

STILLWATER CENTRAL SCHOOL DISTRICT

**Financial Statements and Required Reports
Under OMB Circular A-133 as of
June 30, 2015
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 9, 2015

To the Board of Education of
Stillwater Central School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Stillwater Central School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Stillwater Central School District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Required Supplementary Information

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information on pages 55-57, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards 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.

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

The supplementary information included on pages 55-57 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015, 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.

STILLWATER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2015

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2015. 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.

FINANCIAL HIGHLIGHTS

- The District experienced an increase of approximately \$341,000 in total net position during the year due to prudent budgeting.
- The District's 2014-2015 general fund expenditures were under expended by approximately \$157,000.
- GASB 45 requires that a long-term liability be accrued for other postemployment benefits. The amount of this accrual for the year ended Stillwater Central School District is \$7,637,646.
- In May 2015, the 2015-16 budget proposal was approved, applying fund balance of \$946,585 from 2014-15.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (MD&A) (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 School District:

- The first two statements are *District-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund* financial statements that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the School District's most significant funds with all non-major funds listed in total in one column.
- The *governmental funds 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.
- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

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 School District's budget for the year.

Table A-1 shows how the various parts of this annual report are arranged and related to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

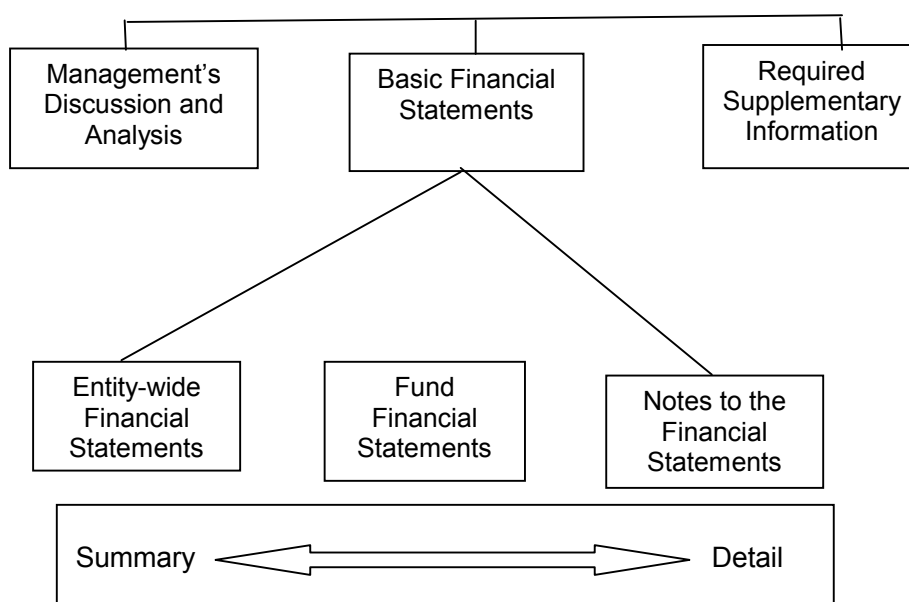


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

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

	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"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenue, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
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.	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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 Major Features of the District-Wide and Fund Financial Statements (Continued)

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

District-Wide Statements

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental 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, debt service fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund equity.
- **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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

Table A-3 Condensed Statements of Net Position – Governmental Activities (In Thousands)

	Fiscal Year <u>2015</u>	Fiscal Year <u>2014</u>	Percent <u>Change</u>
Current and other assets	\$ 7,305	\$ 6,885	6%
Net pension asset	5,122	-	-
Capital assets	<u>32,443</u>	<u>34,407</u>	-6%
Total assets	<u>44,870</u>	<u>41,292</u>	9%
Deferred outflows or resources	<u>1,673</u>	-	-
Total assets and deferred outflows of resources	<u>\$ 46,543</u>	<u>\$ 41,292</u>	13%
Current liabilities	\$ 4,915	\$ 4,284	15%
Net pension liability	261	-	-
Long-term liabilities	<u>26,930</u>	<u>27,411</u>	-2%
Total liabilities	<u>32,106</u>	<u>31,695</u>	1%
Deferred inflows of resources	<u>3,517</u>	-	-
Total liabilities and deferred inflows of resources	<u>\$ 32,106</u>	<u>\$ 31,695</u>	1%
Net position:			
Investment in capital assets	\$ 10,921	\$ 11,098	-2%
Restricted	2,908	3,072	-5%
Unrestricted	<u>(2,648)</u>	<u>(4,573)</u>	-42%
Total net position	<u>\$ 11,181</u>	<u>\$ 9,597</u>	17%

During 2015, the District's assets increased by approximately \$3.6 million (See Table A-3) primarily as a result of the increase in TRS pension asset as determined by the TRS actuary report.

Additionally, deferred outflows and inflows of resources were recorded in 2015 due to the change in accounting principle, GASB No. 68, recording of pensions.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Changes in Net Position

The District's fiscal year 2015 revenue totaled \$23,542,974 (see Table A-4). Property taxes and state aid accounted for most of the District's revenue by contributing 49% and 45%, respectively, of every dollar raised (see Table A-5). The remainder came from fees charged for services, interest earnings, federal operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$23,202,416 for fiscal year 2015. 82% of this amount is used predominately to support general instruction, the provision of services to students with disabilities, and student transportation (see Table A-6). The District's board of education, administrative, and business activities accounted for 18% of total costs.

Table A-4 Changes in Net Position from Operating Results Governmental Activities Only (In Thousands)

	Fiscal Year <u>2015</u>	Fiscal Year <u>2014</u>	Total % <u>Change</u>
Revenue:			
Charges for services	\$ 206	\$ 336	-39%
Operating Grants	876	855	2%
General revenue:			
Real property taxes	7,785	7,551	3%
Other tax items	3,761	3,635	3%
Use of money and property	17	24	-29%
State sources	10,695	9,892	8%
Federal sources	42	47	-11%
Other income	<u>162</u>	<u>168</u>	-4%
Total revenue	<u>23,544</u>	<u>22,508</u>	5%
Expenses:			
General support	2,875	2,987	-4%
Instruction	17,188	16,207	6%
Pupil transportation	1,950	1,606	15%
Debt service	739	784	-6%
Cost of Sales	<u>451</u>	<u>540</u>	-16%
Total expenses	<u>23,203</u>	<u>22,124</u>	5%
Increase in net position	<u>\$ 341</u>	<u>\$ 384</u>	-11%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-5 Sources of Revenue for Fiscal Year 2015

