

**AVERILL PARK CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2014**

AVERILL PARK CENTRAL SCHOOL DISTRICT

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To the President and Members
of the Board of Education of the
Averill Park Central School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Averill Park Central School District, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1- A8, budgetary comparison information on pages C1 and C2 and schedule of funding progress for the retiree health plan on page C3 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Averill Park Central School District's basic financial statements. The supplemental information on pages D1 – D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These supplemental schedules are the responsibility of management and were derived from and relate 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 supplemental information schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

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

Marvin and Company, P.C.

Latham, NY
September 10, 2014

AVERILL PARK CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2014

The following discussion and analysis of the Averill Park Central School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2014. This discussion and analysis are intended to serve as an introduction to the District's basic financial statements; we encourage readers to consider the information presented here, in conjunction with information provided in the financial statements.

Financial Highlights

- The District's 2013-14 actual revenues were \$397,765 greater than budgeted revenues.
- The primary revenue account generating this positive variance was the Refund-of-Prior-Year-Expenditures account totaling \$549,659 which exceeded budgeted revenue by \$526,758. The major component of this revenue source was a \$389,734 refund of health insurance costs from the District's health insurance trust.
- The District has tuition agreements with the North Greenbush Common School District and the Wynantskill Union Free School District for the educating students from those Districts. These tuition agreements generated \$824,849 in revenue for the District in 2013-14 resulting in a positive budget variance of \$6,884.
- The 2013-14 expenditure budget was approved for \$53,489,312, encumbrances and Board of Education approved additional budgetary provisions raised the adjusted budget to \$54,154,611.
- District expenditures and encumbrances for the 2013-14 fiscal year concluded with a favorable variance from budget of \$1,263,806 or about 2.33% of the revised budget of \$54,154,611.
- During the fiscal year, the District did not issue any additional debt while making principal payments in 2013-14 totaling \$4,491,714 to reduce existing debt.
- The District's liability for compensated absences using the "Vesting Method" of accounting increased by \$313,197 to \$1,601,400.
- The District has continued its efforts to maintain its unassigned fund balance in order to strengthen its financial position for the future. The District's General Fund unassigned fund balance as of June 30, 2014 was \$1,967,222, an increase of \$857,239 from June 30, 2013. The June 30, 2014 fund balance is 3.7% of the 2014-15 General Fund budget.
- In 2011, the State Legislature and Governor enacted legislation applicable beginning with the 2012-13 school year, establishing a cap on the amount that a school district property tax levy can increase each year. Under this law, the growth in school tax levy will be capped a 2% or the rate of inflation, whichever is less, with some exceptions that allow the tax levy increase to exceed a 2%, but still to be considered within the tax levy cap for voting purposes. A school district tax levy that is within the cap threshold requires only a simple majority vote for approval. However, to raise taxes above the tax levy cap, requires a super majority (60% plus one yes votes) to approve the tax levy increase.

- In May 2014, the \$52,867,185 2014-15 budget proposed by the Board was approved by a 74% margin. The 2014-15 budget represented a decrease of \$622,127 from 2013-14 budget. The budget carried a 2.02% tax levy, however because certain exclusions provided for in law applied, the proposed tax levy increase required only a simple majority vote for budget approval.
- In 2014, the State Legislature and Governor enacted legislation that provides a tax freeze credit to qualified homeowners. To qualify, a homeowner must:
 - be eligible for the School Tax Relief (STAR) property tax exemption; and
 - live in a taxing jurisdiction that both:
 - limits any increase in its tax levy to a property tax cap set by State law; and
 - develops and implements a Government Efficiency Plan determined to be compliant by the New York State Division of Budget (DOB).

Qualified homeowners will receive a Freeze Credit equal to the greater of:

- the actual increase in their homeowner's tax bill; or
- the previous year's tax bill multiplied by an inflation factor (the lesser of 2% or inflation).

For 2014 the inflation factor for school districts is 1.46%. In year one of the program, homeowners will receive the Freeze Credit if their school district stays within the property tax cap.

- In August 2014, the Board approved the \$28,081,086 2014-15 tax levy, an increase of 2.02% over the 2013-14 tax levy which was within the District's property tax cap of 2.02%, making qualified homeowners eligible for the Freeze Credit in year-one.
- The District continued its lease agreement with the Questar III BOCES for use of the George Washington Elementary school, generating about \$200,000 in revenue.

Overview of the Financial Statements

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

- The first two statements are *District-wide financial statements* that provide both *short-term and long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
 - 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 District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. retirement system liabilities and earned but unused vacation leave).

The District-wide financial statements can be found on pages B1 and B2 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into two categories: government funds and fiduciary funds.

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

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflow of resources exceeded liabilities by \$5.8 million at the close of the most recent fiscal year.

Statements of Financial Position (in thousands)

	<i>Fiscal Year</i> <u>2014</u>	<i>Fiscal Year</i> <u>2013</u>
<i>Governmental Activities</i>		
<i>Current and other assets</i>	\$ 6,477	\$ 6,274
<i>Capital assets</i>	<u>56,634</u>	<u>58,804</u>
<i>Total assets</i>	\$ <u>63,111</u>	\$ <u>65,078</u>
<i>Deferred Outflows of Resources</i>	637	797
<i>Current Liabilities</i>	\$ 6,737	\$ 7,921
<i>Long-term liabilities</i>	<u>51,209</u>	<u>47,298</u>
<i>Total liabilities</i>	\$ 57,946	\$ 55,219
<i>Net assets</i>		
<i>Invested in capital assets, net of related debt</i>	\$ 36,728	\$ 34,413
<i>Restricted</i>	1,792	1,479
<i>Unrestricted</i>	<u>(32,718)</u>	<u>(25,236)</u>
<i>Total Net Assets (Deficit)</i>	\$ <u>5,802</u>	\$ <u>10,656</u>

Net position decreased by \$4,854,564. Total assets and deferred outflows of resources decreased \$2,127,461, total liabilities increased \$2,727,103. The increase in liabilities results primarily from an increase in compensated absences of \$313,197, a \$787,787 increase in retirements system contributions payable and an increase in post employment benefits payable of \$5,981,985. These increases were partially offset by repayments of long-term debt totaling \$4,491,719.

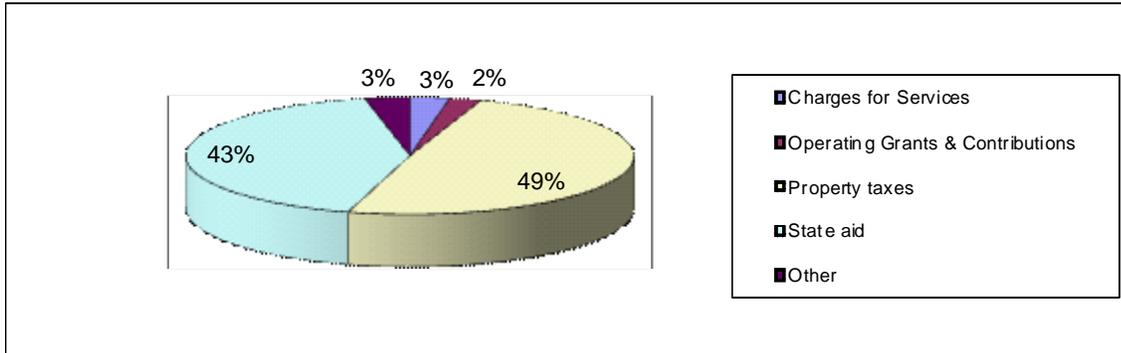
The District has reserved funds from unrestricted funds for the following purposes:

- *Appropriated fund balance* of \$475,000. The District has designated this portion for the subsequent year to reduce the tax levy.
- *Reserve for encumbrances* of \$127,009. Net assets within the General fund are reserved to pay for commitments at June 30 that will be reappropriated during the subsequent fiscal year.
- *Unemployment Insurance Reserve* \$177,766. The District has set aside funds to pay for future unemployment insurance claims.
- *Reserve for Debt* of \$13,438. The District will use these funds to pay down debt.
- *Reserve for Employee Benefit Accrued Liability* of \$1,601,400. The District will use these funds to pay accrued employee benefits due upon termination of the employee's service.

