

**NISKAYUNA CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2014**

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JUNE 30, 2014**

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To the President and Members
of the Board of Education of the
Niskayuna 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 Niskayuna 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 Niskayuna 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 - A9, budgetary comparison information on pages C1 and C2, and schedule of funding progress for 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 (GASB), 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 Niskayuna 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. The supplemental 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. 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 is 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 October 14, 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
October 14, 2014

NISKAYUNA CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2014

INTRODUCTION

The Niskayuna Central School District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- During the past year, the District's General Fund revenues exceeded expenditures by \$1.3 million. In addition, the District was able to transfer \$747,000 from the General Fund to the Debt Service Fund, resulting in a net increase in fund equity in the General Fund from \$8.6M to \$9.1M. School districts are allowed to carry up to 4% of the following year's budget in unassigned fund balance.
- The District outsourced its bus drivers to First Student in 2013-14. This process saved the district over \$200,000 from the prior year with savings in salaries and benefit costs. The district has retained First Student to provide bus driving services for 2014-15 with additional savings anticipated from this partnership.
- The District has a contract agreement in place with all of its bargaining units for 2014-15. The District was able to settle the contract that covers the employees in the Operations and Maintenance, Food Service and Transportation departments after two years of negotiations. The settlement resolved an outstanding claim filed with the Public Employees' Relation Board (PERB).
- The District self-insures a total of 785 employees and retirees for medical, prescription, dental and vision coverage. The claims experience within the plan continues to trend favorably resulting in plan increases of 2-4% compared to the industry average of 10-20%.
- In an effort to comply with the governor's property tax freeze credit initiative, the District has initiated a shared services agreement with regard to transportation with two neighboring school districts. These shared services are projected to save the group a collective \$221,000 during the 2014-15 school year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. District-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to these statements, this report also includes other supplemental information.

Our auditor has provided assurance in the independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified below. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

District-wide Financial 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.

Niskayuna Central School District
Net Position
June 30, 2014 and 2013

	Governmental Activities		Variance Increase/ (Decrease)
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Current Assets	\$18,271,200	\$14,194,579	\$4,076,621
Capital Assets	95,190,344	100,460,472	(5,270,128)
Total Assets	<u>113,461,544</u>	<u>114,655,051</u>	<u>(1,193,507)</u>
Deferred Outflows of Resources	61,820	82,427	(20,607)
Total Assets and Deferred Outflows of Resources	<u>\$113,523,364</u>	<u>\$114,737,478</u>	<u>(\$1,214,114)</u>
Current Liabilities	16,451,626	14,695,526	1,756,100
Noncurrent Liabilities	111,616,519	113,567,357	(1,950,838)
Total Liabilities	<u>128,068,145</u>	<u>128,262,883</u>	<u>(194,738)</u>
Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources	<u>128,068,145</u>	<u>128,262,883</u>	<u>(194,738)</u>
Net Position:			
Net Investment in Capital Assets	18,902,935	16,671,346	2,309,623
Restricted for Debt, Employee Benefits & Taxes	3,360,835	3,323,679	37,156
Unrestricted	<u>(36,808,551)</u>	<u>(33,520,430)</u>	<u>(3,366,155)</u>
Total Net Position	<u>(\$14,544,781)</u>	<u>(\$13,525,405)</u>	<u>(\$1,019,376)</u>