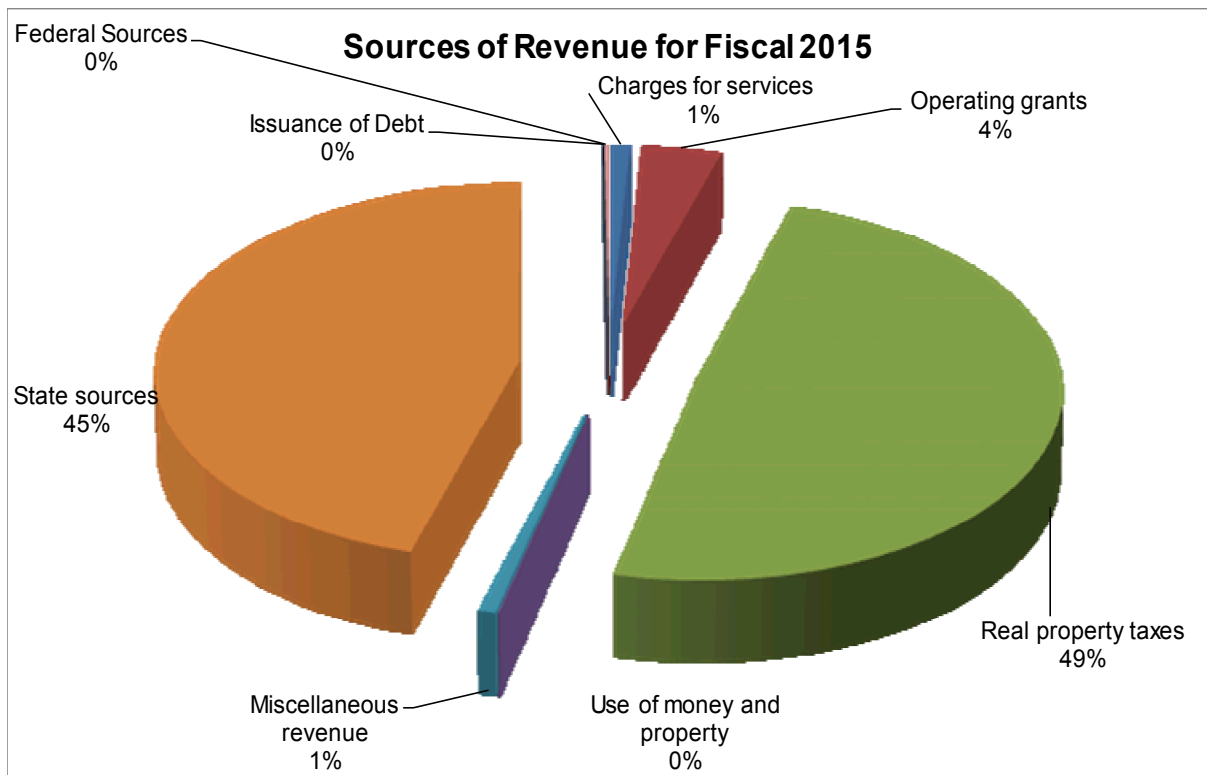
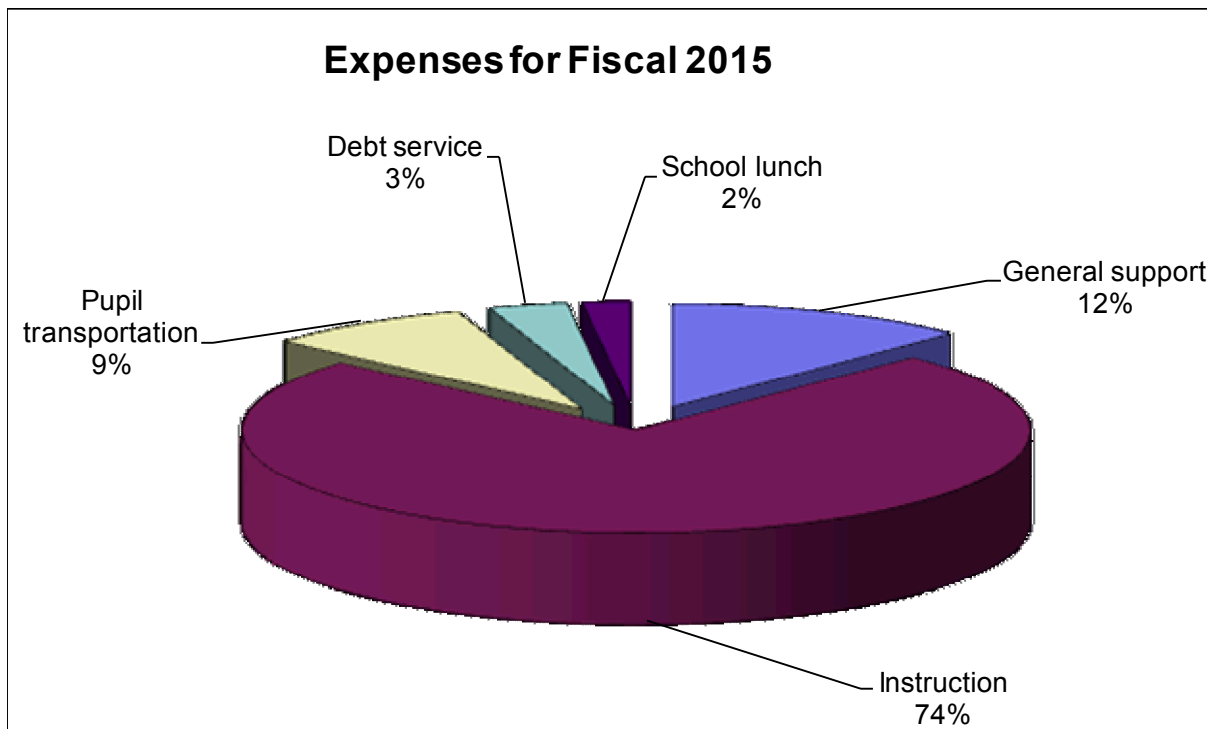


Table A-6 Expenses for Fiscal Year 2015



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Governmental Activities

Revenue for the District's governmental activities totaled \$23,542,974 while total expenses equaled \$23,202,416. This resulted in an increase of net position of \$340,558. The majority of the increase in net position was mainly due to the net pension asset effect of GASB No. 68.

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

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

Category	2015		2014	
	Total Cost	Net Cost	Total Cost	Net Cost
General support	\$ 2,875	\$ 2,875	\$ 2,987	\$ 2,987
Instruction	17,188	16,441	16,207	15,358
Pupil transportation	1,950	1,950	1,606	1,606
Debt service	739	739	784	784
Other	451	117	540	197
Total	<u>\$ 23,203</u>	<u>\$ 22,122</u>	<u>\$ 22,124</u>	<u>\$ 20,932</u>

- The cost of all governmental activities this year was \$23,202,416.
- The users of the District's programs financed \$205,572 of the cost.
- The federal and state governments subsidized certain programs with grants and contributions in the amount of \$875,526.
- Most of the District's net costs of \$22,121,318 were financed by taxpayers and state and federal aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights

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

Table A-8 General Fund Budgetary Highlights (In Thousands)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>(Actual/Budget)</u>
Revenue:				
Local sources	\$ 11,727	\$ 11,727	\$ 11,761	\$ 34
State sources	10,120	10,120	10,550	430
Federal sources	<u>24</u>	<u>24</u>	<u>42</u>	<u>18</u>
Total	<u>21,871</u>	<u>21,871</u>	<u>22,353</u>	<u>482</u>
Expenses:				
General support	2,490	2,339	2,126	213
Instruction	9,944	10,108	9,937	171
Transportation	1,239	1,208	1,105	103
Employee benefits	5,711	5,409	5,287	122
Debt service	3,233	3,233	3,233	-
Transfers	<u>(145)</u>	<u>(495)</u>	<u>(508)</u>	<u>13</u>
Total	<u>22,762</u>	<u>22,792</u>	<u>22,196</u>	<u>622</u>
Revenue over (under) expense	<u>\$ (891)</u>	<u>\$ (921)</u>	<u>\$ 157</u>	<u>\$ 1,104</u>

The general fund is the only fund for which a budget is legally adopted.

