14.0%
Federal and State sources	2,937,674	2,738,917	198,757	7.3%
Other	815,999	701,044	114,955	16.4%
<b>Total revenue</b>	<b><u>55,630,762</u></b>	<b><u>52,840,698</u></b>	<b><u>\$ 2,790,064</u></b>	<b><u>5.3%</u></b>
<u>Expenses</u>				
General support	7,655,172	13,164,546	(5,509,374)	-41.9%
Instruction	45,556,747	44,467,240	1,089,507	2.5%
Pupil transportation	1,894,161	2,157,110	(262,949)	-12.2%
Debt service - Interest	1,878,016	2,243,932	(365,916)	-16.3%
School lunch program	483,638	512,841	(29,203)	-5.7%
<b>Total expenses</b>	<b><u>57,467,734</u></b>	<b><u>62,545,669</u></b>	<b><u>(5,077,935)</u></b>	<b><u>-8.1%</u></b>
<b>Decrease in net position</b>	<b><u>\$ (1,836,972)</u></b>	<b><u>\$ (9,704,971)</u></b>	<b><u>\$ 7,867,999</u></b>	<b><u>-81.1%</u></b>

The District's fiscal year 2014 revenues totaled \$55,630,762. Real property taxes (including other tax items) and state and federal sources formula aid accounted for most of the District's revenue by contributing \$0.89 and \$0.05, respectively, of every dollar raised. The remainder of revenue was generated from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The District's fiscal year 2014 expenses totaled \$57,467,734. Costs to support general instruction and transportation accounted for 83% of District expenses. The District's general support activities accounted for 13% of total costs.

The District's continued financial health, as a whole, can be credited to:

- Long-range financial planning in all programs
- Consistent District goals which are valued and fostered
- Long-range capital infrastructure plans based on our 2012-13 Space Utilization Study
- Continued strong leadership of the District's Board and administration
- Constant evaluation of ways to contain costs through increased efficiencies

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-4 Sources of Revenue for Fiscal Year 2014:

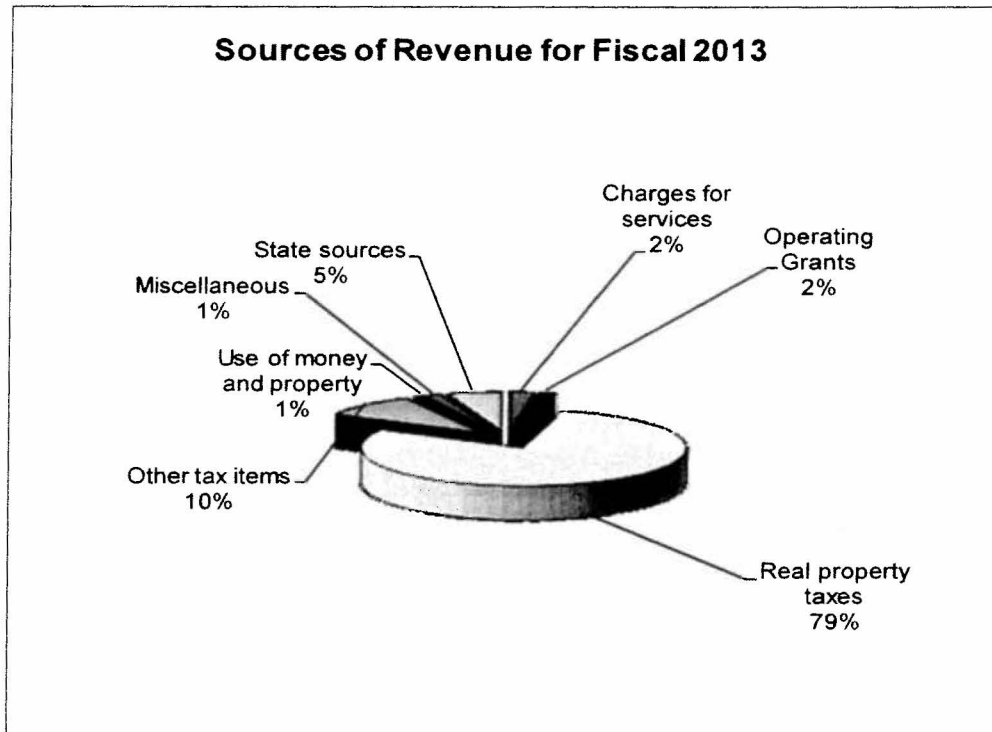
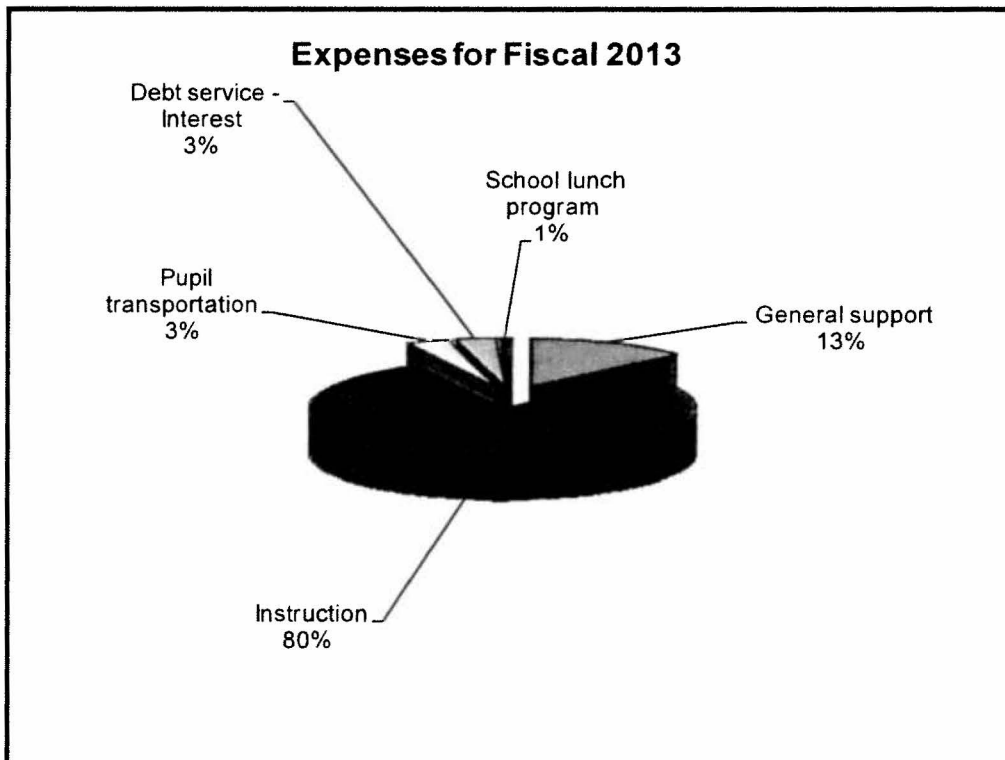