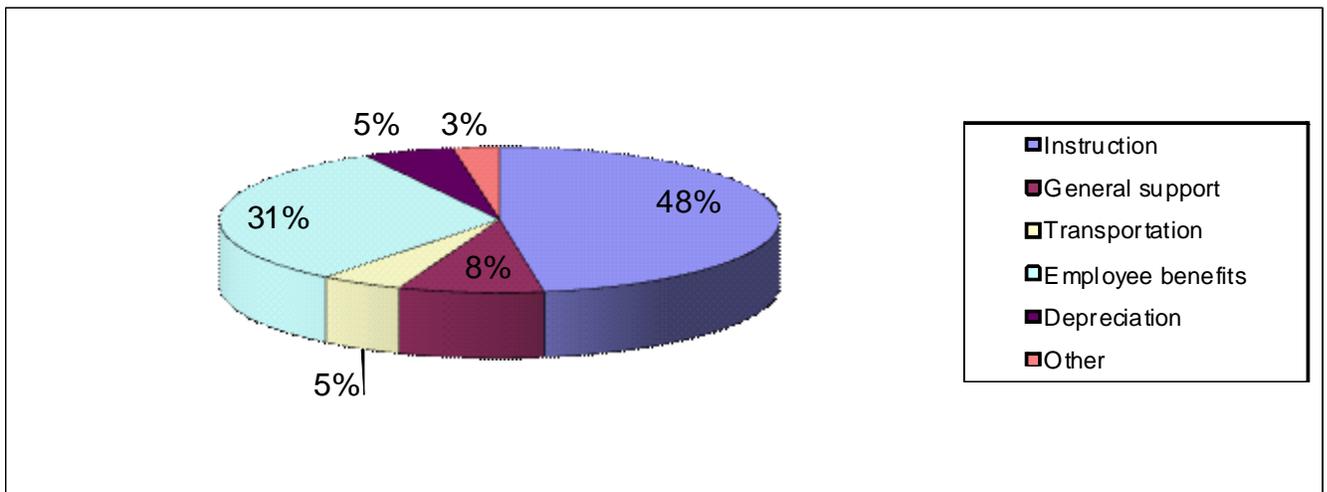
Statements of Activities (in thousands)

	<i>Fiscal Year</i> <u>2014</u>	<i>Fiscal Year</i> <u>2013</u>
<i>Revenues</i>		
<i>Program revenues</i>		
Charges for services	\$ 1,581	\$ 1,575
Operating Grants & Contributions	<u>1,287</u>	<u>1,273</u>
Total Program Revenues	<u>2,868</u>	<u>2,848</u>
<i>General revenues</i>		
Property taxes	27,476	26,720
State aid	23,593	23,257
Other	<u>1,808</u>	<u>1,774</u>
Total General Revenues	<u>52,877</u>	<u>51,751</u>
Total Revenues	\$ <u>55,745</u>	\$ <u>54,599</u>
<i>Expenses</i>		
General support	\$ 5,341	\$ 5,075
Instruction	30,364	31,113
Transportation	3,071	3,257
Employee benefits	20,105	18,867
Debt service – interest	854	1,086
Cost of sales – Food	<u>865</u>	<u>903</u>
Total Expenses	\$ <u>60,600</u>	\$ <u>60,301</u>
Increase (Decrease) in net position	\$ (4,855)	(5,702)
Cumulative effect of change in Accounting principles	—	(76)
Total change in net position	\$ <u>(4,855)</u>	\$ <u>(5,778)</u>

Sources of Revenues for Fiscal Year 2014



Expenses for Fiscal Year 2014



Financial Analysis of The District's Funds

As explained earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General fund is the chief operating fund of the District. At the end of the fiscal year, cash and investments totaled \$3,405,689 comprising 5.40% of total assets. \$1,778,967 of this amount is held to fund reserves established by the District with the balance available to pay current liabilities.

General Fund Budgetary Highlights

During the years final revenues exceeded revised budgetary estimates by \$397,765, primarily due to health insurance premium refunds. Expenditures and encumbrances were under revised budgetary estimates by \$1,263,806 or 2.33%.

The District's June 30, 2014 unassigned fund balance of \$1,967,222 is 3.7% of the \$52,867,185 2014-15 budget an increase of \$857,239 from the June 30, 2013 unassigned fund balance of \$1,109,983 which was 2.1% of the 2013-14 budget. The District's goal is to maintain an unassigned fund balance of at least 3%.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2014, the District had invested \$56,633,557, net of accumulated depreciation, in a broad range of capital assets, including school buildings. Total depreciation expense for the year was \$3,380,638. District voters approved in May 2013 a \$12.9 million district-wide capital project that commenced construction in June of 2014.

The following summarizes capital assets, net of accumulated depreciation, at June 30, 2014 and 2013:

	<u>6/30/14</u>	<u>6/30/13</u>
Land	\$ 96	\$ 96
Construction in progress	1,859	58
Buildings	52,774	56,192
Furniture and equipment	715	831
Land/site improvements	303	377
Licensed vehicles	887	1,250
Total Capital Assets, Net of Depreciation	<u>\$ 56,634</u>	<u>\$ 58,804</u>

Long-Term Debt

At June 30, 2014, the District had \$52,800,364 in general obligation bonds and other long-term debt outstanding, an increase of 3.54% from the prior year. (More detailed information about the District's long-term liabilities is presented in Note 3B, II to the financial statements.)

The following summarizes long-term liabilities at June 30, 2014 and 2013:

	<u>6/30/14</u>	<u>6/30/13</u>
Serial Bonds	\$ 19,005	\$ 23,210
Unamortized Premiums	878	1,031
Deferred amounts on refunding	(640)	(797)
Installment Purchase Debt	660	947
Other Post Employment Benefits	31,296	25,314
Compensated Absences	<u>1,601</u>	<u>1,288</u>
Total Long-Term Liabilities	\$ <u>52,800</u>	\$ <u>50,993</u>

Economic Factors and Next Year's Budgets and Rates

- In May 2014 the district's proposed \$52,867,185 2014-15 budget was approved by the voters. The 2014-15 budget represented a decrease of \$22,127 from 2013-14 budget.
- The voter approved 2014-15 tax levy of \$28,081,086, an increase of 2.02% over the prior year tax levy.
- The State's adoption of a tax levy cap may impact the District's ability to raise the revenues necessary to maintain educational programs and support services.
- Enrollment is projected to remain stagnant which could negatively impact State and Federal aid.
- The District is experiencing an increase in the number of students qualifying for free & reduced price lunch.
- The District has continued to reduce its reliance on fund balance as a source of revenue.
- The District is under contract to sell its Sand Lake Elementary school building for \$385,000. However, this sale had not yet closed as of June 30, 2014.