The District's 2014-2015 actual revenue was greater than its budgeted revenue by \$482,139 due to receipt of unexpected State Aid of approximately \$208,000 and additional General and Excess Cost aid of approximately \$104,000 and \$86,000, respectively.

The District's 2014-2015 expenditures, including encumbrances, were under expended by \$550,538 due to careful monitoring and control of general fund expenditures.

The District considers the results achieved regarding the 2014-15 finances to be very satisfactory. The District also met its target to have \$946,585 in fund balance available on June 30, 2015 to support the 2015-16 budget. Further, the District was able to appropriately fund the mandated contribution levels for the Teachers' Retirement System and the Employees' Retirement System.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Capital Assets

By the end of 2015, the District had a net investment of \$32,443,269 in a broad range of capital assets.

Table A-9 Capital Assets (Net of Depreciation in Thousands)

	Fiscal Year <u>2015</u>	Fiscal Year <u>2014</u>	Percent <u>Change</u>
Category:			
Land and land improvements	\$ 57	\$ 57	0%
Buildings and improvements	30,191	32,843	-8%
Equipment and furniture	<u>2,195</u>	<u>1,508</u>	46%
Total	<u>\$ 32,443</u>	<u>\$ 34,408</u>	-6%

Long-Term Liabilities

At year-end, the District had \$29,279,898 in long-term liabilities. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Table A-10 Outstanding Long-Term Debt (In Thousands)

	Fiscal Year <u>2015</u>	Fiscal Year <u>2014</u>
Category:		
General obligation bonds	\$ 20,835	\$ 23,330
Compensated absences	546	528
Net pension liability	261	350
Other postemployment benefits	<u>7,638</u>	<u>6,049</u>
Total	<u>\$ 29,280</u>	<u>\$ 30,256</u>

During the year, the District paid down its debt by retiring approximately \$2,495,000 of outstanding bonds.

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

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

- The 2% tax levy limit will result in further limitations on tax revenue that could affect the financial health of the District.

FACTORS BEARING ON THE FUTURE OF THE DISTRICT (Continued)

- Health insurance and other post-retirement costs continue to see significant cost increases. The growth rate is approximately 8% or \$220,000 annually. In addition the implementation of the Affordable Care Act could result in additional costs above the 8%.
- District contributions to the Employee Retirement System and Teachers Retirement System are likely to increase in the next couple of years due to the adverse economic climate and a decrease in the value of the pension funds.
- Current year and future expected deficits in New York State and Federal government finances that will further impact state revenue could affect the School District's financial health through the amount of state funding available for public education in addition to borrowing rates going forward for the District.

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:

Dr. Stanley W. Maziejka, Superintendent
Stillwater Central School District
1068 North Hudson Avenue
Stillwater, NY 12178
Call (518) 373-6100

STILLWATER CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash and cash equivalents - Unrestricted	\$ 6,381,291
Due from other funds	3,182
State and federal aid receivable	755,649
Other receivables	139,035
Inventories	<u>25,625</u>
Total current assets	<u>7,304,782</u>

NON-CURRENT ASSETS:

Net pension asset	5,121,804
Capital assets, net	<u>32,443,269</u>
Total non-current assets	<u>37,565,073</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions	<u>1,673,250</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

46,543,105

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	268,409
Due to other governments	37
Unearned revenue	3,032
Due to Teachers' Retirement System	1,360,896
Due to Employees' Retirement System	207,131
Bonds payable due within one year	2,350,000
Bond anticipation note payable	690,000
Accrued bond interest	<u>35,212</u>
Total current liabilities	<u>4,914,717</u>

LONG-TERM LIABILITIES:

Bonds payable, net of current portion	18,485,000
Compensated absences payable	545,869
Net pension liability	261,383
Other postemployment benefits liability	<u>7,637,646</u>
Total long-term liabilities	<u>26,929,898</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions	<u>3,517,304</u>
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TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

35,361,919

NET POSITION

Net investment in capital assets	10,920,905
Restricted	2,908,094
Unrestricted	<u>(2,647,813)</u>

TOTAL NET POSITION

\$ 11,181,186

The accompanying notes are in integral part of these statements.

STILLWATER CENTRAL SCHOOL DISTRICT

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

	<u>Expenses</u>	Program Revenue		<i>Net (Expense) Revenue and Changes in Net Position</i>
		<i>Charges for Services</i>	<i>Operating Grants</i>	
FUNCTIONS/PROGRAMS:				
General support	\$ 2,875,080	\$ -	\$ -	\$ (2,875,080)
Instruction	17,187,944	59,076	687,663	(16,441,205)
Pupil transportation	1,949,536	-	-	(1,949,536)
Debt service - Interest	738,819	-	-	(738,819)
School lunch	<u>451,037</u>	<u>146,496</u>	<u>187,863</u>	<u>(116,678)</u>
TOTAL FUNCTIONS/PROGRAMS	<u>\$ 23,202,416</u>	<u>\$ 205,572</u>	<u>\$ 875,526</u>	<u>(22,121,318)</u>
GENERAL REVENUE:				
Real property taxes				7,785,074
Other tax items				3,760,528
Use of money and property				16,949
Miscellaneous				161,721
State sources				10,695,378
Federal sources				<u>42,226</u>
TOTAL GENERAL REVENUE				<u>22,461,876</u>
CHANGE IN NET POSITION				<u>340,558</u>
TOTAL NET POSITION - beginning of year, as previously reported				9,596,754
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE				<u>1,243,874</u>
TOTAL NET POSITION - beginning of the year, as restated				<u>10,840,628</u>
TOTAL NET POSITION - end of year				<u>\$ 11,181,186</u>

The accompanying notes are an integral part of these statements.

STILLWATER CENTRAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO GOVERNMENT-WIDE NET POSITION
JUNE 30, 2015**

	Government Fund Types					<i>Total Government Funds</i>
	<i>General</i>	<i>Special Aid</i>	<i>School Lunch</i>	<i>Debt Service</i>	<i>Capital Projects</i>	
ASSETS						
Cash and equivalents - Unrestricted	\$ 5,107,774	\$ 4,554	\$ 128,676	\$ 1,137,651	\$ 2,636	\$ 6,381,291
Due from other funds	266,400	-	63,082	60,281	177,246	567,009
State and federal aid receivable	473,171	268,600	13,878	-	-	755,649
Other receivables	131,360	100	-	-	7,575	139,035
Inventory	-	-	25,625	-	-	25,625
TOTAL ASSETS	\$ 5,978,705	\$ 273,254	\$ 231,261	\$ 1,197,932	\$ 187,457	\$ 7,868,609
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 243,782	\$ 14,202	\$ 5,765	\$ -	\$ 4,660	\$ 268,409
Due to other governments	-	-	37	-	-	37
Due to other funds	245,540	257,617	3,285	-	57,385	563,827
Unearned revenue	147,133	1,435	-	-	-	148,568
Bond anticipation note	-	-	-	-	690,000	690,000
Due to Teachers' Retirement System	1,360,896	-	-	-	-	1,360,896
Due to Employee's Retirement System	207,131	-	-	-	-	207,131
TOTAL LIABILITIES	2,204,482	273,254	9,087	-	752,045	3,238,868

(Continued)

The accompanying notes are in integral part of these statements.