Table A-5 Expenditures for Fiscal Year 2014:



#### 4. FINANCIAL ANALYSIS OF THE DISTRICT FUNDS

As of June 30, 2014 the District's combined governmental funds reported a total fund balance of \$7,991,301, which is a decrease of \$365,481 from the prior year.

**Table A-6 Governmental Funds Highlights**

	Fiscal Year 2014	Fiscal Year 2013	Increase (Decrease)	Total % Change
<b>General Fund</b>				
Restricted for Tax Certiorari	\$ 3,464,315	\$ 4,514,753	\$ (1,050,438)	-23.3%
Restricted for Retirement Contributions	854,354	156,629	697,725	445.5%
Restricted for Workers' Compensation	190,000	-	190,000	NA
Assigned	722,761	606,907	115,854	19.1%
Unassigned	2,251,761	2,162,802	88,959	4.1%
<b>Total Fund Balance - General</b>	<u>7,483,191</u>	<u>7,441,091</u>	<u>42,100</u>	<u>0.6%</u>
<b>School Lunch Fund</b>				
Assigned	98,082	38,459	59,623	155.0%
<b>Total Fund Balance - School Lunch</b>	<u>98,082</u>	<u>38,459</u>	<u>59,623</u>	<u>155.0%</u>
<b>Capital Fund</b>				
Assigned	392,389	861,078	(468,689)	-54.4%
<b>Total Fund Balance - Capital</b>	<u>392,389</u>	<u>861,078</u>	<u>(468,689)</u>	<u>-54.4%</u>
<b>Debt Service</b>				
Assigned	17,639	16,154	1,485	9.2%
<b>Total Fund Balance - Debt Service</b>	<u>17,639</u>	<u>16,154</u>	<u>1,485</u>	<u>9.2%</u>
<b>Total Fund Balance - All Funds</b>	<u>\$ 7,991,301</u>	<u>\$ 8,356,782</u>	<u>\$ (365,481)</u>	<u>-4.4%</u>

A summary of the changes in fund balance for all funds is as follows:

- The general fund balance was relatively flat from prior year. The decrease in the Tax Ceritorari restricted fund balance was offset by the increase in the Retirement Contributions and Workers' compensation restricted fund balance.
- The increase in the school lunch fund balance is due to the revenue exceeding expenditures due to operations. Revenue increased significantly due to the fact that in fiscal year 2014, all lunch meals were reimbursable, allowing for a reduction in costs paid to the food service provider.
- The decrease in the fund balance for the Capital Fund is attributable to the use of fund balance to pay for district Master Plan projects.
- The increase in the debt service fund balance is mainly due to interest earned during the fiscal year.

## 5. GENERAL FUND BUDGETARY HIGHLIGHTS

The District's voter approved general fund adopted budget for the year ended June 30, 2014 was \$54,070,000. This amount was increased by encumbrances carried forward from the prior year in the amount of \$184,907 and budget revisions in the amount of \$2,260,821, which resulted in a final budget of \$56,515,728. The majority of the funding was real property taxes and STAR revenue of \$48,445,822.

## 6. CAPITAL ASSETS AND DEBT ADMINISTRATION

### A. Capital Assets

By the end of 2014, the District had an investment of \$44,553,659 in a broad range of capital assets.

**Table A-7: Capital Assets (Net of Accumulated Depreciation)**

<u>Category</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 793,200	\$ 793,200	\$ -	0.0%
Construction in progress	423,228	260,895	162,333	62.2%
Land improvements	2,419,375	2,677,183	(257,808)	-9.6%
Buildings and improvements	40,614,202	42,157,734	(1,543,532)	-3.7%
Furniture & Equipment	303,654	244,705	58,949	24.1%
Total	<u>\$ 44,553,659</u>	<u>\$ 46,133,717</u>	<u>\$ (1,580,058)</u>	<u>-3.4%</u>

The increase of \$162,333 in construction in progress from 2013 to 2014 is due to expenses incurred in the planning stages for the renovation work to be done on East and Meszaros fields. The decrease in land improvements and buildings and improvements is mainly due to depreciation.

### B. Long-Term Debt

At year-end, the District had \$79,970,722 of long-term liabilities outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**Table A-8: Outstanding Long-Term Liabilities**

<u>Category</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
General obligation bonds/long term BAN	\$ 43,838,481	\$ 46,544,438	\$ (2,705,957)	-5.8%
Other post employment benefits	34,003,051	27,784,130	6,218,921	22.4%
Judgments and claims	586,210	3,955,488	(3,369,278)	-85.2%
Other long-term liabilities	1,542,977	1,682,658	(139,681)	-8.3%
Total	<u>\$ 79,970,719</u>	<u>\$ 79,966,714</u>	<u>\$ 4,005</u>	<u>-76.9%</u>

During the year, the District paid down its long-term debt by retiring \$2,490,000 of outstanding bonds and \$226,513 of other debt. The District's long term BAN was decreased during the year by \$775,000 from \$3,575,000 to \$2,800,000. As mentioned earlier, a Bond Refunding was completed during the year replacing \$9,120,000 of bonds with \$8,575,000 of bonds.