Contacting the District's Financial Management

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

Michael Ouimet
 Assistant Superintendent for Business
 Averill Park Central School District
 146 Gettle Road, Station 1
 Averill Park, New York 12018

**AVERILL PARK CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS

Cash - Unrestricted	\$	1,626,722
Cash - Restricted		1,778,967
Temporary Investments		
Investments in Securities		-
Investments in Securities-Restricted		-
State and Federal Aid Receivable		1,385,092
Due From Other Governments		536,251
Due From Other Funds		686,716
Other Receivables, net		441,319
Inventories		22,286
Capital Assets, net		56,248,557
Idle Impaired Capital Assets		385,000
Total Assets		<u>63,110,910</u>
 Deferred Outflows of Resources		 <u>637,245</u>
 Total Assets and Deferred Outflow of Resources	 \$	 <u><u>63,748,155</u></u>

LIABILITIES

Accounts Payable	\$	946,526
Due to Other Governments		995
Accrued Interest Payable		38,684
Refundable Advances		20,052
Due to Teachers' Retirement System		3,172,188
Due to Employees' Retirement System		327,173
Long-Term Liabilities - Due and Payable Within One Year		
Bonds		2,231,714
Long-Term Liabilities - Due and Payable After One Year		
Bonds		17,432,940
Compensated Absences		1,601,400
Other postemployment benefits payable		31,296,291
Premium on Bonds		878,025
Total Liabilities		<u>57,945,988</u>

NET POSITION

Net investment in Capital Assets		36,728,123
Restricted		1,792,405
Unrestricted		<u>(32,718,361)</u>
Total Net Position		<u>5,802,167</u>
 Total Liabilities and Net Position	 \$	 <u><u>63,748,155</u></u>

**AVERILL PARK CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
Functions/Programs				
General Support	\$ 5,340,983	\$ -	\$ -	\$ (5,340,983)
Instruction	30,364,217	1,072,245	975,119	(28,316,853)
Pupil Transportation	3,071,023	-	-	(3,071,023)
Employee Benefits	20,104,657	-	-	(20,104,657)
Interest Expense	854,202	-	-	(854,202)
School Lunch Program	<u>864,929</u>	<u>508,956</u>	<u>311,516</u>	<u>(44,457)</u>
 Total Functions and Programs	 \$ <u>60,600,011</u>	 \$ <u>1,581,201</u>	 \$ <u>1,286,635</u>	 <u>(57,732,175)</u>
General Revenues				
Real Property Taxes				27,475,524
Other Tax Items				45,761
Use of Money and Property				333,866
Sale of Property and Compensation for Loss				18,572
State Sources				23,593,270
Federal Sources				175,648
Miscellaneous				<u>1,234,970</u>
 Total General Revenues and Special Items				 <u>52,877,611</u>
 Change in Net Position				 (4,854,564)
 Total Net Position - Beginning of Year				 <u>10,656,731</u>
 Total Net Position - End of Year				 \$ <u><u>5,802,167</u></u>

**AVERILL PARK CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Unrestricted Cash	\$ 1,580,362	\$ 17,950	\$ 6,101	\$ 19,080	\$ 3,229	\$ 1,626,722
Restricted Cash	1,778,967	-	-	-	-	1,778,967
Temporary Investments						
Investments in Securities	-	-	-	-	-	-
Investments in Securities-Restricted	-	-	-	-	-	-
State and Federal Receivable	981,759	378,042	25,291	-	-	1,385,092
Due From Other Governments	536,251	-	-	-	-	536,251
Due From Other Funds	2,867,265	81,169	37,523	2	10,209	2,996,168
Other Receivables, net	440,597	-	722	-	-	441,319
Inventories	-	-	22,286	-	-	22,286
Total Assets	\$ 8,185,201	\$ 477,161	\$ 91,923	\$ 19,082	\$ 13,438	\$ 8,786,805
LIABILITIES						
Accounts and Retainages Payable	\$ 214,640	\$ 36,129	\$ 38	\$ 695,719	\$ -	\$ 946,526
Accrued Liabilities	-	-	-	-	-	-
Due to Other Funds	118,757	441,032	567,776	1,181,887	-	2,309,452
Due to Other Governments	-	-	995	-	-	995
Due to Teachers' Retirement System	3,172,188	-	-	-	-	3,172,188
Due to Employees' Retirement System	327,173	-	-	-	-	327,173
Refundable Advances	4,245	-	15,807	-	-	20,052
Total Liabilities	3,837,003	477,161	584,616	1,877,606	-	6,776,386
FUND BALANCES						
Non-spendable	-	-	22,286	-	-	22,286
Restricted	1,778,967	-	-	-	13,438	1,792,405
Committed	-	-	-	-	-	-
Assigned	602,009	-	-	-	-	602,009
Unassigned	1,967,222	-	(514,979)	(1,858,524)	-	(406,281)
Total Fund Equity	4,348,198	-	(492,693)	(1,858,524)	13,438	2,010,419
Total Liabilities and Fund Equity	\$ 8,185,201	\$ 477,161	\$ 91,923	\$ 19,082	\$ 13,438	\$ 8,786,805

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

Total governmental fund balances per above	\$ 2,010,419
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	56,633,557
Long-term liabilities, including bonds payable, installment purchase debt, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(50,960,945)
Compensated Absences	(1,601,400)
Accrued Interest	(38,684)
Deferred bond cost is recorded as an expense in the fund financial statements, but is amortized over the life of the bond under full accrual accounting	637,245
Bond premium is recorded as revenue in the fund financial statements, but is amortized over the life of the bond under full accrual accounting	(878,025)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 5,802,167

AVERILL PARK CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues						
Real Property Taxes and Tax Items	\$ 27,521,285	\$ -	\$ -	\$ -	\$ -	\$ 27,521,285
Charges for services	1,072,245	-	-	-	-	1,072,245
Use of money and property	333,832	-	10	-	24	333,866
Sale of property and compensation for loss	18,572	-	-	-	-	18,572
Miscellaneous	1,218,746	-	16,224	-	-	1,234,970
State sources	23,366,691	226,579	13,298	-	-	23,606,568
Federal sources	175,648	975,119	298,218	-	-	1,448,985
Sales	-	-	508,956	-	-	508,956
Total Revenues	<u>53,707,019</u>	<u>1,201,698</u>	<u>836,706</u>	<u>-</u>	<u>24</u>	<u>55,745,447</u>
Expenditures						
General support	4,871,724	-	-	-	-	4,871,724
Instruction	25,869,766	1,264,754	-	-	-	27,134,520
Pupil transportation	2,799,143	-	-	-	-	2,799,143
Employee benefits	13,809,475	-	144,294	-	-	13,953,769
Debt service						
Principal	4,491,714	-	-	-	-	4,491,714
Interest	858,918	-	-	-	-	858,918
Cost of sales	-	-	720,635	-	-	720,635
Bond refunding cost	-	-	-	-	-	-
Capital outlay	-	-	-	1,800,447	-	1,800,447
Total Expenditures	<u>52,700,740</u>	<u>1,264,754</u>	<u>864,929</u>	<u>1,800,447</u>	<u>-</u>	<u>56,630,870</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,006,279</u>	<u>(63,056)</u>	<u>(28,223)</u>	<u>(1,800,447)</u>	<u>24</u>	<u>(885,423)</u>
Other Sources and (Uses)						
Bond Refunding Proceeds	-	-	-	-	-	-
Refunded Bonds cost	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-
Interfund Transfers In	-	63,056	-	-	-	63,056
Interfund Transfers (Out)	(63,056)	-	-	-	-	(63,056)
Total Other Sources (Uses)	<u>(63,056)</u>	<u>63,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>943,223</u>	<u>-</u>	<u>(28,223)</u>	<u>(1,800,447)</u>	<u>24</u>	<u>(885,423)</u>
Fund Equity - Beginning of Year	<u>3,404,975</u>	<u>-</u>	<u>(464,470)</u>	<u>(58,077)</u>	<u>13,414</u>	<u>2,895,842</u>
Fund Equity - End of Year	<u>\$ 4,348,198</u>	<u>\$ -</u>	<u>\$ (492,693)</u>	<u>\$ (1,858,524)</u>	<u>\$ 13,438</u>	<u>\$ 2,010,419</u>