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in

net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

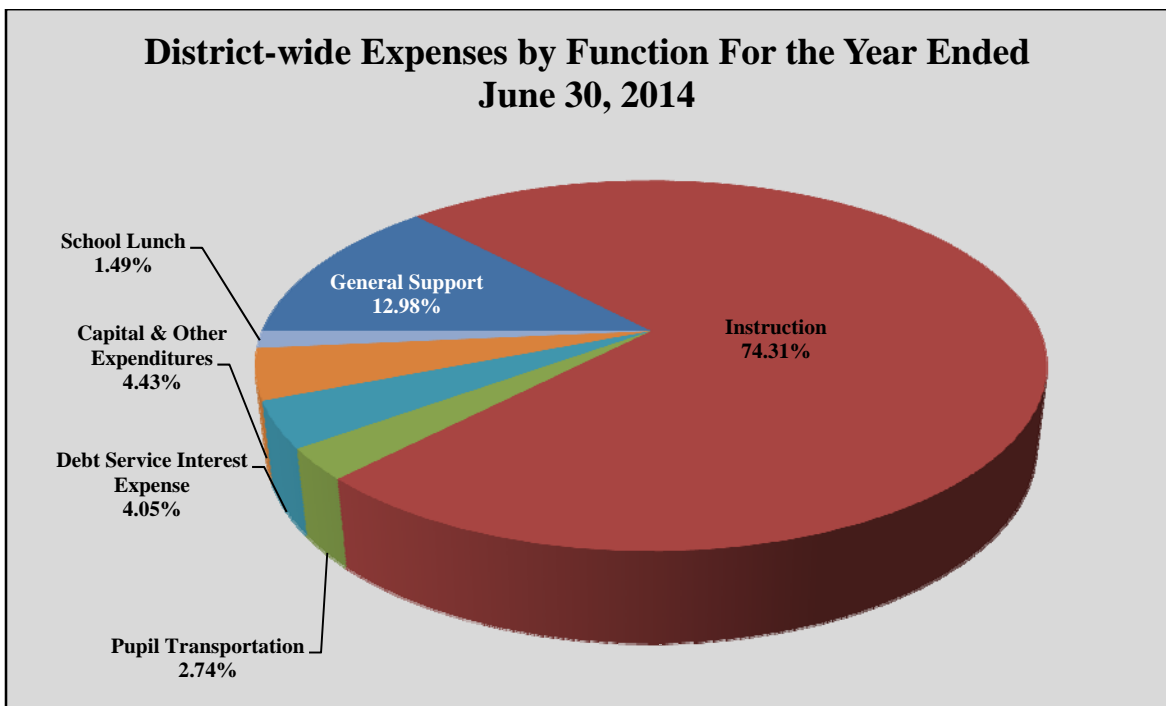
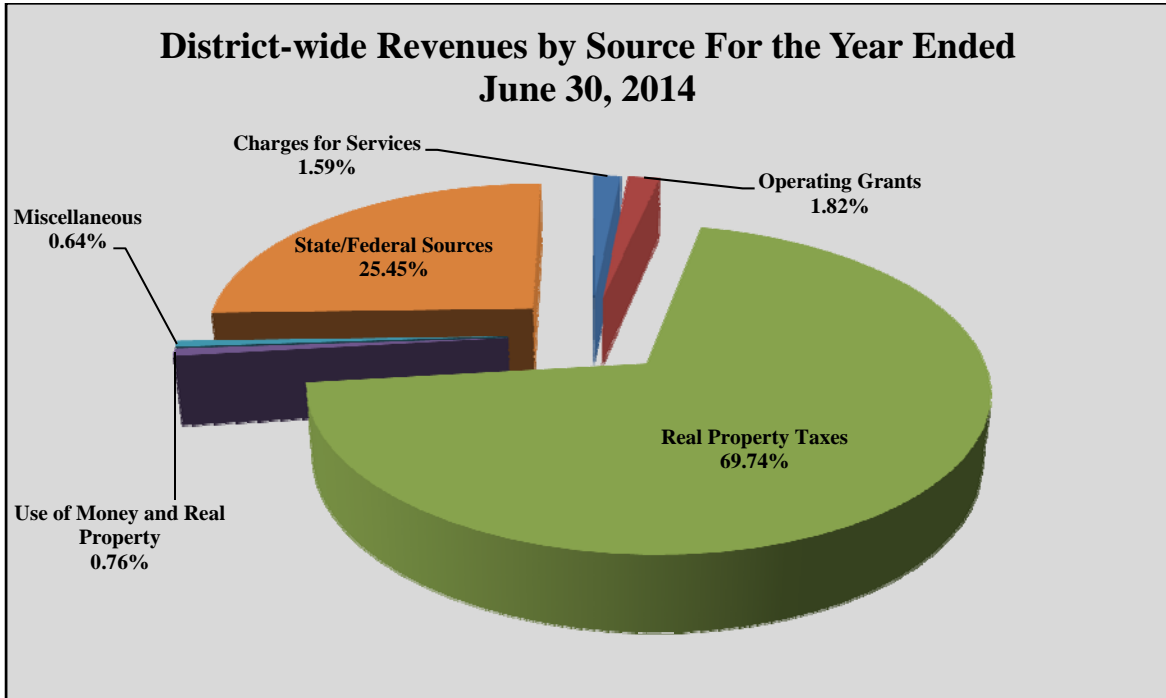
**Niskayuna Central School District
Changes in Net Position
For the Years Ended June 30, 2014 and 2013**