## **6. CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

Additionally, other post-employment benefit payable was accrued during 2014 in the amount of \$6,218,921.

Judgements and claims, which relates to Tax Certiorari claims, decreased by \$3,369,278 from year to year. This was due to the fact that many open claims were settled in the 2014 fiscal year.

## **7. 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 future financial health:

While the District has settled several significant tax certiorari cases in recent years, several unsettled cases remain. The results of these tax certiorari cases could impact future budgets.

## **8. 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:

Beverly Miller  
Assistant Superintendent for Business  
Irvington Union Free School District  
40 North Broadway  
Irvington, NY 10533  
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**IRVINGTON UNION FREE SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2014**

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**ASSETS**

**CURRENT ASSETS:**

Cash - Unrestricted	\$ 6,276,214
Cash - Restricted	4,526,253
State and federal aid receivable	731,285
Accounts receivable	108,766
Due from other funds	7,242
Due from other governments	<u>785,756</u>

Total current assets 12,435,516

**NON CURRENT ASSETS:**

Capital assets, net	<u>44,553,659</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Loss on bond refunding	<u>155,011</u>
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**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** \$ 57,144,186

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	657,300
Accrued interest	479,958
Due to fiduciary fund	500
Due to other governments	117,540
Due to Teachers' Retirement System	3,396,109
Due to Employees' Retirement System	272,766
Current portion of long term debt	<u>2,809,690</u>

Total current liabilities 7,733,863

**LONG-TERM LIABILITIES:**

BAN Long term	2,800,000
Bonds payable, net of current portion and premium	38,468,481
Other post employment benefits	34,003,051
Judgments and claims	586,210
Installment debt	448,933
Compensated absences payable	<u>854,354</u>

Total long-term liabilities 77,161,029

**TOTAL LIABILITIES** 84,894,892

**NET POSITION**

Investment in capital assets	8,838,659
Restricted	4,508,669
Unrestricted	<u>(41,098,034)</u>

**TOTAL NET POSITION** (27,750,706)

**TOTAL LIABILITIES AND NET POSITION** \$ 57,144,186

The accompanying notes are an integral part of these statements.



**IRVINGTON UNION FREE SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense) Revenue and Changes in <u>Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>FUNCTIONS/PROGRAMS:</b>				
General support	(7,655,172)	\$ -	\$ -	\$ (7,655,172)
Instruction	(45,556,747)	854,341	758,684	(43,943,722)
Pupil transportation	(1,894,161)	-	-	(1,894,161)
Debt service - Interest	(1,878,016)	-	-	(1,878,016)
School lunch program	(483,638)	468,586	73,444	58,392
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<b>\$ (57,467,734)</b>	<b>\$ 1,322,927</b>	<b>\$ 832,128</b>	<b>(55,312,679)</b>
<b>GENERAL REVENUE:</b>				
Real property taxes				43,997,117
Other tax items				5,295,514
Use of money and property				421,824
Sale of property and compensation for loss				7,579
Miscellaneous				815,999
Federal and state sources				2,937,674
<b>TOTAL GENERAL REVENUE</b>				<b>53,475,707</b>
<b>CHANGE IN NET POSITION</b>				<b>(1,836,972)</b>
<b>TOTAL NET POSITION - beginning of year</b>				<b>(25,913,734)</b>
<b>TOTAL NET POSITION - end of year</b>				<b>\$ (27,750,706)</b>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

BALANCE SHEETS - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS TO GOVERNMENT WIDE NET POSITION  
JUNE 30, 2014

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>ASSETS:</b>						
Cash - Unrestricted	\$ 5,549,435	\$ 28,504	\$ 142,464	\$ 555,811	\$ -	\$ 6,276,214
Cash - Restricted	4,508,669	-	-	-	17,584	4,526,253
Accounts receivable	38,659	70,107	-	-	-	108,766
Due from other funds	708,132	407	-	-	55	708,594
Due from other governments	785,756	-	-	-	-	785,756
State and federal aid receivable	114,037	611,269	5,979	-	-	731,285
<b>TOTAL ASSETS</b>	<b>\$ 11,704,688</b>	<b>\$ 710,287</b>	<b>\$ 148,443</b>	<b>\$ 555,811</b>	<b>\$ 17,639</b>	<b>\$ 13,136,868</b>
<b>LIABILITIES:</b>						
Accounts payable and accrued liabilities	\$ 434,175	9,397	\$ 50,361	\$ 163,367	\$ -	\$ 657,300
Due to other funds	907	700,890	-	55	-	701,852
Due to other governments	117,540	-	-	-	-	117,540
Due to Teachers' Retirement System	3,396,109	-	-	-	-	3,396,109
Due to Employees' Retirement System	272,766	-	-	-	-	272,766
<b>TOTAL LIABILITIES</b>	<b>4,221,497</b>	<b>710,287</b>	<b>50,361</b>	<b>163,422</b>	<b>-</b>	<b>5,145,567</b>
<b>FUND BALANCES:</b>						
<b>Restricted</b>						
Tax certioran	3,464,315	-	-	-	-	3,464,315
Retirement contributions	854,354	-	-	-	-	854,354
Workers compensation	190,000	-	-	-	-	190,000
<b>Total restricted fund balance</b>	<b>4,508,669</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,508,669</b>
<b>Assigned</b>						
Other	300,761	-	98,082	392,389	17,639	808,871
Appropriated for subsequent years expenditures	422,000	-	-	-	-	422,000
<b>Total assigned fund balance</b>	<b>722,761</b>	<b>-</b>	<b>98,082</b>	<b>392,389</b>	<b>17,639</b>	<b>1,230,871</b>
<b>Unassigned</b>	<b>2,251,761</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,251,761</b>
<b>TOTAL FUND BALANCES</b>	<b>7,483,191</b>	<b>-</b>	<b>98,082</b>	<b>392,389</b>	<b>17,639</b>	<b>7,991,301</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,704,688</b>	<b>\$ 710,287</b>	<b>\$ 148,443</b>	<b>\$ 555,811</b>	<b>\$ 17,639</b>	<b>\$ 13,136,868</b>