**AVERILL PARK CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net changes in fund balance - total governmental funds	\$	(885,423)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position		
Impairment of capital assets	\$	(615,000)
Capital outlays		<u>1,825,249</u>
		1,210,249
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities		(3,380,638)
Proceeds from long-term debt are recorded as revenue in the governmental funds, but are recorded as liabilities in the statement of net position		-
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position		4,491,714
Amortization of bond premium is an adjustment to interest expense in the statement of activities		153,053
Amortization of deferred expenses on advanced bond refunding		(159,733)
Accrued postemployment benefits do not require the expenditure of current resources and are, therefore are not reported as expenditures in the governmental funds		(5,981,985)
Compensated absences do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds		(313,197)
Accrued interest expense does not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds		<u>11,396</u>
Change in net position - Governmental activities	\$	<u><u>(4,854,564)</u></u>

**AVERILL PARK CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2014**

	Agency	Private Purpose Trusts
ASSETS		
Cash - unrestricted	\$ 686,488	\$ -
Cash - restricted	134,873	100,677
Investments - restricted	-	-
Accounts Receivable	228	-
Total Assets	\$ 821,589	\$ 100,677
 LIABILITIES		
Due to other funds	\$ 686,716	\$ -
Other liabilities	-	-
Extraclassroom activity balances	134,873	-
Total Liabilities	\$ 821,589	\$ -
 NET POSITION		
Reserved for scholarships		\$ 100,677

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

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ 36,702
Investment earnings	69
Total Additions	36,771
 DEDUCTIONS	
Scholarships and awards	14,698
Contractual and other	29,006
Change in Net Position	(6,933)
Net Position - Beginning of year	107,610
Net Position - End of year	\$ 100,677

See accompanying notes to financial statements.

B6.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Averill Park Central School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standards-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven members. 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 District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity.

The decision to include a potential component unit in the 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 review of an entity included in the District's reporting entity within its Fiduciary funds:

The Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the 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 District's business office, located at 146 Gettle Rd, Averill Park, NY.

B. Joint Venture

The District is a component district of the Rensselaer, Columbia, and Greene Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share 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.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, programs, 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 Education Law, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year ended June 30, 2014, the Averill Park Central School District was billed \$3,227,690 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,105,062. Financial statements for the BOCES Aid are available from the BOCES administrative office.

C. Basis of Presentation

District-wide statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange 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 revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to the particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements

The fund statements provide information about the 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.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

The District reports the following major governmental funds:

I. Governmental Funds

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 and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund

Used to account for transactions of the District's lunch and breakfast programs.

Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities, or equipment.

Debt Service Fund

This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligations debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

II. Fiduciary Funds

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and agent for resources that belong to others. 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.

There are two classes of fiduciary funds:

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

II. Fiduciary Funds

a. 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.

b. 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 withholdings.

General Information

The District-wide 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, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 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 sources.

E. Refundable Advances

Refundable advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenue is recognized.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 21. Taxes were collected during the period September 1 through October 31.

II. Enforcement

Uncollected real property taxes are subsequently enforced by the County of Rensselaer, in which the District is located. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid by the counties to the District no later than the following April 1.

G. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the line item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved 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 which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

From Additional Revenues:

Expenses associated with student fees & college in the high school	\$ 139,338
Expenses associated with supplies	1,970
Expenses associated with equipment	225,835
Expenses associated with contractual obligations	72,428
Expenses associated with athletic program restorations	111,225

From Reserved Fund Balance:

Expenses associated with employment benefits	<u>16,134</u>
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Total Supplemental Appropriations	<u>\$ 566,930</u>
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**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

- e. 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.
- f. 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.

II. Encumbrances

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

III. Budget Basis of Accounting

The District is not required to formally adopt annual budgets for its special revenue funds. Accordingly, although the school lunch fund does have a management approved budget and each special aid fund project follows an approved project budget, no statement of budget and actual revenues and expenditures is presented for the special revenue funds.

H. Cash and Investments

The District investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and U.S. 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 Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and School Districts. Investments are stated at fair value. Certificates of deposit are classified as investments in these financial statements.

AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. 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.

J. Inventories

Inventories of food and supplies 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.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

K. Interfund Transfers

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

Refer to Note 2.A.II. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

L. Equity Classifications

District-wide statements:

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

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

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Restricted net position - reports net position when constraints placed on the assets or deferred outflows 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.

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

Fund statements:

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

Non-spendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$22,286.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Debt Service

Used to account for the advanced refunding of debt and unspent proceeds of debt restricted for debt service.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due to 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.

Unemployment Insurance

According to General Municipal Law §6-m, must be 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 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.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Fund statements:

Restricted fund balance includes the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 1,601,400
Unemployment Insurance	177,567
Debt Service Fund	<u>13,438</u>
Total restricted funds	<u>\$ 1,792,405</u>

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

Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither constricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$127,009. Appropriated fund balance in the General Fund amounted to \$475,000.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Purpose of Encumbrances

General Fund	
General Support	\$ 42,059
Instruction	84,627
Pupil Transportation	<u>323</u>
	<u>\$ 127,009</u>

Unassigned - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Fund statements:

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable 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 Use of Fund Balance:

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

M. Postemployment Benefits

In addition to providing the retirement benefits described in Note 2.B.I, the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups as governed by Board of Education Policy #9040. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Currently 259 retirees meet those eligibility requirements. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-employment benefits is shared between the District and the retired employee. The District recognized the cost of providing benefits for its retirees for fiscal year 2014 by recording \$1,720,161, its share of insurance premiums, as an expenditure in fiscal year 2014.

N. 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 (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refundable debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life In Years</u>
Land	\$ 1,000	N/A	N/A
Construction in Progress	10,000	N/A	N/A
Buildings	10,000	SL	30-60
Site improvements	10,000	SL	10-50
Buildings and improvements	10,000	SL	20-60
Furniture and equipment	1,000	SL	5-10

P. Short-Term Debt

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

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

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the government funds, payable and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable, 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.

R. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

- a. Total Fund balances of governmental fund vs. net position of governmental activities:

Total fund balances of the 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.

- b. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues 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.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

R. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and an asset on the Statement of Net Position 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 principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

S. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other postemployment benefits, potential contingent liabilities, and the lives of long-term assets.

T. Vested Benefits

District employees are granted vacation in varying amounts, based principally 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. Sick leave use is based on a last-in, first-out (LIFO) basis.

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, 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 applicable contract rates in effect at year-end.

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

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2014, the District implemented the following new standard issued by GASB:

GASB has issued Statement 66, *GASB Technical Corrections - 2012 - an Amendment of Statements 10 and 62*, effective for the year ending June 30, 2014.

V. Future Changes in Accounting Standards

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27*, effective for the year ending June 30, 2015.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending June 30, 2015.

GASB has issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending June 30, 2015.