STILLWATER CENTRAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)
JUNE 30, 2015**

	Government Fund Types					Total Government Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
FUND BALANCE:						
Non-spendable						
Inventory	\$ -	\$ -	\$ 25,625	\$ -	\$ -	\$ 25,625
Restricted						
Capital	100,000	-	-	1,032,465	100,001	1,232,466
Debt	-	-	-	-	-	-
Employee benefits	1,650,000	-	-	-	-	1,650,000
Unemployment	25,628	-	-	-	-	25,628
Total restricted fund balance	1,775,628	-	-	1,032,465	100,001	2,908,094
Assigned						
Unappropriated	57,375	-	-	-	-	57,375
Appropriated for subsequent years expenditures	946,585	-	-	-	-	946,585
Total assigned fund balance	1,003,960	-	-	-	-	1,003,960
Unassigned	994,635	-	196,549	165,467	(664,589)	692,062
TOTAL FUND BALANCE	3,774,223	-	222,174	1,197,932	(564,588)	4,629,741
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,978,705	\$ 273,254	\$ 231,261	\$ 1,197,932	\$ 187,457	\$ 7,868,609

The accompanying notes are in integral part of these statements.

STILLWATER CENTRAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)
JUNE 30, 2015**

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

Total governmental fund balances per above	\$ 4,629,741
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	32,443,269
GASB 68 related government-wide activity	
Net pension asset	5,121,804
Deferred outflows of resources	1,673,250
Net pension liability	(261,383)
Deferred inflows of resources	(3,517,304)
Long-term liabilities, including bonds payable, net of bond issuance costs and premiums are not due and payable in the current period and therefore, are not reported in the funds.	(20,835,000)
Other postemployment benefits liability is recorded in the government-wide statements under full accrual accounting	(7,637,646)
Unearned revenue not received in the current year is recognized as revenue under full accrual accounting	145,536
Interest payable is recorded in the government-wide statements under full accrual accounting	(35,212)
Compensated absences are recorded in the government-wide statements under full accrual accounting	<u>(545,869)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 11,181,186</u>

STILLWATER CENTRAL SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Fund Types					Total Government Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
REVENUE:						
Real property taxes	\$ 7,785,074	\$ -	\$ -	\$ -	\$ -	\$ 7,785,074
Other tax items	3,760,528	-	-	-	-	3,760,528
Charges for services	59,076	-	-	-	-	59,076
Use of money and property	15,139	-	69	1,741	-	16,949
Miscellaneous	141,131	19,901	689	-	-	161,721
State sources	10,549,842	197,784	7,147	-	-	10,754,773
Federal sources	-	489,879	160,407	-	-	650,286
Surplus food	-	-	20,309	-	-	20,309
Medicaid reimbursement	42,226	-	-	-	-	42,226
Sales	-	-	146,496	-	-	146,496
Total revenue	<u>22,353,016</u>	<u>707,564</u>	<u>335,117</u>	<u>1,741</u>	<u>-</u>	<u>23,397,438</u>
EXPENDITURES:						
General support	2,125,827	-	-	-	-	2,125,827
Instruction	9,937,312	749,120	-	-	-	10,686,432
Pupil transportation	1,105,435	-	-	-	-	1,105,435
Employee benefits	5,287,349	-	20,108	-	-	5,307,457
Debt service - Principal	2,495,000	-	-	-	-	2,495,000
Debt service - Interest	737,919	-	-	-	-	737,919
Cost of sales	-	-	310,225	-	-	310,225
Capital outlays	-	-	-	-	1,129,689	1,129,689
Total expenditures	<u>21,688,842</u>	<u>749,120</u>	<u>330,333</u>	<u>-</u>	<u>1,129,689</u>	<u>23,897,984</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>664,174</u>	<u>(41,556)</u>	<u>4,784</u>	<u>1,741</u>	<u>(1,129,689)</u>	<u>(500,546)</u>
OTHER SOURCES AND (USES):						
Operating transfers in	-	41,556	897	-	465,100	507,553
Operating Transfers (out)	<u>(507,553)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(507,553)</u>
Total other sources and (uses)	<u>(507,553)</u>	<u>41,556</u>	<u>897</u>	<u>-</u>	<u>465,100</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	156,621	-	5,681	1,741	(664,589)	(500,546)
FUND BALANCE - beginning of year	<u>3,617,602</u>	<u>-</u>	<u>216,493</u>	<u>1,196,191</u>	<u>100,001</u>	<u>5,130,287</u>
FUND BALANCE - end of year	<u>\$ 3,774,223</u>	<u>\$ -</u>	<u>\$ 222,174</u>	<u>\$ 1,197,932</u>	<u>\$ (564,588)</u>	<u>\$ 4,629,741</u>

The accompanying notes are in integral part of these statements.

STILLWATER CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balance - Total governmental funds	\$ (500,546)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets, net of disposals	1,010,289
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(1,518,393)
Capital asset revaluation decreases long-term assets, and therefore, is not reflected in the governmental funds	(1,455,859)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	1,772,493
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net assets	2,495,000
Other postemployment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(1,588,811)
Compensated absences do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(18,251)
Certain revenue in the statement of activities is recognized as revenue in the government-wide statements but not recognized as revenue under the modified accrual basis of accounting during the prior year	145,536
Interest is accrued on the outstanding bonds on the statement of net assets but is not recorded as an expenditure in the government funds	<u>(900)</u>
Change in net position - Governmental activities	<u>\$ 340,558</u>

The accompanying notes are an integral part of these statements.

STILLWATER CENTRAL SCHOOL DISTRICT

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

	<i>Private Purpose Trusts</i>	<i>Agency</i>
ASSETS:		
Cash	\$ 63,635	\$ 133,210
Investments	<u>19,662</u>	<u>-</u>
Total assets	<u>\$ 83,297</u>	<u>\$ 133,210</u>
LIABILITIES:		
Extraclassroom activity balances	\$ -	\$ 52,489
Due to other funds	-	3,182
Other liabilities	<u>-</u>	<u>77,539</u>
Total liabilities	<u>-</u>	<u>\$ 133,210</u>
NET POSITION:		
Reserved for scholarships	<u>\$ 83,297</u>	

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<i>Private Purpose Trusts</i>
ADDITIONS:	
Gifts and contributions	\$ 4,857
Market value adjustment	(115)
Investment earnings	<u>56</u>
Total additions	4,798
DEDUCTIONS:	
Scholarships and awards	<u>4,595</u>
CHANGE IN NET POSITION	203
NET POSITION - beginning of year	<u>83,094</u>
NET POSITION - end of year	<u>\$ 83,297</u>

The accompanying notes are an integral part of these statements.

STILLWATER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

1. NATURE OF OPERATIONS

The Stillwater Central School District provides public K-12 education to students residing within its geographic boundaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

The School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

Extraclassroom Activity Funds

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The School District is a component school district in Washington Saratoga Warren Hamilton Essex Counties 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 BOCES are available from the BOCES administrative office.

Basis of Presentation

The District's financial statements consist of school district-wide financial statements, including a statement of net position and a statement of activities, and fund level financial statements which provide more detailed information.

School District-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, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

The District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The fund financial statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the School District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the School District are as follows:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the School District's governmental fund types:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The School District uses two special revenue type funds – federal and school lunch.

- *Special Aid Fund:* This fund accounts for the proceeds of specific federal and state grants revenue sources that are legally restricted to expenditures for specified purposes (e.g. special education) and other activities whose funds are restricted as to use.
- *School Lunch Fund:* This fund accounts for the proceeds of specific federal and state grants revenue sources that are legally restricted to expenditures for school lunch operations.