Tax certs are bonded

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balances per above.	\$ 7,991,301
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,553,659
Loss on bond refunding recorded as a payment on the fund level	155,011
Long-term liabilities, including bonds payable, teachers retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(45,967,668)
Other post employment benefits liability	(34,003,051)
Interest payable at June 30, 2014, in the government-wide statements under full accrual accounting.	(479,958)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (27,750,706)</b>

IRVINGTON UNION FREE SCHOOL DISTRICT

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

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
REVENUE:						
Real property taxes	\$ 43,997,117	\$ -	\$ -	\$ -	\$ -	\$ 43,997,117
Other tax items	5,295,514	-	-	-	-	5,295,514
Charges for services	854,341	-	-	-	-	854,341
Use of money and property	370,317	-	106	16	1,485	371,924
Sale of property and compensation for loss	7,579	-	-	-	-	7,579
Miscellaneous	673,756	141,119	1,125	-	-	816,000
State sources	2,931,065	280,711	6,053	-	-	3,217,829
Federal sources	6,609	477,973	67,391	-	-	551,973
Sales - School lunch	-	-	468,586	-	-	468,586
Total revenue	<u>54,136,298</u>	<u>899,803</u>	<u>543,261</u>	<u>16</u>	<u>1,485</u>	<u>55,580,863</u>
EXPENDITURES:						
General support	7,587,722	-	-	-	98,369	7,686,091
Instruction	27,735,313	993,555	-	-	-	28,728,868
Pupil transportation	1,890,321	-	-	-	-	1,890,321
Employee benefits	11,460,027	-	-	-	-	11,460,027
Debt service - Principal	3,490,483	-	-	-	-	3,490,483
Debt service - Interest	1,836,580	-	-	-	-	1,836,580
Cost of sales	-	-	483,638	-	-	483,638
Capital outlay	-	-	-	728,705	-	728,705
Total expenditures	<u>54,000,446</u>	<u>993,555</u>	<u>483,638</u>	<u>728,705</u>	<u>98,369</u>	<u>56,304,713</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>135,852</u>	<u>(93,752)</u>	<u>59,623</u>	<u>(728,689)</u>	<u>(96,884)</u>	<u>(723,850)</u>
OTHER SOURCES AND (USES):						
Proceeds from obligations	-	-	-	260,000	8,575,000	8,835,000
Premium on bonds	-	-	-	-	798,380	798,380
Payment to bond escrow agent	-	-	-	-	(9,275,011)	(9,275,011)
Operating transfers in	-	93,752	-	-	-	93,752
Operating transfers (out)	(93,752)	-	-	-	-	(93,752)
Total other sources (uses)	<u>(93,752)</u>	<u>93,752</u>	<u>-</u>	<u>260,000</u>	<u>98,369</u>	<u>358,369</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	<u>42,100</u>	<u>-</u>	<u>59,623</u>	<u>(468,689)</u>	<u>1,485</u>	<u>(365,481)</u>
FUND BALANCES - beginning of year	<u>7,441,091</u>	<u>-</u>	<u>38,459</u>	<u>861,078</u>	<u>16,154</u>	<u>8,356,782</u>
FUND BALANCES - end of year	<u>\$ 7,483,191</u>	<u>\$ -</u>	<u>\$ 98,082</u>	<u>\$ 392,389</u>	<u>\$ 17,639</u>	<u>\$ 7,991,301</u>

The accompanying notes are an integral part of these statements.

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

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Net changes in fund balance - Total governmental funds	\$ (365,481)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	545,847
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(2,125,905)
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 position.	12,611,515
Proceeds from the issuance of long-term debt are recorded as other sources in the governmental funds, but are recorded as additions to liabilities in the statement of net position.	(8,835,000)
Premiums from the issuance on bonds that are revenue sources in the governmental funds but are amortized on the statement of net position	(798,380)
Expenses related to long term tax certiorari claims in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	3,369,278
Certain expenses that are recorded as expenditures in the governmental funds, but are deferred outflows in the statement of net position	155,011
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	(174,936)
Accrued post-employment benefits do not require the expenditure of current resources and are, therefore are not reported as expenditures in the governmental funds.	<u>(6,218,921)</u>
Change in net position - Governmental activities	<u>\$ (1,836,972)</u>

The accompanying notes are an integral part of these statements.

**IRVINGTON UNION FREE SCHOOL DISTRICT**

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

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	Private Purpose <u>Trusts</u>	<u>Agency</u>
<b>ASSETS:</b>		
Cash	\$ -	\$ 97,976
Cash - restricted	145,879	95,050
Due from other funds	<u>-</u>	<u>500</u>
Total assets	<u>\$ 145,879</u>	<u>\$ 193,526</u>
<b>LIABILITIES:</b>		
Extraclassroom activity balances	-	95,050
Due to other funds	-	7,242
School store balances	-	3,485
Other liabilities	<u>-</u>	<u>87,749</u>
Total liabilities	<u>\$ -</u>	<u>\$ 193,526</u>
<b>NET POSITION:</b>		
Reserved for private purposes	<u>\$ 145,879</u>	

The accompanying notes are an integral part of these statements.