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*-an amendment of GASB Statement No. 68, effective for the year ending June 30, 2015.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2014 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investments

Investments are stated at fair value and are categorized as either (1) insured or registered, or investments are held by the District or the District's agent in the District's name, (2) uninsured and unregistered, with the investments held by the financial institution's trust department in the District's name, (3) uninsured and unregistered, with investments held by the financial institution or its trust department but not in the District's name.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Restricted Cash and Investments

General

Restricted cash and investments of 1,778,967 at June 30, 2014 consist of \$177,567 restricted for Unemployment Reserve and \$1,601,400 restricted for Employee Benefit Accrued Liability Reserve.

Fiduciary

Restricted cash and investments of \$235,550 at June 30, 2014 consist of \$134,873 restricted for Extraclassroom Activity Funds, and \$100,677 restricted for Scholarships.

II. Interfund Receivables and Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund receivable and payable balances at June 30, 2014 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 2,867,265	\$ 118,757	\$ -	\$ 63,056
Special Aid Fund	81,169	441,032	63,056	-
School Lunch	37,523	567,776	-	-
Debt Service Fund	10,209	-	-	-
Capital Projects Funds	<u>2</u>	<u>1,181,887</u>	<u>-</u>	<u>-</u>
Total Government Activities	2,996,168	2,309,452	63,056	63,056
Fiduciary Fund	<u>-</u>	<u>686,716</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,996,168</u>	<u>\$ 2,996,168</u>	<u>\$ 63,056</u>	<u>\$ 63,056</u>

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Impairments/ Deletions</u>	<u>Balance June 30, 2014</u>
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 95,970	\$ -	\$ -	\$ 95,970
Construction in process	<u>58,077</u>	<u>1,800,447</u>	<u>-</u>	<u>1,858,524</u>
Total Nondepreciable Historical Cost	<u>154,047</u>	<u>1,800,447</u>	<u>-</u>	<u>1,954,494</u>
Capital assets that are depreciated:				
Buildings and improvements	86,331,558	-	615,000	85,716,558
Furniture and equipment	<u>9,360,433</u>	<u>101,900</u>	<u>155,805</u>	<u>9,306,528</u>
Total depreciable historical cost	<u>95,691,991</u>	<u>101,900</u>	<u>770,805</u>	<u>95,023,086</u>
Less accumulated depreciation:				
Buildings and improvements	29,762,484	2,877,509	-	32,639,993
Machinery and equipment	<u>7,279,608</u>	<u>577,566</u>	<u>153,144</u>	<u>7,704,030</u>
Total accumulated Depreciation	<u>37,042,092</u>	<u>3,455,075</u>	<u>153,144</u>	<u>40,344,023</u>
Total Capital Assets, Net	<u>\$ 58,803,946</u>	<u>\$ (1,552,728)</u>	<u>\$ 617,661</u>	<u>\$ 56,633,557</u>

Depreciation expense of \$3,380,638 for the year ended June 30, 2014 was allocated to specific functions as follows:

General	\$ 473,189
Instruction	2,635,569
Pupil transportation	<u>271,880</u>
	<u>\$ 3,380,638</u>

B. Liabilities

I. Pension Plans

General Information

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

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Plan Descriptions

Teachers' Retirement System (TRS)

The TRS is administered by the New York State Teachers' Retirement Board. 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. The New York State TRS 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 the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12208.

Funding Policies

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

The District is required to contribute at an actuarially determined rate. The contributions required to be paid during the current year and two preceding years were:

	<u>ERS</u>	<u>TRS</u>
2013-14	\$ 1,320,577	\$ 3,105,875
2012-13	\$ 1,308,118	\$ 2,374,070
2011-12	\$ 1,028,787	\$ 2,064,740

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

II. Indebtedness

Long-Term Debt

Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the District recognized \$858,918 expenditures for serial bonds long-term debt interest.

Interest on long-term debt was comprised of:

Interest paid	\$ 858,918
Less interest accrued in the prior year	(50,080)
Plus interest accrued in the current year	38,684
Less amortization of bond premium	(153,053)
Plus amortization of deferred expense	<u>159,733</u>
Total Expense	<u>\$ 854,202</u>

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Changes

The changes in indebtedness during the year ended June 30, 2014 are summarized as follows:

	<u>Balance July 1,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30,</u>
Serial Bonds	\$ 23,210,000	\$ -	\$ 4,205,000	\$ 19,005,000
Plus: Bond Premium	1,031,078	-	153,053	878,025
Less: Unamortized loss on Refunding*	<u>(796,978)</u>	<u>-</u>	<u>(159,733)</u>	<u>(637,245)</u>
Total Bonds	23,444,100	-	4,198,320	19,245,780
Installment Obligation	946,368	-	286,714	659,654
Compensated Absences	1,288,203	329,332	16,135	1,601,400
Other Postemployment Benefits (see Note 5)	<u>25,314,306</u>	<u>7,702,146</u>	<u>1,720,161</u>	<u>31,296,291</u>
Total	<u>\$ 50,992,977</u>	<u>\$ 8,031,478</u>	<u>\$ 6,221,330</u>	<u>\$ 52,803,125</u>

The above liabilities are liquidated by the general fund.

* This item is recorded as a deferred outflow on the statement of net position.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$8,750,000 of bonds outstanding are considered defeased.

Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2014</u>
<u>Serial Bonds</u>				
\$19.5 million Construction	2005	2023	3.75%-4.125%	\$ 10,310,000
\$13.1 million Excel	2010	2024	4.875%-5.00%	8,695,000
Installment Obligation \$812,000	2010	2014	4.00%	162,400
Installment Obligation \$621,568	2012	2017	1.80%	<u>497,254</u>
Total Serial Bonds				<u>\$ 19,664,654</u>

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

The following is a summary of maturing debt service requirements for general obligation bonds and notes:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,231,714	\$ 703,459	\$ 2,935,173
2016	2,149,314	614,325	2,763,639
2017	2,224,314	537,650	2,761,964
2018	2,304,312	457,113	2,761,425
2019	2,240,000	391,875	2,631,875
2020	1,760,000	321,875	2,081,875
2021-2024	<u>6,755,000</u>	<u>635,025</u>	<u>7,390,025</u>
Total	<u>\$ 19,664,654</u>	<u>\$ 3,661,322</u>	<u>\$ 23,325,976</u>

III. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2014, the District has exhausted 12.8% of its constitutional debt limit.

The voters have authorized the following debt which was unissued at June 30, 2014; \$12.9 million to finance reconstruction of various District buildings and \$647,000 to finance the acquisition of vehicles.

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

General Information

The Averill Park Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, injuries to employees; errors and omissions; and natural disasters. 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.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

Workers' Compensation Insurance

The District participates in a claims-servicing public entity risk pool, Rensselaer-Columbia-Greene Workers' Compensation Consortium (RCGWCC), to insure workers' compensation claims. The RCGWCC, a consortium of school districts located in Rensselaer, Columbia and Greene counties of New York, was accepted as a self-insurer by the State of New York Workers' Compensation Board effective July 1, 1985. The Consortium is governed by a Plan Agreement administered by a Board of Directors, consisting of one Director for each member. As of June 30, 2014, there were 18 members in the Consortium. Workers' compensation benefits are provided by the Plan and administered under a contract with Triad, the third party claims administrator for the consortium.

The purpose of the Plan is to provide for the efficient and economical evaluation, processing, administration, defense and payment of claims against Plan members for workers' compensation and employers' liability payments through self-insurance and otherwise, to achieve cost savings for such claims and services, to provide risk management, to the extent permitted by law, to reduce future liability for workers' compensation and employer liability payments; and to perform all other functions reasonably necessary and incident to such purposes; including but not limited to, the obtaining of excess workers' compensation insurance and employers' liability insurance for the Plan members. Current coverage limits are \$1,000,000 per occurrence for employers' liability and excess workers' compensation insurance coverage for paid workers' compensation claims in excess of \$500,000 per individual occurrence.