	Governmental Activities		Variance Increase/ (Decrease)
	<u>2014</u>	<u>2013</u>	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$1,220,166	\$1,195,588	\$24,578
Operating Grants	1,401,757	1,468,466	(66,709)
Total Program Revenues	<u>2,621,923</u>	<u>2,664,054</u>	<u>(42,131)</u>
General Revenues			
Real Property Taxes	53,662,984	52,237,883	1,425,101
Use of Money and Real Property	583,063	379,933	203,130
Sale of Property & Compensation for Loss	2,466	237	2,229
Miscellaneous	487,422	430,891	56,531
State Sources	19,142,907	18,651,464	491,443
Federal Sources	441,344	469,218	(27,874)
Total General Revenues	<u>74,320,186</u>	<u>72,169,626</u>	<u>2,150,560</u>
Total All Revenues	<u>\$76,942,109</u>	<u>\$74,833,680</u>	<u>\$2,108,429</u>
<u>Gross Expenses:</u>			
General Support	\$9,448,321	\$9,923,358	(\$475,037)
Instruction	60,211,704	58,630,080	1,581,624
Pupil Transportation	4,375,721	2,295,180	2,080,541
Community Service	5,000	0	5,000
Debt Service Interest Expense	2,893,653	2,916,398	(22,745)
Capital & Other Expenditures	0	3,192,249	(3,192,249)
School Lunch	1,027,086	1,069,313	(42,227)
Total Expenses	<u>\$77,961,485</u>	<u>\$78,026,578</u>	<u>(\$65,093)</u>
Change in Net Position	<u>(\$1,019,376)</u>	<u>(\$3,192,898)</u>	<u>\$2,173,522</u>

The statement of revenue, expense and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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. certain federal/state grants earned but not yet received, unused vacation/sick leave, and proceeds from Revenue Anticipation Notes and related interest).

All of the District’s services are reported in the district-wide financial statements as governmental activities, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, sales tax, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

The following charts provide the percentage breakdown of all revenues by source and all expenses by function for the entire District:



Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds.

A fund is a grouping of related accounts, and 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 legal requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using

certain revenues (such as federal grants). All of the funds of the District can be divided into two categories; governmental funds, and fiduciary funds.

- ***Governmental funds:*** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to 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 districtwide 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 scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Fund Equity Analysis

The schedule below indicates the fund equity and the total change in fund equity by fund type as of June 30, 2014 and 2013.

<u>Fund</u>	<u>Fund Equity</u>		<u>Variance Increase/ (Decrease)</u>
	<u>2014</u>	<u>2013</u>	
General	\$9,155,332	\$8,619,718	\$535,614
School Lunch	43,255	85,280	(42,025)
Special Aid	0	1,729	(1,729)
Capital	0	(1,271,188)	1,271,188
Debt Service	747,138	0	747,138
Totals	<u>\$9,945,725</u>	<u>\$7,435,539</u>	<u>\$2,510,186</u>

General Fund

The following tables are provided to illustrate the balance sheet changes within the general fund for the past three school years.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
BALANCE SHEETS - GENERAL FUND
FOR THE PERIOD JULY 1, 2011 TO JUNE 30, 2014**

	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>
Assets			
Unrestricted Cash and Investment	\$ 12,214,788	\$ 8,026,470	\$ 4,756,699
Restricted Cash and Investment	2,613,697	3,323,679	3,221,143
State and Federal Receivable, net	345,717	522,221	454,192
Due From Other Governments	470,371	505,162	515,426
Due From Other Funds	2,104,197	2,386,507	4,066,821
Accounts Receivable	405,159	307,715	402,022
Prepaid Expenditures	<u>208,242</u>	<u>204,154</u>	<u>272,167</u>
 Total Assets	 <u>\$ 18,362,171</u>	 <u>\$ 15,275,908</u>	 <u>\$ 13,688,470</u>
Liabilities			
Accounts and Retainages Payable	\$ 1,186,229	\$ 741,538	\$ 556,414
Accrued Liabilities	1,960,934	1,864,872	1,678,092
Due to Other Funds	1,030,409	32,905	79,505
Due to Teachers' Retirement System	4,767,360	3,582,183	3,600,780
Due to Employees' Retirement System	232,042	434,692	394,866
Refundable Advances	<u>29,865</u>	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>9,206,839</u>	 <u>6,656,190</u>	 <u>6,309,657</u>
Fund Equity			
Non-spendable	208,242	204,154	272,167
Restricted	2,613,697	3,323,679	3,221,143
Committed	-	-	-
Assigned	4,632,875	2,887,149	3,867,843
Unassigned	<u>1,700,518</u>	<u>2,204,736</u>	<u>17,660</u>
 Total Fund Equity	 <u>9,155,332</u>	 <u>8,619,718</u>	 <u>7,378,813</u>
 Total Liabilities and Fund Equity	 <u>\$ 18,362,171</u>	 <u>\$ 15,275,908</u>	 <u>\$ 13,688,470</u>

The following tables are provided to illustrate the major revenue and expenditure activities of the general fund.