**IRVINGTON UNION FREE SCHOOL DISTRICT**

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

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	Private Purpose <u>Trusts</u>
<b>ADDITIONS:</b>	
Contributions	\$ <u>11,177</u>
Total Additions	11,177
<b>DEDUCTIONS:</b>	
Scholarships and other private purposes	<u>18,450</u>
NET INCREASE	(7,273)
NET POSITION - beginning of year	<u>153,152</u>
NET POSITION - end of year	<u>\$ 145,879</u>

The accompanying notes are an integral part of these statements.

# IRVINGTON UNION FREE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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### 1. NATURE OF OPERATIONS

Irvington Union Free School District provides free K-12 public education to students living within its geographic borders.

### 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Irvington Union Free School District (School 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.

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

#### **Reporting Entity**

The Irvington Union Free School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management and accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity* as amended by GASB 39, Component Units. 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 a certain 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.

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

### **Joint Venture**

The School District is a component school district in Southern Westchester 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.

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.

Financial statements for the BOCES are available from the BOCES administrative office.

### **Basis of Presentation**

#### Government-Wide Statements

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

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

#### Fund Financial Statements

The fund 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, 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.



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

### **Basis of Presentation (Continued)**

#### **Fund Financial Statements (Continued)**

- *Special Aid Fund* - This is a special revenue fund that accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes 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.
- *School Lunch Fund* – This is a special revenue fund that accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *Capital Projects Funds* - These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- *Debt Service Funds* – These funds account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of the governmental activities.

The District reports the following fiduciary 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 School District-wide financial statements, because their resources do not belong to the School District, and are not available to be used. There are two types of 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 accounting principles generally accepted in the United States of America 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 dates of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

### **Measurement Focus and Basis of Accounting**

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

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

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

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 collected within ninety days after the end of the fiscal year.

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 consist of cash on hand, demand deposits. 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.

### **Restricted Cash**

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$4,526,253 within the governmental funds.

### **Property Taxes**

Real property taxes are levied annually by the board of education no later than September 1, and become a lien on September 1. Taxes are collected by the Town of Greenburgh during the period September 30 to January 31, 2014.

Uncollected real property taxes are subsequently enforced by 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.

### **Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

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

### 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 with one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

### Capital Assets

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 5,000	SL	20-30 years
Buildings and improvements	\$ 5,000	SL	20-50 years
Furniture and equipment	\$ 5,000	SL	7-20 years

### Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of net Position sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of the refunding debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

### 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.

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

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

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

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

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

### **Other Post - Employment Benefits**

In addition to providing the pension benefits described, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the School District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid. The District recognized the current cost of providing benefits for 2014 by recording \$1,420,655 which is its share of insurance premiums for currently enrolled retirees, as expenditure in 2014.

In accordance with the provisions of Governmental Accounting Standards Board Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the District has recorded the government-wide statement of net position the required other post-employment benefits totaling \$34,003,051 as of June 30, 2014. The financial disclosures relating to the District's other post-employment benefits are reflected in Note 10.

### **Encumbrances**

Encumbrance accounting is used for budgetary control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

All encumbrances are classified as either Restricted or Assigned Fund Balance in the General Fund, or as Restricted Fund Balance in the non-general funds.

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

### **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.

Unearned revenue recorded in governmental funds is generally not recorded in the School District-wide statements.

### **Short-Term Debt**

The District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenue. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

### **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)

### Equity Classifications

#### District-Wide Statements

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

Invested 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, construction 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.

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.

#### Fund Balance – Reservations and Designations

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

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The School District has available the following restricted fund balances.

#### Capital

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

#### 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.

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

### Workers' Compensation (Continued)

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. This 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 general fund under restricted fund balance.

### 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.

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

### Fund Balance – Reservations and Designations (Continued)

#### Employee Benefit 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 fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

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

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. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$300,761. As of June 30, 2014, the School District's encumbrances were classified as follows:

Assigned fund balance:

General support	\$	134,900
Instruction		<u>165,861</u>
Total encumbrances	\$	<u>300,761</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.



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

### Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable 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, non-spendable 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 determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

### **Newly Adopted Accounting Standards**

During the year ended June 30, 2014, the District adopted the following:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements.

GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62* that improves accounting and financial reporting by clarifying guidance regarding risk financing, operating lease payments, and accounting for loans.

## 3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL DISTRICT WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the School District-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.

### **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 Changes in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

- **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.

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

- **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. CASH**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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 previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	\$ 11,912,655	\$ 11,141,372
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 11,412,655	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 11,912,655</u>	

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.

**4. CASH (Continued)**

Restricted cash consists of the following:

General fund:

Cash on deposit for reserves	
Tax certiorari	\$ 4,508,669
Debt service	<u>17,584</u>

Total general fund restricted cash \$ 4,526,253

Trust and agency fund:

Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 240,929</u>
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**5. PARTICIPATION IN BOCES**

During the year, the School District was billed \$1,648,071 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$309,401.

Financial statements for BOCES are available from the BOCES administrative office.

**6. CAPITAL ASSETS**

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

	July 1, 2013 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2014 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 793,200	\$ -	\$ -	\$ 793,200
Construction in progress	<u>260,895</u>	<u>162,333</u>	<u>-</u>	<u>423,228</u>
Total non-depreciable cost	<u>\$ 1,054,095</u>	<u>\$ 162,333</u>	<u>\$ -</u>	<u>\$ 1,216,428</u>
Capital assets that are depreciated:				
Land improvements	\$ 5,188,736	\$ -	\$ -	\$ 5,188,736
Buildings and improvements	65,533,738	256,581	-	65,790,319
Furniture & Equipment	<u>861,369</u>	<u>126,933</u>	<u>64,312</u>	<u>923,990</u>
Total depreciable historical cost	<u>71,583,843</u>	<u>383,514</u>	<u>64,312</u>	<u>71,903,045</u>
Less accumulated depreciation:				
Land improvements	2,511,553	257,808	-	2,769,361
Buildings and improvements	23,376,004	1,800,113	-	25,176,117
Furniture & Equipment	<u>616,664</u>	<u>67,984</u>	<u>64,312</u>	<u>620,336</u>
Total accumulated depreciation	<u>26,504,221</u>	<u>2,125,905</u>	<u>64,312</u>	<u>28,565,814</u>
Total depreciable cost, net	<u>\$ 45,079,622</u>	<u>\$ (1,742,391)</u>	<u>\$ -</u>	<u>\$ 43,337,231</u>