The Plan provides that each member continues to be individually liable for workers' compensation payments to employees and for employers' liability payments to third parties. The Plan is a public entity risk pool without any transfer of risk among the participants.

To fund the plan, each plan member is assessed an annual premium for workers' compensation coverage in accordance with a reasonable estimate of each member's responsibility for actual claims and expenses of the Plan. Assessments are based on such factors as the cost of insurance premiums, the amount of anticipated interest income, number of employees, payrolls, claims experience, services rendered, benefits received and other relevant factors.

Health Insurance Plan

The District participates in the Rensselaer-Columbia-Greene Health Insurance Trust, which is a Trust formed under New York State Insurance Law on June 30, 1988. The Trust's purpose is to provide for the purchase of policies of group health, prescription, dental and vision insurance, pursuant to Insurance Law Section 4235, and to provide related services to its members. There are currently 24 members of the R-C-G Health Insurance Trust.

The Trust is governed by a Trust Agreement and a Board of Trustees who execute the provisions of the Trust, as set forth in the Agreement.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

Health Insurance Plan

Premium costs for group health insurance and related policies purchased and for group health insurance administration are allocated among the Trust members. Payments made by members to the Trust for such policies are paid to the group insurance carriers by the Trust. The Trust has contracted with Benetech for third party administration.

The District participates in the health and prescription plans offered through the Trust.

B. Other Items

The 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 District's administration believes disallowances, if any, will be immaterial.

4. POSTEMPLOYMENT BENEFITS

Plan Description

The District administers the postretirement benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits for the lifetime of the retired employee. The Plan provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements, and Board of Education policy # 9040. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the Plan members, employers and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 5 to 15 years of service to qualify for other postemployment benefits. The District currently funds the plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2014, \$1,720,161 was paid on behalf of 259 retirees.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

4. POSTEMPLOYMENT BENEFITS

Actuarial Methods and Assumptions

The actuarial valuation date is as of July 1, 2013. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

Projection of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the District and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and Plan members to that point. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial Methods and Assumptions

The actuarial funding method used to calculate the costs of the Plan is known as the Projected Unit Credit Method. Under this method, the present value of each employee's future retiree health benefit claims costs is allocated over a portion of the employee's employment, the "attribution period." The attribution period for this group begins with the employee's date of employment and ends with the date on which the employee is expected to retire. The accrued liability for active employees is the portion of benefit liability attributed to service years to date. Normal cost is the amount of benefit liability attributed to the current employment year. Normal cost for retired employees is zero. The initial accrued liability is amortized over a 30-year period using the level dollar method. Actuarial gains and losses will be determined annually and amortized over a fixed 15-year period.

The following assumptions were used in the calculation: a) A 4.0% discount rate b) initial medical cost trend of 9% that is down graded over a 5 year period to an ultimate rate of 5.00%, c) mortality from RP 2000 Combined Mortality Table, d) retirement and termination rates used are those that are used in the NYS ERS and TRS pension fund valuations, e) 100% of future retirees eligible for coverage will elect the benefit, 20% of future spouses of retirees eligible for coverage will elect the benefit, f) initial per capita claims costs are based on the premium levels of the plans utilized; per capita costs for retired employees are based on current plan enrollment; per capita costs for future retirees are based on an assumption that the employee will enroll in the PPO plan at retirement.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

4. POSTEMPLOYMENT BENEFITS

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table summarizes the Annual OPEB Cost:

	<u>2014</u>	<u>2013</u>
Annual Required Contribution	\$ 8,100,468	\$ 7,759,010
Interest on OPEB Obligation	1,020,956	783,791
Adjustment to ARC	<u>(1,419,278)</u>	<u>(1,111,163)</u>
OPEB Expense	<u>\$ 7,702,146</u>	<u>\$ 7,431,638</u>
Net OPEB Obligation at the beginning of the year	\$ 25,314,306	\$ 19,594,787
OPEB Expense	7,702,146	7,431,638
Net OPEB Contributions made during the fiscal Year	<u>(1,720,161)</u>	<u>(1,712,119)</u>
Net OPEB Obligation at the end of the year	<u>\$ 31,296,291</u>	<u>\$ 25,314,306</u>
Percentage of Expense Contributed	23.0%	23.0%

Funded Status

	<u>2014</u>
Actuarial Accrued Liability at end of year	\$ 79,352,150
Plan Assets at end of year	<u>-</u>
Unfunded Actuarial Accrued Liability	<u>\$ 79,352,150</u>
Percentage of Funded Accrued Liability	0%

The District's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending June 30, 2014, 2013 and 2012 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$7,702,146	23.0%	\$31,296,291
June 30, 2013	\$7,431,638	23.0%	\$25,314,306
June 30, 2012	\$6,558,401	23.4%	\$19,594,787

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

4. POSTEMPLOYMENT BENEFITS

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

In the July 1, 2013, actuarial valuation, the Projected Unit Credit method was used. The actuarial assumptions included a 4.0% investment rate of return, and an annual healthcare cost trend rate of 0.0% initially, increased to 9.0% in the second year, reduced by decrements to an ultimate rate of 5.0% after 4 years. The remaining amortization period at June 30, 2014, was 28 years.

5. DEFICIT FUND BALANCE

The School Lunch Fund had a fund deficit of \$492,693, the District is developing a plan to address the deficit.

The Capital Projects fund had a fund deficit of \$1,858,524. This amount will be reduced as financing is obtained.

6. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 10, 2014, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2014, have been incorporated into these financial statements herein.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenues				
Local Sources				
Real property taxes	\$ 27,525,611	\$ 27,525,611	\$ 27,477,366	\$ (48,245)
Other tax items	50,000	50,000	43,919	(6,081)
Charges for services	1,081,733	1,103,891	1,072,245	(31,646)
Use of money and property	347,400	347,400	333,832	(13,568)
Sale of property and compensation for loss	1,000	1,000	18,572	17,572
Miscellaneous	406,000	706,434	1,218,746	512,312
	<hr/>	<hr/>	<hr/>	<hr/>
Total Local Sources	29,411,744	29,734,336	30,164,680	430,344
State sources	23,221,714	23,377,515	23,366,691	(10,824)
Federal sources	125,000	197,403	175,648	(21,755)
Other Sources				
Transfers from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Other Sources	52,758,458	53,309,254	<u>\$ 53,707,019</u>	<u>\$ 397,765</u>
Other Financing Sources				
Appropriated reserves - Employee Benefits	-	16,134		
Appropriated fund balance	829,223	829,223		
	<hr/>	<hr/>		
Total Revenues and Other Financing Sources	<u>\$ 53,587,681</u>	<u>\$ 54,154,611</u>		