Debt Service Fund: The debt service fund is used to account for and report on the accumulation of resources to be used for redemption of general long-term indebtedness.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Fiduciary Fund Types

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

Fiduciary Fund: Fiduciary funds are used to account for assets held by the District as an agent for individuals, private organizations, other governmental units, and/or other funds. These activities are not included in the District-wide financial statements because their resources do not belong to the District and are not available to be used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Fund Types (Continued)

There are two classes 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 date of the financial statements and the reported revenue and expenditures 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, other postemployment benefits and useful lives of long-lived assets.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

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

2. SUMMARY OF 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 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.

Cash and Cash Equivalents

The District's cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the 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. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts.

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.

Inventories

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

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 during the period September 1 to October 31.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported at actual cost for acquisitions, if actual cost information is available. If actual cost information is not available, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	N/A	N/A
Buildings and improvements	20,000	SL	30-50
Furniture and equipment	5,000	SL	5
Buses	10,000	SL	10

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will 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 (expenses/expenditure) until then.

The government has the following items that qualify for reporting in this category;

Deferred charges result from pension contributions made subsequent to the measurement date of the plan.

Deferred charges result from differences between expected and actual experience of the plan.

Deferred charges result from net differences between projected and actual earnings on pension plan investments of the plan.

These amounts are deferred and amortized and expensed against pension expense in future periods.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category;

The net amount of the District's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

2. SUMMARY OF 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 the District receives resources 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 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 Government-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 resource 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 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 sales 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.

Vested Employee Benefits

Compensated absences:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions that can be applied to the premium of their health insurance plan at retirement.

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 rates in effect at year-end in negotiated labor contracts and individual employment contracts.

In the funds financial statements, only the amount of matured liabilities is accrued within the general fund based upon expendable and available resources. These amounts are expensed on a pay-as-you go basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Benefits:

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

Other Postemployment Benefits

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's 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 recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure. At the fund level, the School District recognized the current cost of providing benefits for June 30, 2015 by recording \$575,784, which is its share of insurance premiums for 115 currently enrolled retirees and their spouses, as an expenditure for the current year.

In accordance with the provisions of generally accepted accounting principles, the School District has recorded in the government-wide statement of net position the required other postemployment benefits totaling \$7,637,646 as of June 30, 2015.

Accrued Liabilities and Long-term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-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 funds 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.

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 assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Restricted fund balance includes the following:

Unemployment	\$	25,628
Employee benefits		1,650,000
Capital Projects		<u>1,232,466</u>
Total restricted net position	\$	<u>2,908,094</u>

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

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

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

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

Capital

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

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.

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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (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.

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.

Debt Service

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

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

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.

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.

Retirement Contribution

Reserve for retirement contribution (GMU §6-r) is used for the purpose of financing employees' retirement system contributions. 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.

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the Districts highest level of decision making authority, i.e. the Board of Education. The District has no committed fund balances as of June 30, 2015.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Encumbrances 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 assigned fund balance in all funds, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$57,375. As of June 30, 2015, the School District's encumbrances were classified as follows:

Assigned Fund Balance:

General support	\$	39,852
Instruction		16,348
Other		<u>1,175</u>
Total encumbrances	\$	<u>57,375</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

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 District.

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

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against 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, 2015, the District adopted the following:

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.

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. There was no impact to the District financial statements at June 30, 2015.

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.

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.

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

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.

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 changes in net position, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

Long-Term Debt Transaction Differences

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the 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.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets (Continued)

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

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

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

Fund Balance

The School District's unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District plans to address this issue by reducing future tax levies and financing capital project debt service payments.

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

Fund Deficit

The Capital Projects Fund had a deficit fund balance of \$564,588. This will be funded through a budgeted general fund transfer in subsequent years.

5. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of a bank failure, the School 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	\$ 6,768,126	\$ 6,597,798
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 6,538,312	
Covered by FDIC insurance	<u>229,814</u>	
Total	<u>\$ 6,768,126</u>	

5. CASH AND INVESTMENTS (Continued)

The District does not typically purchase investments for a long enough duration to cause it to be believed that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in foreign currency, and is not exposed to foreign currency risk.

6. PARTICIPATION IN BOCES

During the year, the School District was billed \$1,811,340 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$621,826.

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

7. CAPITAL ASSETS

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

	July 1, 2014 Balance	Change in Accounting Estimate	Additions	Disposals	June 30, 2015 Balance
Governmental activities:					
Capital assets that are not depreciated:					
Land	\$ 56,924	\$ -	\$ -	\$ -	\$ 56,924
Total nondepreciable cost	<u>56,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,924</u>
Capital assets that are depreciated:					
Buildings and improvements	46,300,682	(1,243,155)	92,278	-	45,149,805
Furniture and equipment	8,024,999	(1,120,158)	1,113,862	889,151	7,129,552
Total depreciable historical cost	<u>54,325,681</u>	<u>(2,363,313)</u>	<u>1,206,140</u>	<u>889,151</u>	<u>52,279,357</u>
Less accumulated depreciation:					
Buildings and improvements	14,012,776	(19,495)	965,042	-	14,958,323
Furniture and equipment	5,962,599	(887,959)	553,351	693,302	4,934,689
Total accumulated depreciation	<u>19,975,375</u>	<u>(907,454)</u>	<u>1,518,393</u>	<u>693,302</u>	<u>19,893,012</u>
Total depreciable cost, net	<u>\$ 34,407,230</u>	<u>\$ (1,455,859)</u>	<u>\$ (312,253)</u>	<u>\$ 195,849</u>	<u>\$ 32,443,269</u>

For the year ended June 30, 2015, the District changed the estimated useful life estimate for certain capital assets. The change is being applied prospectively, beginning July 1, 2014. The effect of this change in the current period is a decrease of \$1,455,859 in government activities for district transportation, buildings and equipment and a corresponding decrease in changes in net position for governmental activities.

Depreciation expense of \$1,518,393 for the year ended June 30, 2015, was allocated to specific functions as follows:

General support	\$ 151,839
Instruction	1,214,714
Pupil transportation	30,369
Cost of sales	121,471
Total depreciation	<u>\$ 1,518,393</u>

8. SHORT-TERM DEBT

Transactions in short-term debt for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN maturing 6/24/16 at 0.99%	\$ <u>-</u>	\$ <u>690,000</u>	\$ <u>-</u>	\$ <u>690,000</u>

9. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid - Long-term debt	\$ 737,919
Less: Interest accrued in the prior year	(34,312)
Plus: Interest accrued in the current year	<u>35,212</u>
Total expense	<u>\$ 738,819</u>

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Long-term Portion</u>
Government activities:						
Bonds and notes payable:						
General obligation debt:						
Capital Projects Bonds Series 2009	\$ 11,700,000	\$ -	\$ 735,000	\$ 10,965,000	\$ 755,000	\$ 10,210,000
Capital Projects Bonds Series 2010	4,945,000	-	260,000	4,685,000	270,000	4,415,000
Bus Serial Bond	210,000	-	210,000	-	-	-
Bus Serial Bond	100,000	-	30,000	70,000	35,000	35,000
Bus Serial Bond	180,000	-	40,000	140,000	45,000	95,000
2012 Advance refunding	905,000	-	215,000	690,000	220,000	470,000
2012 Advance refunding	<u>5,290,000</u>	<u>-</u>	<u>1,005,000</u>	<u>4,285,000</u>	<u>1,025,000</u>	<u>3,260,000</u>
Total bonds	<u>23,330,000</u>	<u>-</u>	<u>2,495,000</u>	<u>20,835,000</u>	<u>2,350,000</u>	<u>18,485,000</u>
Other liabilities:						
Other postemployment benefits	6,048,835	2,550,533	961,722	7,637,646	-	7,637,646
Net pension liability	349,635	-	88,252	261,383	-	261,383
Compensated absences	<u>527,618</u>	<u>18,251 (A)</u>	<u>-</u>	<u>545,869</u>	<u>-</u>	<u>545,869</u>
Total other liabilities	<u>6,926,088</u>	<u>2,568,784</u>	<u>1,049,974</u>	<u>8,444,898</u>	<u>-</u>	<u>8,444,898</u>
Total long-term liabilities	<u>\$ 30,256,088</u>	<u>\$ 2,568,784</u>	<u>\$ 3,544,974</u>	<u>\$ 29,279,898</u>	<u>\$ 2,350,000</u>	<u>\$ 26,929,898</u>