## 6. CAPITAL ASSETS (Continued)

Depreciation expense of \$2,125,905 for the year ended June 30, 2014, was allocated to specific functions as follows:

General support	\$ 297,627
Instruction	<u>1,828,278</u>
<b>Total Depreciation</b>	<b><u>\$ 2,125,905</u></b>

## 7. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid	\$ 1,836,580
Less: interest accrued in prior year	(437,522)
Plus: interest accrued in current year	<u>478,958</u>
<b>Total expense</b>	<b><u>\$ 1,878,016</u></b>

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Government activities					
Bonds and notes payable:					
General obligation debt:					
Serial bonds payable	\$ 43,325,000	\$ 8,575,000	\$ 11,610,000	\$ 40,290,000	\$ 2,570,000
Premium on Bonds	(355,562)	798,380	405,461	748,481	-
Long Term BAN	<u>3,575,000</u>	<u>-</u>	<u>775,000</u>	<u>2,800,000</u>	<u>-</u>
Total Bonds and Bans	46,544,438	9,373,380	12,790,461	43,838,481	2,570,000
Other liabilities:					
Other post employment benefits	\$ 27,784,130	\$ 6,218,921	\$ -	\$ 34,003,051	\$ -
State loan payable	44,058	-	20,043	24,015	24,015
Installment purchase debt	611,080	260,000	206,472	664,608	215,675
Judgment and claims	3,955,488	-	3,369,278	586,210	-
Compensated absences	<u>1,027,520</u>	<u>-</u>	<u>173,166</u>	<u>854,354</u>	<u>-</u>
Total other liabilities	33,422,276	6,478,921	3,768,959	36,132,238	239,690
Total long-term liabilities	<u>\$ 79,966,714</u>	<u>\$ 15,852,301</u>	<u>\$ 16,559,420</u>	<u>\$ 79,970,719</u>	<u>\$ 2,809,690</u>

The District obtained a BAN in 2013 that they have determined this to be long term debt based on the estimated time of repayment being longer than one year. These funds were obtained to aid in the payment of significant tax certioraris. In the current year they made one payment on those BANs and obtained another BAN for \$2,800,000 also considered long term.

On December 19, 2013, the District issued \$8,575,000 in serial bonds with an average interest rate of 3.5% to refund \$9,120,000 of outstanding serial bonds with an average interest rate of 5%. The net proceeds of \$9,275,011 (after payment of \$98,369 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements.

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

The district refunded the bonds to take advantage of the savings due to improved municipal bond markets. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$155,011.

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2014 Balance</u>
Refunding Bond 2014	2014	2023	2.00%-5.00%	\$ 8,575,000
Refunding Bonds	2005	2032	3.00% - 5.00%	27,140,000
Tax Certiorari Refunds	2005	2014	3.125% - 3.50%	310,000
Tax Certiorari Refunds	2008	2022	3.50% - 4.00%	2,950,000
Tax Certiorari Refunds	2008	2023	4.50% - 5.00%	<u>1,315,000</u>
<b>Total</b>				<b><u>\$ 40,290,000</u></b>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,570,000	\$ 1,753,681	\$ 4,323,681
2016	2,360,000	1,662,325	4,022,325
2017	2,460,000	1,567,731	4,027,731
2018	2,565,000	1,467,975	4,032,975
2019	1,970,000	1,360,856	3,330,856
2020-2024	13,370,000	5,016,131	18,386,131
2025-2029	8,735,000	2,862,125	11,597,125
2030-2034	<u>6,260,000</u>	<u>635,251</u>	<u>6,895,251</u>
<b>Totals</b>	<b><u>\$ 40,290,000</u></b>	<b><u>\$ 16,326,075</u></b>	<b><u>\$ 56,616,075</u></b>

**8. INTERFUND BALANCES AND ACTIVITY**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 708,132	\$ 907	\$ -	\$ 93,752
Special aid fund	407	700,890	93,752	-
Capital fund	-	55	-	-
Debt service fund	55	-	-	-
Fiduciary funds	<u>500</u>	<u>7,242</u>	<u>-</u>	<u>-</u>
<b>Total governmental activities</b>	<b><u>\$ 709,094</u></b>	<b><u>\$ 709,094</u></b>	<b><u>\$ 93,752</u></b>	<b><u>\$ 93,752</u></b>

## 8. INTERFUND BALANCES AND ACTIVITY (Continued)

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.

All interfund payables are expected to be repaid within one year.

## 9. PENSION PLANS

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

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

NYSERS provides retirement benefits, as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The system issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

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

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

	<u>ERS</u>	<u>TRS</u>
2014	\$ 907,555	\$ 2,448,947
2013	\$ 881,502	\$ 2,326,433
2012	\$ 643,833	\$ 2,095,829

## 10. OTHER POST-EMPLOYMENT BENEFITS

### Plan Description

The District provides certain other post-employment benefits (predominately health insurance) for retired employees of the District. The District administers the Other Post-Employment Benefits Plan (the "OPEB Plan") as a single-employer defined benefit Other Post-Employment Benefit Plan (OPEB).

In general, the District provides health insurance coverage for retired employees and their survivors. Substantially all the District's employees may become eligible for this benefit if they reach age 55 and retire with 10-20 years of service to the District.

The Retirement Plan can be amended by action of the District subject to applicable collective bargaining and employment agreements. The number of retired employees currently eligible to receive benefits at June 30, 2014, was approximately 157. The OPEB Plan does not issue a stand-alone financial report because there are no assets legally segregated for the sole purpose of paying benefits under the plan.