**AVERILL PARK CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance With Actual and Encumbrances</u>
Expenditures					
General Support					
Board of education	\$ 32,388	\$ 27,763	\$ 24,179	\$ 966	\$ 2,618
Central administration	375,453	385,874	382,833	2,546	495
Finance	677,081	692,841	678,319	243	14,279
Staff	98,480	100,832	89,331	-	11,501
Central services	2,830,479	2,980,807	2,833,389	22,841	124,577
Special items	780,790	881,441	863,673	15,463	2,305
Total General Support	<u>4,794,671</u>	<u>5,069,558</u>	<u>4,871,724</u>	<u>42,059</u>	<u>155,775</u>
Instruction					
Instruction, administration and improvement	1,226,893	1,343,439	1,316,058	-	27,381
Teaching - regular school	14,108,036	14,377,216	14,118,046	29,899	229,271
Programs for children with handicapping conditions	6,284,844	6,262,733	6,156,089	16,447	90,197
Occupational education	503,693	503,693	503,693	-	-
Teaching - special school	51,266	54,641	49,927	-	4,714
Instructional media	1,425,922	1,491,132	1,447,136	19,358	24,638
Pupil services	2,177,414	2,349,373	2,278,817	18,923	51,633
Total Instruction	<u>25,778,068</u>	<u>26,382,227</u>	<u>25,869,766</u>	<u>84,627</u>	<u>427,834</u>
Other					
Pupil transportation	2,953,403	2,961,030	2,799,143	323	161,564
Community services	-	-	-	-	-
Employee benefits	14,661,032	14,328,108	13,809,475	-	518,633
Debt Service - Principal	4,491,714	4,491,714	4,491,714	-	-
Debt Service - Interest	858,793	858,918	858,918	-	-
Total Other	<u>22,964,942</u>	<u>22,639,770</u>	<u>21,959,250</u>	<u>323</u>	<u>680,197</u>
Total Expenditures	53,537,681	54,091,555	52,700,740	127,009	1,263,806
Other Financing Uses					
Transfers to other funds	50,000	63,056	63,056	-	-
Total Expenditures and Other Uses	<u>\$ 53,587,681</u>	<u>\$ 54,154,611</u>	<u>\$ 52,763,796</u>	<u>\$ 127,009</u>	<u>\$ 1,263,806</u>
Net change in fund balance			\$ 943,223		
Fund balance - beginning			<u>3,404,975</u>		
Fund balance - ending			<u>\$ 4,348,198</u>		

**AVERILL PARK CENTRAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR
 THE RETIREE HEALTH PLAN, JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/11	\$ -	\$ 66,041,925	\$ 66,041,925	NA	\$25,323,330	260.79%
07/01/12	\$ -	\$ 79,389,076	\$ 79,389,076	NA	\$25,386,651	312.72%
07/01/13	\$ -	\$ 79,352,150	\$ 79,352,150	NA	\$26,464,336	300.00%

**AVERILL PARK CENTRAL SCHOOL DISTRICT
 SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL
 BUDGET AND SCHEDULE OF THE SECTION 1318 OF REAL PROPERTY TAX LAW
 LIMIT CALCULATION
 FOR THE YEAR ENDED JUNE 30, 2014**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted Budget	\$	53,489,312
Add: Prior year's encumbrances		98,369
Original Budget		53,587,681
Additions:		
Budget Amendments		566,930
Final Budget	\$	54,154,611

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2014-15 [subsequent year's] voter-approved expenditure budget	\$	52,867,185
Maximum allowed (4% of 2014-15 [subsequent year's] budget)		2,114,687

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted Fund Balance:		
Committed Fund Balance	\$	-
Assigned Fund Balance		602,009
Unassigned Fund Balance		1,967,222
Total Unrestricted Fund Balance	\$	2,569,231

Less:		
Appropriated Fund Balance		475,000
Insurance Recovery Reserve		-
Tax Reduction Reserve		-
Encumbrances included in Committed and Assigned Fund Balance		127,009
Total Adjustments	\$	602,009

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$	1,967,222
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Actual percentage	3.72%
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* 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.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES -
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014**

Project Title	SED Project Number	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Equity (Deficiency) June 30, 2014
				Prior Years	Current Year	Total		State Sources	Local Sources	Financed Sources	Total	
Excel II Project \$12.9 million												
Algonquin Middle School	0009-009	\$ 693,600	\$ 693,600	\$ -	\$ 59,755	\$ 59,755	\$ 633,845	\$ -	\$ 59,755	\$ -	\$ 59,755	\$ (59,755)
Algonquin Middle School	0009-010	889,000	889,000	-	65,715	65,715	823,285	-	65,715	-	65,715	(65,715)
Averill Park High School	0001-009	1,166,000	1,166,000	58,077	456,519	514,596	651,404	-	514,596	-	514,596	(514,596)
Averill Park High School	0001-010	6,185,300	6,185,300	-	505,002	505,002	5,680,298	-	505,002	-	505,002	(505,002)
George Washington Elementary School	0017-006	167,400	167,400	-	66,429	66,429	100,971	-	66,429	-	66,429	(66,429)
George Washington Elementary School	0017-007	174,000	174,000	-	13,249	13,249	160,751	-	13,249	-	13,249	(13,249)
Miller Hill Elementary School	0010-005	612,500	612,500	-	152,561	152,561	459,939	-	152,561	-	152,561	(152,561)
Miller Hill Elementary School	0010-006	525,000	525,000	-	159,137	159,137	365,863	-	159,137	-	159,137	(159,137)
Miller Hill Elementary School	0010-007	316,600	316,600	-	27,980	27,980	288,620	-	27,980	-	27,980	(27,980)
Miller Hill Elementary School	0010-008	427,000	427,000	-	31,631	31,631	395,369	-	31,631	-	31,631	(31,631)
Poestenkill Elementary School	0004-006	343,000	343,000	-	47,946	47,946	295,054	-	47,946	-	47,946	(47,946)
Poestenkill Elementary School	0004-007	301,900	301,900	-	26,951	26,951	274,949	-	26,951	-	26,951	(26,951)
Poestenkill Elementary School	0004-008	150,000	150,000	-	10,833	10,833	139,167	-	10,833	-	10,833	(10,833)
Transportation Center	5016-004	413,000	413,000	-	131,468	131,468	281,532	-	131,468	-	131,468	(131,468)
Transportation Center	5016-005	105,000	105,000	-	6,936	6,936	98,064	-	6,936	-	6,936	(6,936)
West Sand Lake Elementary School	0006-008	349,100	349,100	-	9,956	9,956	339,144	-	9,956	-	9,956	(9,956)
West Sand Lake Elementary School	0006-009	81,600	81,600	-	28,379	28,379	53,221	-	28,379	-	28,379	(28,379)
Totals		<u>\$ 12,900,000</u>	<u>\$ 12,900,000</u>	<u>\$ 58,077</u>	<u>\$ 1,800,447</u>	<u>\$ 1,858,524</u>	<u>\$ 11,041,476</u>	<u>\$ -</u>	<u>\$ 1,858,524</u>	<u>\$ -</u>	<u>\$ 1,858,524</u>	<u>\$ (1,858,524)</u>

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2014**

Capital Assets, Net	\$	56,633,557
Add:		
Deferred Bond Costs	\$ <u>637,245</u>	637,245
Deduct:		
Bond anticipation note	-	
Short-term portion of bonds payable	2,231,714	
Long-term portion of bonds payable	17,432,940	
Premium on bonds	<u>878,025</u>	
		<u>20,542,679</u>
Net Investment in Capital Assets	\$	<u><u>36,728,123</u></u>

**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**

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Heather D. Patten, CPA

To the President and Members
of the Board of Education
Averill Park 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 the Averill Park Central School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Marvin and Company, P.C.

Latham, NY

September 10, 2014

**AVERILL PARK CENTRAL SCHOOL DISTRICT
SINGLE AUDIT
SUPPLEMENTARY FINANCIAL REPORT
JUNE 30, 2014**

Kevin J. McCoy, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the President and Members
of the Board of Education of
Averill Park Central School District

Report on Compliance for Each Major Federal Program

We have audited the Averill Park 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, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Averill Park Central School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Averill Park Central School 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities and each major fund of the Averill Park Central School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated September 10, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

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

Marvin and Company, P.C.