<u>Revenues</u>	<u>2014</u>	<u>2013</u>	<u>Variance Increase/ (Decrease)</u>
Taxes	\$53,662,984	\$52,237,883	\$1,425,101
Charges for Services	272,294	291,223	(18,929)
Use of Money and Property	583,043	379,901	203,142
State/Federal Sources	18,205,312	19,120,682	(915,370)
Other	461,236	489,877	(28,641)
Totals	<u>\$73,184,869</u>	<u>\$72,519,566</u>	<u>\$665,303</u>

<u>Expenses</u>	<u>2014</u>	<u>2013</u>	<u>Variance Increase/ (Decrease)</u>
General Support	\$7,521,400	\$7,179,575	\$341,825
Instruction	\$35,357,194	\$35,566,083	(208,889)
Pupil Transportation	3,147,387	3,490,023	(342,636)
Community Service	5,000	0	5,000
Employee Benefits	15,366,224	14,751,262	614,962
Debt Service	10,483,738	10,200,693	283,045
Totals	<u>\$71,880,943</u>	<u>\$71,187,636</u>	<u>\$693,307</u>

The 2013-14 expenditures increased approximately 1% due to increases in employee benefits. Employer contributions for the New York State Employees' Retirement System and New York State Teachers' Retirement System along with health insurance costs accounted for the majority of the increase.

General Fund Budget Information

The District's budget is prepared in accordance with New York State Education law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances.

The most significant budgeted fund is the General Fund. The budget process begins in October of each school year. Meetings are held with building administrators and curriculum directors along with a series of board meetings and community forums that are open to the public from late February to early April. The process is culminated when the statewide school budget vote is held on the Third Tuesday in May of each year.

Capital Assets

The District's capital assets (net of accumulated depreciation) as of June 30, 2014 are as follows:

<u>Asset Description</u>	<u>Net Book Value</u>
Land	\$895,205
Buildings and Improvements	86,175,761
Machinery and Equipment	5,820,292
Vehicles	2,299,086
Total	<u><u>\$95,190,344</u></u>

Long Term Liabilities

The District had outstanding long term liabilities in the form of serial and statutory bonds, workers' compensation claims (the District self-insures), and compensated absences required due to contractual obligations. The outstanding debt as of June 30, 2014 is summarized as follows:

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bond Issues	\$76,209,375
Unamortized Bond Premiums	\$139,854
Judgments and Claims	2,114,329
Workers' Compensation	1,138,690
Compensated Absences	521,818
Other Post-Employment Benefits (OPEB)	39,314,674
Total	<u><u>\$119,438,740</u></u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 10% of the average full valuation of taxable real property. At June 30, 2014 the District's general obligation debt represented 28.4% of the 5 year average full valuation of taxable real property.

Items Impacting the District's Future

The greatest concerns facing the district over the next several years will be the tax cap, flat or declining state aid, and the loss of \$2.6M due to the State's "Gap Elimination Adjustment". The state's Gap Elimination Adjustment redistributed school funding away from schools and back to the state to balance the state budget. The ongoing concern related to the sustainability of all NYS public schools will continue as districts continue to seek alternative solutions to counter declining revenues and increasing expenditures for mandated items such as pension, contract and health insurance costs.

The District's primary revenue sources in the general fund are school taxes (73%) and State Aid (24%). The state's "Tax Cap" limits the amount of school tax revenue that can be generated. While the State's economic picture appears to be modestly improving, districts will be subjected to additional pressures to contain costs and find new revenue sources in order to comply with the state's new government efficiency plan requiring districts to save 1% of the 2015-2016 tax levy in order to allow residents to receive a tax credit.

The District will be refunding approximately \$42,315,000 in existing debt to take advantage of lower interest rates. This refunding will result in projected savings to the district of more than \$1.8M over the next ten years.