### Funding Policy

The obligations of the OPEB Plan are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 65%, depending on whether its employee or spouse. The District will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree. The costs of administering the OPEB Plan are paid by the District. The District currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amount paid during 2014 by the District was \$1,420,655.

### 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 the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the District's net OPEB obligation:

Annual required contribution	\$ 8,069,533
Interest on net OPEB obligation	1,102,039
Adjustment to ARC	<u>(1,531,996)</u>
Annual OPEB cost (expense)	7,639,576
Contributions made	<u>(1,420,655)</u>
Increase in net OPEB obligation	6,218,921
Net OPEB obligation - beginning of year	<u>27,784,130</u>
Net OPEB obligation - end of year	<u>\$ 34,003,051</u>
Percentage of annual OPEB cost contributed	18.6%

**10. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

*Trend information* – The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Contribution (ARC)</u>	<u>OPEB Cost Contributed</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
6/30/14	\$ 7,639,576	\$ 8,069,533	\$ (1,420,655)	-17.6%	\$ 34,003,051
6/30/13	7,558,928	7,927,429	(1,831,350)	-23.1%	27,784,130
6/30/12	6,763,429	6,763,429	(1,564,195)	-23.1%	22,056,552

**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 OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The OPEB Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits. In the future, the schedule will provide multi-year trend information about the value of plan assets relative to the AAL.

**Schedule of Funding Progress for the District’s Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2013	\$ -	\$ 77,832,540	\$ 77,832,540	0.0%	\$ 26,361,113	295%
7/1/2012	\$ -	\$ 77,832,540	\$ 77,832,540	0.0%	\$ 24,365,536	319%
7/1/2011	\$ -	\$ 66,168,837	\$ 66,168,837	0.0%	\$ 24,055,521	275%

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial 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, 2012 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	7.50%
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open



**10. OTHER POST EMPLOYMENT BENEFITS (Continued)**

\* 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.

**11. 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 have not exceeded commercial insurance coverage for the past two years.

**12. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

The District administrations prepare a proposed budget for approval by the Board of Education for the General Fund. 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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by 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. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. 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.

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the governmental funds balance sheet.

**13. CONTINGENCIES AND COMMENTS**

**General Information**

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.

The School District has various commitments with contractors for the completion of capital projects.

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

In June 2012, the GASB issued Statements *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. The District is required to adopt the provisions of these Statements for the year ending June 30, 2015, with early adoption encouraged.

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

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

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

#### **15. SUBSEQUENT EVENTS**

On July 17, 2014 the District obtained a \$4,000,000 tax anticipation note (TAN) with an interest rate of .50%. The TAN is due on November 14, 2014.

**REQUIRED SUPPLEMENTARY INFORMATION**

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
<b>REVENUE</b>				
LOCAL SOURCES:				
Real property taxes	\$ 44,314,454	\$ 44,314,459	\$ 43,997,117	\$ (317,342)
Other tax items	5,216,368	5,216,368	5,295,514	79,146
Charges for services	570,000	570,000	854,341	284,341
Use of money and property	250,000	250,000	370,317	120,317
Sale of property and compensation for loss	-	-	7,579	7,579
Miscellaneous	<u>440,000</u>	<u>499,003</u>	<u>673,756</u>	<u>174,753</u>
Total local sources	50,790,822	50,849,830	51,198,624	348,794
State sources	2,837,178	2,877,178	2,931,065	53,887
Medicaid reimbursement	20,000	20,000	6,609	(13,391)
Federal sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>\$ 53,648,000</u>	<u>\$ 53,747,008</u>	<u>\$ 54,136,298</u>	<u>\$ 389,290</u>

(Continued)

The accompanying notes are an integral part of these schedules.

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)  
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of education	\$ 66,347	\$ 67,153	\$ 62,973	\$ -	\$ 4,180
Central administration	339,768	338,911	337,894	-	1,017
Finance	623,391	637,394	613,082	3,270	21,042
Staff	390,025	392,433	304,211	-	88,222
Central services	3,735,911	3,942,124	3,664,328	131,630	146,166
Special items	413,069	2,619,231	2,605,234	-	13,997
<b>Total general support</b>	<b>5,568,511</b>	<b>7,997,246</b>	<b>7,587,722</b>	<b>134,900</b>	<b>274,624</b>
INSTRUCTION:					
Instruction, administration, and improvement	1,700,555	1,719,224	1,669,577	600	49,047
Teaching - Regular school	15,683,480	15,481,007	15,211,958	19,941	249,108
Programs for children with handicapping conditions	7,481,989	7,348,616	6,898,544	125,929	324,143
Occupational education	602,793	605,571	600,043	432	5,096
Teaching - Special school	-	-	-	-	-
Instructional media	873,754	886,297	831,797	18,765	35,735
Pupil services	2,607,796	2,585,686	2,523,394	194	62,098
<b>Total instruction</b>	<b>28,950,367</b>	<b>28,626,401</b>	<b>27,735,313</b>	<b>165,861</b>	<b>725,227</b>
Pupil transportation	2,318,630	2,319,634	1,890,321	-	429,313
Employee benefits	11,744,131	12,084,087	11,460,027	-	624,060
Debt service - Principal	3,396,514	3,490,619	3,490,483	-	136
Debt service - Interest	1,974,847	1,880,742	1,836,580	-	44,162
<b>Total expenditures</b>	<b>53,953,000</b>	<b>56,398,729</b>	<b>54,000,446</b>	<b>300,761</b>	<b>2,097,522</b>
<b>OTHER FINANCING USES</b>					
Transfers to other funds	117,000	117,000	93,752	-	23,248
<b>Total expenditures and other uses</b>	<b>54,070,000</b>	<b>56,515,729</b>	<b>54,094,198</b>	<b>300,761</b>	<b>2,120,770</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(422,000)</b>	<b>(2,768,721)</b>	<b>42,100</b>	<b>(300,761)</b>	<b>(2,195,992)</b>
FUND BALANCE - beginning of year			7,441,091		
FUND BALANCE - end of year			<b>\$ 7,483,191</b>		

The accompanying notes are an integral part of these schedules.