Latham, NY

September 10, 2014

**AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed Through New York State Education Department:			
Title I Grants to Local Educational Agencies	84.010	0021-14-2575	\$ 169,349
Title I Grants to Local Educational Agencies	84.010	0021-13-2575	3,457
Special Education - Grants to States	84.027	0032-14-0756	663,108
Special Education Preschool Grants	84.173	0033-14-0756	38,525
Race to the Top - ARRA	84.395	5500-14-2575	10,367
Improving Teacher Quality State Grants	84.367	0147-14-2575	87,899
Improving Teacher Quality State Grants	84.367	0147-13-2575	<u>2,414</u>
Total U.S. Department of Education			<u>975,119</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through New York State Division of Homeland Security and Emergency Services:			
Disaster Grant - Public Assistance for a Presidentially Declared Disaster	97.036	FEMA-4020-DR- NY 2010	72,403
<u>U.S. Department of Agriculture</u>			
Passed Through New York State Education Department:			
National School Lunch Program	10.555	Not Applicable	204,037
School Breakfast Program	10.553	Not Applicable	38,363
Food Distribution	10.555	Not Applicable	<u>55,818</u>
Total U.S. Department of Agriculture			<u>298,218</u>
Total Expenditures of Federal Awards			<u>\$ 1,345,740</u>

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

2. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

The Averill Park Central School District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

3. 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, 2014, the District received food commodities totaling \$55,818.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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? ___yes X no

Noncompliance material to financial statements noted? ___yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___yes X no
- Significant deficiency(ies) identified? ___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 Section 510(a) of OMB Circular A-133? ___yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 and 84.173	Special Education Program Cluster
10.553 and 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X yes ___no

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

None

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with OMB Circular A-133 Section __.510a:

None

**AVERILL PARK CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
FINANCIAL REPORT
JUNE 30, 2014**

**AVERILL PARK CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND**

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INDEPENDENT AUDITOR'S REPORT

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To the President and Members of
the Board of Education of the
Averill Park Central School District

Report on the Financial Statement

We have audited the accompanying statement of cash receipts, disbursements and cash balances of the extraclassroom activity fund of Averill Park Central School District, as of and for the year ended June 30, 2014, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to in the first paragraph present fairly, in all material respects, the statement of cash receipts, disbursements and cash balances of the extraclassroom activity fund of Averill Park Central School District as of and for the year ended June 30, 2014, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Marvin and Company, P.C.

Latham, NY
September 10, 2014

**AVERILL PARK CENTRAL SCHOOL DISTRICT AT ROTTERDAM
EXTRACLASROOM ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

<u>Activities and Clubs</u>	<u>Balance July 1, 2013</u>	<u>Receipts</u>	<u>Dis- bursements</u>	<u>Balance June 30, 2014</u>
High School				
Class of:				
2013	\$ 8,246	\$ 60	\$ 8,306	\$ -
2014	12,593	32,360	38,154	6,799
2015	2,597	36,293	32,717	6,173
2016	1,134	32,362	30,228	3,268
2017	-	1,186	-	1,186
Algonquin Builder's Club	141	56	52	145
Algonquin Council of The Arts	10,837	5,752	8,001	8,588
Algonquin Grade 6	408	412	376	444
Algonquin Grade 7	9,364	14,925	18,971	5,318
Algonquin Grade 8	3,649	25,783	26,456	2,976
Algonquin Home Economics Club	73	-	73	-
Algonquin Service Club	205	1,152	775	582
Algonquin Student Council	6,581	7,096	9,155	4,522
Art Club	73	-	73	-
Bookstore	4,324	10,223	8,279	6,268
Drama Club	34,873	16,681	14,402	37,152
Gay Straight Alliance Club	23	-	-	23
Interest Earned on Bank	-	106	101	5
Horticulture Opportunities	2,477	300	474	2,303
Japanese Club	772	1,495	1,593	674
Key Club	766	2,848	3,038	576
Kkids Club	720	3,212	3,896	36
Library Club	4,006	1,244	1,476	3,774
Music Club	6,260	26,955	28,250	4,965
National Honor Society	1,251	1,380	1,819	812
Odyssey of the Mind	443	1,283	1,386	340
P.A.G.E.S.	1,270	680	983	967
Poestenkill Student Store	249	192	193	248
Recycling Club	365	80	320	125
Review Books	1,157	5,189	4,070	2,276
Robotics Club	-	532	450	82
SADD	2,265	665	1,439	1,491
Sales Tax Holding Account	446	4,143	3,911	678
Snack Attack	11,830	1,336	2,200	10,966
Student Government	2,252	30	-	2,282
The Threshold	6,558	33,706	36,210	4,054
Walk the Talk	166	-	166	-
WAPH	13,573	890	-	14,463
West Sand Lake - Grade 5	506	13,741	14,047	200
West Sand Lake Music	435	263	586	112
Grand Totals	\$ 152,888	\$ 284,611	\$ 302,626	\$ 134,873

The June 30, 2014 cash balance is as follows:

Checking Account	\$ <u>134,873</u>
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**AVERILL PARK CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The extraclassroom activity fund of the District represent funds of the students of the District. The Board of Education exercises general oversight of this fund. The extraclassroom activity fund is independent of the District with respect to its financial transactions, and the designation of student management. Separate financial statements are issued for this fund. The District also reports this fund in its financial statements, within its Agency Fund.

The accompanying financial statement of the Averill Park Central School District's extraclassroom activity fund has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of receivables outstanding from fund raising activities and obligations for expenses unpaid at the date of the financial statement are not included in the financial statement.

September 10, 2014

Kevin J. McCoy, CPA

Thomas W. Donovan, CPA

Frank S. Venezia, CPA

James E. Amell, CPA

Carol A. Hausamann, CPA

Daniel J. Litz, CPA

Karl F. Newton, CPA

Kevin P. O'Leary, CPA

Timothy A. Reynolds, CPA

Martin D. Hull, CPA

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**Board of Education
Averill Park Central School District**

Dear Board Members:

In planning and performing our audit of the financial statement of Averill Park Central School District's Extraclassroom Activity Fund (the District), as of and for the year ended June 30, 2014, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, during our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 10, 2014 on the financial statement of Averill Park Central School District's Extraclassroom Activity Fund. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control and other operational efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

1. ACCOUNTING CONTROLS OVER CASH RECEIPTS -

Finding

We noted there are limited accounting controls over the collection of receipts by clubs prior to initial entry of these receipts in the accounting records. This means there could be amounts collected that are not deposited into the ECAF bank account.

Recommendation

We recommend that the District utilize a ticketing system and log beginning and ending ticket numbers during sales.

2. SEGREGATION OF DUTIES

Finding

We noted that the Deputy Treasurer has check signing authority for ECAF disbursement checks. The Deputy Treasurer also performs the review of the bank statements.

Recommendation

We recommend the District has a system where the person reviewing the bank statements does not also have check signing authority or deposit money into the ECAF's bank account.

We would like to thank the management and staff of Averill Park Central School District for their cooperation during the course of the audit. There are many favorable areas within the District upon which we have not made comment. Please understand that the nature of this letter is to recommend improvements.

This communication is intended solely for the information and use of the management, audit committee and Board of Education of Averill Park Central School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Marvin and Company, P.C

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September 10, 2014

**To the President and Members
of the Board of Education of the
Averill Park Central School District**

Dear Members of the Board of Education:

We have audited the financial statements of the governmental activities and each major fund of the Averill Park Central School District (the District) as of and for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB-Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 27, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013/2014. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District are identified in Note 1.M, 1.O, and 1.T to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were identified during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested and received certain representations from management that are included in the management representation letter dated September 10, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Education, the Audit Committee and management of the Averill Park Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Marvin and Company, P.C.