(A) Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts

9. LONG-TERM DEBT (Continued)

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>	June 30, 2015 <u>Balance</u>
Capital Projects Bonds Series 2009	2009	2030	2.0-4.0%	\$ 10,965,000
Capital Projects Bonds Series 2010	2010	2030	2.25-3.75%	4,685,000
Bus Serial Bond	2012	2017	0.55%-2.40%	70,000
Bus Serial Bond	2014	2018	1.875%-2.00%	140,000
2012 Advance Refunding	2012	2018	0.7% - 1.75%	690,000
2012 Advance Refunding	2012	2019	0.65% - 1.95%	<u>4,285,000</u>
Total bond issue				<u>\$ 20,835,000</u>

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

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	2,350,000	672,949	\$ 3,022,949
2017	2,420,000	604,690	3,024,690
2018	2,470,000	534,181	3,004,181
2019	2,240,000	465,631	2,705,631
2020	1,160,000	407,900	1,567,900
2021-2025	5,935,000	1,424,313	7,359,313
2026-2030	<u>4,260,000</u>	<u>497,775</u>	<u>4,757,775</u>
Totals	<u>\$ 20,835,000</u>	<u>\$ 4,607,439</u>	<u>\$ 25,442,439</u>

10. INTERFUND BALANCES AND ACTIVITY

The following is a summary of interfund activity:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 266,400	\$ 245,540	\$ -	\$ 507,553
School lunch	63,082	3,285	897	-
Special aid fund	-	257,617	41,556	-
Capital Projects	177,246	57,385	465,100	-
Debt Service	60,281	-	-	-
Trust and agency	-	3,182	-	-
Total government activities	<u>\$ 567,009</u>	<u>\$ 567,009</u>	<u>\$ 507,553</u>	<u>\$ 507,553</u>

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

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

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

11. PENSION PLANS

New York State Employee Retirement System

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

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

Contributions

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

2015	\$	454,140
2014	\$	457,275
2013	\$	424,499

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program.

All amounts due were remitted in full to the New York Employee Retirement System. No portion of the Districts retirement bill was amortized or bonded as of June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$261,383 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2015, the "the District's" proportion was 0.0077372 percent, which was an increase of 0% from its proportion measured June 30, 2014.

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$243,564. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	8,367	-
Changes of Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	45,399	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	51,457	-
Contributions subsequent to the measurement date	<u>207,131</u>	-
	<u>\$ 312,354</u>	<u>\$ -</u>

\$207,131 reported as deferred outflows of resources related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:	
2016	\$ 26,306
2017	26,306
2018	26,306
2019	<u>26,305</u>
	<u>\$ 105,223</u>

Actuarial Assumptions

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

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

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 and 2014 are summarized below;

<u>Asset Type</u>	<u>Long Term Expected Real Rate</u>	
	<u>2015</u>	<u>2014</u>
Domestic Equity	7.3%	7.3%
International Equity	8.6%	8.6%
Private Equity	11.0%	11.0%
Real Estate	8.3%	8.3%
Absolute Return	6.8%	6.8%
Opportunistic Portfolio	8.6%	8.6%
Real Asset	8.7%	8.7%
Bonds, Cash & Mortgages	4.0%	4.0%
Cash	2.3%	2.3%
Inflation Indexed Bonds	4.0%	4.0%

Discount Rate

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

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

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

	<u>1 % Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
	<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
Proportionate Share of Net Pension liability	\$ 1,742,230	\$ 261,383	\$ (988,819)

11. PENSION PLANS (Continued)
New York State Employee Retirement System (Continued)

Pension Plan Fiduciary Net Position

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

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 164,591,504,000	\$ 12,734,775	0.0077372%
Net position	(161,213,259,000)	(12,473,392)	0.0077372%
Net pension liability (asset)	<u>\$ 3,378,245,000</u>	<u>\$ 261,383</u>	0.0077372%
Fiduciary net position as a percentage of total pension liability	97.9%	97.9%	

New York State Teachers' Retirement System

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

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

Contributions

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

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

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

2015	\$ 1,205,398
2014	\$ 1,130,077
2013	\$ 691,089

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

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

At June 30, 2015, the District reported an asset of \$5,121,804 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date.

The District's proportion of the net pension asset was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2015 the "the District's" proportion was 0.0459790 percent, which was an increase of 0.0004340 percent from its proportion measured June 30, 2014.

For the year ended June 30, 2015, the District recognized pension income of \$356,519. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 74,897
Changes of Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,439,848
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	2,559
Contributions subsequent to the measurement date	1,360,896	-
	<u>\$ 1,360,896</u>	<u>\$ 3,517,304</u>

\$1,360,896 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:	
2015	\$ (868,969)
2016	(868,969)
2017	(868,969)
2018	(868,969)
2019	(9,007)
Thereafter	(32,421)
	<u>\$ (3,517,304)</u>

Actuarial Assumptions

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

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

These actuarial valuations used the following actuarial assumptions:

Actuarial Assumptions (Continued)

Inflation	3.00%
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.
	Age Female Male
	25 10.35% 10.91%
	35 6.26% 6.27%
	45 5.39% 5.04%
	55 4.42% 4.01%
Projected COLAs	1.625% compounded annually
Investment Rate of Return	8.0% compounded annually, net of pension plan investment expense, including inflation.

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2013 and June 30, 2012 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Long Term Expected Real Rate</u>	
	<u>2013</u>	<u>2012</u>
Domestic Equity	7.3%	7.0%
International Equity	8.5%	9.1%
Real Estate	5.0%	4.9%
Alternative Investments	11.0%	10.2%
Domestic fixed Income Securitie	1.5%	2.0%
Global Fixed Income Securities	1.4%	1.7%
Mortgages	3.4%	4.0%

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

Discount Rate

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

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

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

	1 % Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Proportionate Share of Net Pension liability	\$ (110,485)	\$ (5,121,804)	\$ (9,392,145)

Pension Plan Fiduciary Net Position

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

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 97,015,706,548	\$ 44,606,822	0.0459790%
Net position	(108,155,083,127)	(49,728,626)	0.0459790%
Net pension liability (asset)	<u>\$ (11,139,376,579)</u>	<u>\$ (5,121,804)</u>	0.0459790%
Fiduciary net position as a percentage of total pension liability	111.5%	111.5%	

12. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The District provides post-employment, (health insurance, life insurance, etc.), coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. This District is required to calculate and record a net other post-employment benefit (OPEB) obligation at year-end. The net OPEB obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

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 20%, depending on when the employee was hired. 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 by the District for the year ended June 30, 2015, was \$575,784.