**SUPPLEMENTARY INFORMATION**

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET  
AND USE OF UNRESERVED FUND BALANCE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014 (UNAUDITED)**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 54,070,000
Add: Prior year's encumbrances	<u>184,907</u>
Original budget	54,254,907
Budget revision	<u>2,260,822</u>
Final budget	<u>\$ 56,515,729</u>

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

2014-15 voter-approved expenditure budget	\$ 56,294,000	
Maximum allowed (4% of 2014-15 budget)		\$ 2,251,760
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law *:		
Total fund balance:	<u>\$ 7,483,191</u>	
Less:		
Committed fund balance	-	
Restricted fund balance	4,508,669	
Assigned fund balance:		
Appropriated fund balance	422,000	
Encumbrances included in committed and assigned fund balance	<u>300,761</u>	
Total adjustments	<u>\$ 5,231,430</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 2,251,761</u>
Actual percentage		4.00%

\* 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.

IRVINGTON UNION FREE SCHOOL DISTRICT

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

<u>Project Title</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Expenditures</u>			<u>Available Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
District - Wide improvements	\$ 59,389,585	\$ 59,389,585	\$ 59,050,572	\$ -	\$ 59,050,572	\$ 339,013
Master plan projects	<u>-</u>	<u>782,081</u>	<u>-</u>	<u>728,705</u>	<u>728,705</u>	<u>53,376</u>
	<u>\$ 59,389,585</u>	<u>\$ 60,171,666</u>	<u>\$ 59,050,572</u>	<u>\$ 728,705</u>	<u>\$ 59,779,277</u>	<u>\$ 392,389</u>

The accompanying notes are an integral part of these schedules.



**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
JUNE 30, 2014 (UNAUDITED)**

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Capital assets, net		\$ 44,553,659
Deduct:		
Bond anticipation notes	-	
Premium on bonds payable	-	
	<hr/>	
Short-term portion of bonds payable	1,875,000	
Long-term portion of bonds payable	33,840,000	
Less: Unspent bond proceeds		<u>35,715,000</u>
Investment in capital assets, net of related debt		<u>\$ 8,838,659</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**

September 4, 2014

To the Board of Education  
Irvington 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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Irvington Union Free School District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 4, 2014.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**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)**

**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.

Bonadio & Co., LLP

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

September 4, 2014

To the Board of Education of the  
Irvington Union Free School District

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

We have audited the Irvington Union Free School District's (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, 2014. 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the 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, 2014.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-1. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings 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.

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

**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.

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

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

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

Bonadio & Co., LLP

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Award			
National School Lunch Program	10.555	^	\$ 13,825
Pass-Through New York State Dept. of Education			
National School Lunch Program	10.555	^	<u>67,391</u>
Total U.S. Department of Agriculture			81,216
<u>U.S. Department of Education</u>			
Pass-Through New York State Dept. of Education			
ESEA Title 1 Grant	84.010	0021-14-3640	62,762
Special education cluster			
IDEA, Part B - 611	84.027	* 0032-14-1053	375,241
IDEA, Part B - 619	84.173	* 0033-14-1053	11,256
Total special education cluster			
ESEA Title II Part A, Improving Teacher Quality grant	84.367	0147-14-3640	<u>28,714</u>
Total U.S. Department of Education			<u>477,973</u>
Total expenditures of federal awards			<u>\$ 559,189</u>

- ^ Child nutrition cluster
- \* Special education cluster (IDEA)

## IRVINGTON UNION FREE SCHOOL DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2014

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#### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Irvington Union Free School District (District), under programs of the federal government for the year ended June 30, 2014. 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. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

#### 4. MATCHING COSTS

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

#### 5. SUBRECIPIENTS

There were no amounts provided to subrecipients during the year ended June 30, 2014.

#### 6. 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, 2014, the District received food commodities, the fair value of which amounted to \$13,825, is presented in the Schedule as National School Lunch Program (Division of Donated Foods, CFDA#10.555) and was considered in the District's single audit.



**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

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**SCHEDULE OF PRIOR AUDIT FINDINGS**

Section I – Financial statement Findings

None reported in prior year.

Section II – Federal Awards Findings

None reported in prior year.

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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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  No

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

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

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

Internal control over major programs:

Material weakness(es) identified?  Yes  No

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 24.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?  Yes  No

## IRVINGTON UNION FREE SCHOOL DISTRICT

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

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#### Section II - FINDINGS - FINANCIAL STATEMENT AUDIT

None

#### Section III - FINDINGS AND QUESTIONED COSTS

2014-01 Time and Effort Payroll Certifications

CFDA# 84.010 – Title I, Grants to Local Educational Agencies (LEAs)

CFDA# 84.377 & 84.388 – Title I, School Improvement Grants Cluster

##### *Criteria*

To comply with requirements of the grant and OMB Circular A-133, and OMB A-87, the District must ensure that the employees complete and document time and effort dedicated to one federal program or cost objective semi-annual and those who work under multiple program revenues or cost objects on a monthly basis.

##### *Condition*

The District has adopted a policy to have employees complete semi-annual certifications to document the time and effort study results.

##### *Questioned Cost*

None.

##### *Cause and Effect*

The District employees who completed semi-annual certifications were those that were paid under more than one revenue sources or cost objective and therefore needed monthly certifications.

##### *Recommendation*

The District should ensure that those employees that are paid under more than one funding sources are certifying time and effort documentation on a monthly basis.

##### *View of Responsible Officials and Planned Corrective Action*

This situation has been discussed with administration from the Pupil Personnel Services Department. They were unaware of this mandate and have now rectified this deficiency by instructing their clerical staff to obtain the necessary certifications on a monthly basis.