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	\$ 2,234,826
Interest on net OPEB obligation	244,790
Adjustment to ARC	<u>(385,938)</u>
Annual OPEB cost	<u>2,093,678</u>
Contributions made	(575,784)
Difference between GASB 45 report and prior year financial statements	<u>70,917</u>
Adjusted contributions made	<u>(504,867)</u>
Increase in net OPEB obligation	1,588,811
Net OPEB obligation - beginning of year	<u>6,048,835</u>
Net OPEB obligation - end of year	<u>\$ 7,637,646</u>
Percentage of annual OPEB cost contributed	27.5%

Trend information – The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the preceding two years were as follows:

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Obligation
6/30/15	\$ 2,093,678	\$ 2,093,678	504,867	24.1%	7,637,646
6/30/14	1,632,982	1,632,982	862,151	52.8%	6,048,835
6/30/13	2,055,976	2,055,976	506,464	24.6%	5,278,004

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the 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 (AAL) for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	10.0% initially, based on age of retirees. The rate is reduced by 1% annually to an ultimate rate of 5.0%, depending on age of retirees.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

* 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.

13. 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.

The School District does not purchase insurance for the risk of losses for unemployment claims. Instead, the School District manages its risks for these losses internally and accounts for them in the School District's general fund, including provisions for unexpected and unusual claims.

The activity for the unemployment insurance reserve for the year ended June 30, 2015 is as follows:

	Beginning Balance	Changes in Estimates	Payments Made	Ending Balance
Unemployment Insurance Reserve	\$ 25,628	\$ 9,990	\$ (9,990)	\$ 25,628

13. RISK MANAGEMENT (Continued)

The School District does not purchase insurance for the risk of losses for unemployment claims. Instead, the School District manages its risks for these losses internally and accounts for these in the School District's general fund, including provisions for unexpected and unusual claims.

14. CONTINGENCIES AND COMMITMENTS

Litigation

The School District has been named as a defendant in several tax certiorari cases. A review by management and the School District's attorneys indicate these actions are not substantial enough to materially affect the financial position of the School District.

The School District has also been named as a defendant in certain other actions. The School District intends to defend itself vigorously in each of these cases. Accordingly, no loss contingency has been accrued.

Other Contingencies

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

15. CHANGE IN ACCOUNTING PRINCIPLES

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. Accordingly, beginning Net Position, Deferred Outflows of Resources and Net Pension Liability (Asset) of the Governmental Activities were adjusted as noted in the following table:

	District-Wide Statement of Net Position			
	Net Pension Asset	Deferred outflows of Resources	Net Pension Liability	Net Position
Balance at June 30, 2014, as previously reported	\$ -	\$ -	\$ -	\$ 9,596,754
Restatement of beginning balance - Adoption of GASB Statement No. 68				
NYS Employee Retirement System Plan	-	349,635	190,030	(159,605)
NYS Teachers Retirement System Plan	299,803	-	1,103,676	1,403,479
	<u>299,803</u>	<u>349,635</u>	<u>1,293,706</u>	<u>1,243,874</u>
Balance at June 30, 2014, as restated	<u>\$ 299,803</u>	<u>\$ 349,635</u>	<u>\$ 1,293,706</u>	<u>\$ 10,840,628</u>

16. ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

In June 2015, the GASB issued Statement *No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

In August 2015, the GASB issued Statement *No. 77 Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

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

REQUIRED SUPPLEMENTARY INFORMATION

STILLWATER CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Final Budget Variance with Budgetary Actual</i>
REVENUE					
LOCAL SOURCES:					
Real property taxes	\$ 8,047,697	\$ 8,047,697	\$ 7,785,074	\$ -	\$ (262,623)
Other tax items	3,465,500	3,465,500	3,760,528	-	295,028
Charges for services	119,000	119,000	59,076	-	(59,924)
Use of money and property	15,000	15,000	15,139	-	139
Miscellaneous	<u>80,000</u>	<u>80,000</u>	<u>141,131</u>	-	<u>61,131</u>
Total local sources	<u>11,727,197</u>	<u>11,727,197</u>	<u>11,760,948</u>	-	<u>33,751</u>
State sources	10,120,180	10,120,180	10,549,842	-	429,662
Medicaid reimbursement	<u>23,500</u>	<u>23,500</u>	<u>42,226</u>	-	<u>18,726</u>
Total revenue	<u>21,870,877</u>	<u>21,870,877</u>	<u>22,353,016</u>	-	<u>482,139</u>

(Continued)

STILLWATER CENTRAL SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	14,293	14,493	12,565	880	1,048
Central administration	242,924	244,596	233,580	134	10,882
Finance	332,807	314,307	283,634	6,264	24,409
Staff	140,475	126,535	87,067	-	39,468
Central services	1,469,050	1,367,515	1,246,814	32,474	88,227
Special items	<u>290,065</u>	<u>271,565</u>	<u>262,167</u>	<u>100</u>	<u>9,298</u>
Total general support	<u>2,489,614</u>	<u>2,339,011</u>	<u>2,125,827</u>	<u>39,852</u>	<u>173,332</u>
INSTRUCTION:					
Instruction, administration, and improvement	780,418	835,851	823,843	-	12,008
Teaching - Regular school	5,072,417	5,081,826	5,017,293	4,649	59,884
Programs for children with handicapping conditions	2,089,305	2,320,996	2,297,223	10,941	12,832
Occupational education	342,000	257,100	257,025	-	75
Teaching - Special school	138,215	17,142	6,691	-	10,451
Instructional media	570,504	615,967	603,852	-	12,115
Pupil services	<u>951,120</u>	<u>979,246</u>	<u>931,385</u>	<u>758</u>	<u>47,103</u>
Total instruction	<u>9,943,979</u>	<u>10,108,128</u>	<u>9,937,312</u>	<u>16,348</u>	<u>154,468</u>
Pupil transportation	1,238,703	1,207,541	1,105,435	1,175	100,931
Employee benefits	5,710,856	5,409,156	5,287,349	-	121,807
Debt service - Principal	2,495,000	2,495,000	2,495,000	-	-
Debt service - Interest	<u>737,919</u>	<u>737,919</u>	<u>737,919</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>22,616,071</u>	<u>22,296,755</u>	<u>21,688,842</u>	<u>57,375</u>	<u>550,538</u>
OTHER FINANCING USES					
Transfers to other funds	<u>(145,000)</u>	<u>(495,000)</u>	<u>(507,553)</u>	<u>-</u>	<u>12,553</u>
Total other financing sources (uses)	<u>(145,000)</u>	<u>(495,000)</u>	<u>(507,553)</u>	<u>-</u>	<u>12,553</u>
Total expenditures and other uses	<u>22,761,071</u>	<u>22,791,755</u>	<u>22,196,395</u>	<u>57,375</u>	<u>563,091</u>
NET CHANGE IN FUND BALANCES	(890,194)	(920,878)	156,621	(57,375)	1,045,230
FUND BALANCE - beginning of year	<u>3,617,602</u>	<u>3,617,602</u>	<u>3,617,602</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 2,727,408</u>	<u>\$ 2,696,724</u>	<u>\$ 3,774,223</u>	<u>\$ (57,375)</u>	<u>\$ 1,045,230</u>

The accompanying notes are an integral part of these schedules.

STILLWATER CENTRAL SCHOOL DISTRICT

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
July 1, 2014	\$ -	\$ 21,291,855	\$ 21,291,855	0.00%	N/A	N/A
July 1, 2013	\$ -	\$ 16,665,333	\$ 16,665,333	0.00%	N/A	N/A
July 1, 2012	\$ -	\$ 16,444,720	\$ 16,444,720	0.00%	N/A	N/A

The accompanying notes are an integral part of these schedules.

STILLWATER CENTRAL SCHOOL DISTRICT

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

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0077372%									
Proportionate share of the net pension liability (asset)	\$ 261.4									
Covered-employee payroll	\$ 2,270.0									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.52%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.95%									

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

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0546350%									
Proportionate share of the net pension liability (asset)	\$ (5,121.8)									
Covered-employee payroll	\$ 6,791.9									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-75.41%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.48%									

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

STILLWATER CENTRAL SCHOOL DISTRICT

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

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 442.9									
Contributions in relation to the contractually required contribution	<u>442.9</u>									
Contribution deficiency (excess)	<u>\$ -</u>									
Covered-employee payroll	\$ 2,270.0									
Contributions as a percentage of covered-employee payroll	19.51%									

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

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 1,103.7									
Contributions in relation to the contractually required contribution	<u>1,103.7</u>									
Contribution deficiency (excess)	<u>\$ -</u>									
Covered-employee payroll	\$ 6,791.9									
Contributions as a percentage of covered-employee payroll	16.25%									

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

SUPPLEMENTARY INFORMATION

STILLWATER CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2015**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 22,761,071
Add: Prior year's encumbrances	<u>30,684</u>
Original budget	22,791,755
Budget revision	<u>-</u>
Final budget	<u>\$ 22,791,755</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015-2016 voter-approved expenditure budget	<u>\$ 23,712,421</u>
Maximum allowed (4% of 2015-16 budget)	<u>\$ 948,497</u>
General Fund fund balance subject to section 1318 of real property tax law*:	
Total fund balance:	<u>\$ 3,774,223</u>
Less:	
Appropriated fund balance	946,585
Encumbrances included in assigned fund balance	57,375
Restricted fund balance	
Unemployment	25,628
Capital projects	100,000
Employee benefits	<u>1,650,000</u>
Total adjustments	<u>\$ 2,779,588</u>
General Fund fund balance subject to section 1318 of real property tax law:	<u>\$ 994,635</u>
Actual percentage	4.19%

* 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.

STILLWATER CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2015

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2015
			Prior Years	Current Year	Total			State Aid	Local Sources	Total	
Buses 2014	\$ 245,000	\$ 245,000	\$ 227,464	\$ -	\$ 227,464	\$ 17,536	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ 72,536
HS Science/Biology - 14-15	200,000	200,000	200,000	-	200,000	-	227,465	-	-	227,465	27,465
Buses 2015	-	1,400,000	-	1,037,411	1,037,411	362,589	-	-	350,000	350,000	(687,411)
Architects 14-15	10,100	12,281	-	10,425	10,425	1,856	-	-	13,478	13,478	3,053
Construction 14-15	89,900	87,719	-	81,853	81,853	5,866	-	-	101,622	101,622	19,769
	<u>\$ 545,000</u>	<u>\$ 1,945,000</u>	<u>\$ 427,464</u>	<u>\$ 1,129,689</u>	<u>\$ 1,557,153</u>	<u>\$ 387,847</u>	<u>\$ 227,465</u>	<u>\$ -</u>	<u>\$ 765,100</u>	<u>\$ 992,565</u>	<u>\$ (564,588)</u>

The accompanying notes are an integral part of these schedules.

STILLWATER CENTRAL SCHOOL DISTRICT

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

Capital assets - net	<u>\$ 32,443,269</u>
Deduct:	
Short-term portion of bonds payable	2,350,000
Long-term portion of bonds payable	18,485,000
Bond anticipation note	690,000
Less: Unspent bond proceeds	<u>(2,636)</u>
	<u>21,522,364</u>
Net investment in capital assets -	<u><u>\$ 10,920,905</u></u>

The accompanying notes are an integral part of these schedules.

REQUIRED REPORTS UNDER OMB CIRCULAR A-133

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

October 9, 2015

To the Board of Education
Stillwater Central 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 and each major fund of Stillwater Central School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 9, 2015.

Internal Control over Financial Reporting

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

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

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

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(Continued)

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 one instance of noncompliance that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

District's Response to Finding

The District's response to the 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

October 9, 2015

To the Board of Education
Stillwater Central School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for 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, 2015.

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(Continued)

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.

STILLWATER CENTRAL SCHOOL DISTRICT

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct award			
National School Lunch Program	10.555	^	20,309
Pass-Through New York State Dept. of Education			
School Breakfast Program	10.553	^	46,672
National School Lunch Program	10.555	^	<u>93,426</u>
Total U.S. Department of Agriculture			<u>160,407</u>
<u>U.S. Department of Education</u>			
Pass-Through New York State Dept. of Education			
ESEA Title I Grant	84.010	0021-15-0055	116,677
IDEA, Part B - 611	84.027	* 0032-15-0028	299,825
IDEA, Part B - 619	84.173	* 0033-15-0028	14,671
ARRA Race to the Top Fund	84.395	5545-14-0025	20,052
Title II Part A, Improving Teacher Quality	84.367	0147-15-0055	<u>38,654</u>
Total U.S. Department of Education			<u>489,879</u>
Total expenditures of federal awards			<u>\$ 650,286</u>
^ Child nutrition cluster			
* Special education cluster (IDEA)			

The accompanying notes to the schedule of federal awards are an integral part of these statements.

STILLWATER CENTRAL SCHOOL DISTRICT

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

1. GENERAL

The schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Stillwater Central School District. The Stillwater Central School District's reporting entity is defined in the basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through from other governments, is included in the schedule.

2. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in the School District's basic financial statements. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent that such costs are included in the federal financial reports used as the source document for the data presented.

4. SUBRECIPIENTS

No amounts were provided to subrecipients.

5. OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal awards. Any equipment purchased with federal funds has only a nominal value and is covered by the School District's insurance policies.

There were no loans or loan guarantees outstanding at year-end.

6. FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2015, the School District accepted food commodities totaling \$20,309.

STILLWATER CENTRAL SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes X No

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

Noncompliance material to financial statements noted? X Yes ___ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? X Yes ___ No

STILLWATER CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015 (Continued)

Section II—Financial Statement Findings

Finding 2015-001 – Stewardship and Compliance

Criteria

Unrestricted fund balance is not to exceed 4% of the subsequent year's budget to comply with §1318 of the New York State Real Property Tax Law.

Condition

The School District's unrestricted, undesignated fund balance was greater than the New York State Real Property Tax Law §1318 limit.

Questioned Costs

None.

Recommendation

We recommend that management take this into consideration when preparing subsequent budgets.

Management's Response

See corrective action plan.

Section III—Federal Award Findings and Questioned Costs

There were no instances of significant deficiencies, material weaknesses, or noncompliance, including questioned costs that are required to be reported under OMB Circular A-133.

Section IV—Status of Prior Year Findings

Finding 2014-001 – Stewardship and Compliance

Condition

The School District's unreserved, undesignated fund balance was greater than the New York State Real Property Tax Law §1318 limit.

Status

This is a repeat comment in the current year.

STILLWATER CENTRAL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2015

The findings from the June 30, 2015 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding 2015-001 Stewardship and Compliance

The District plans to address this issue by reducing future tax levies and financing capital project and debt service payments.