Contacting the District's Financial Management

It is the intent of this report to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Niskayuna Central School District
School Business Official
1239 Van Antwerp Road
Niskayuna, New York 12309

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

ASSETS

Current Assets:

Cash and Investments	\$	15,950,934
Accounts Receivable		405,460
State and Federal Aid Receivable		351,462
Due From Other Governments		1,345,161
Inventories		9,941
Prepaid Expenditures		208,242
Capital Assets, net		95,190,344
Total Assets		113,461,544

DEFERRED OUTFLOWS OF RESOURCES

Amounts Deferred on Defeasance of Debt	61,820
Total Assets and Deferred Outflows of Resources	113,523,364

LIABILITIES

Current Liabilities:

Accounts Payable	\$	1,220,541
Accrued Liabilities		1,960,934
Note Payable - Bond Anticipation Notes		-
Due to Fiduciary Funds		62,011
Due to Other Governments		53
Overpayments		-
Bond Interest Accrued		303,930
Due to Teachers' Retirement System		4,767,360
Due to Employees' Retirement System		232,042
Refundable Advances		82,534
Long-Term Liabilities - Due and Payable Within One Year		
Bonds		7,779,750
Unamortized Bond Premiums		42,471
Long-Term Liabilities		
Bonds		68,429,625
Unamortized Bond Premiums		97,383
Compensated Absences		521,818
Workers' Compensation		1,138,690
Judgments and Claims		2,114,329
Other Post Employment Benefits Payable		39,314,674
Total Liabilities		128,068,145

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources	-
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NET POSITION

Net Investment in Capital Assets	18,902,935
Restricted Net Position	3,360,835
Unrestricted Net Position (Deficit)	(36,808,551)
Total Net Position	(14,544,781)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 113,523,364

See accompanying notes to financial statements.

B1.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

		<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General Support	\$ 9,448,321	\$ 34,623	\$ -	\$ (9,413,698)
Instruction	60,211,704	237,671	1,371,375	(58,602,658)
Pupil transportation	4,375,721	-	-	(4,375,721)
Community Service	5,000	-	-	(5,000)
Employee benefits	-	-	-	-
Debt service - interest	2,893,653	-	-	(2,893,653)
School lunch program	<u>1,027,086</u>	<u>947,872</u>	<u>30,382</u>	<u>(48,832)</u>
Total Functions and Programs	<u>\$ 77,961,485</u>	<u>\$ 1,220,166</u>	<u>\$ 1,401,757</u>	<u>(75,339,562)</u>
GENERAL REVENUES				
Real property taxes				48,597,017
Other tax items				5,065,967
Use of money and property				583,063
Sale of property and compensation for loss				2,466
State sources				19,142,907
Federal sources				441,344
Miscellaneous				<u>487,422</u>
Total General Revenues				<u>74,320,186</u>
Change in Net Position				(1,019,376)
Total Net Position - Beginning of Year				<u>(13,525,405)</u>
Total Net Position - End of Year				<u>\$ (14,544,781)</u>

See accompanying notes to financial statements.

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

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets						
Unrestricted Cash	\$ 12,214,788	\$ -	\$ -	\$ -	\$ -	12,214,788
Restricted Cash	2,613,697	89,514	285,797	-	747,138	3,736,146
Temporary Investments	-	-	-	-	-	-
Investments in Securities	-	-	-	-	-	-
Investments in Securities-Restricted	-	-	-	-	-	-
State and Federal Receivable, net	345,717	-	5,745	-	-	351,462
Due From Other Governments	470,371	874,790	-	-	-	1,345,161
Due From Other Funds	2,104,197	907,814	-	-	-	3,012,011
Accounts Receivable	405,159	-	301	-	-	405,460
Inventories	-	-	9,941	-	-	9,941
Prepaid Expenditures	208,242	-	-	-	-	208,242
Total Assets	\$ 18,362,171	\$ 1,872,118	\$ 301,784	\$ -	\$ 747,138	21,283,211
Liabilities						
Accounts and Retainages Payable	\$ 1,186,229	\$ 16,435	\$ 17,877	\$ -	\$ -	1,220,541
Accrued Liabilities	1,960,934	-	-	-	-	1,960,934
Note Payable - Bond Anticipation Notes	-	-	-	-	-	-
Due to Other Funds	1,030,409	1,841,131	202,482	-	-	3,074,022
Due to Other Governments	-	-	53	-	-	53
Due to Teachers' Retirement System	4,767,360	-	-	-	-	4,767,360
Due to Employees' Retirement System	232,042	-	-	-	-	232,042
Overpayments	-	-	-	-	-	-
Refundable Advances	29,865	14,552	38,117	-	-	82,534
Total Liabilities	9,206,839	1,872,118	258,529	-	-	11,337,486
Fund Equity (Deficiency)						
Non-spendable	208,242	-	9,941	-	-	218,183
Restricted	2,613,697	-	-	-	747,138	3,360,835
Committed	-	-	-	-	-	-
Assigned	4,632,875	-	33,314	-	-	4,666,189
Unassigned	1,700,518	-	-	-	-	1,700,518
Total Fund Equity (Deficiency)	9,155,332	-	43,255	-	747,138	9,945,725
Total Liabilities and Fund Equity (Deficiency)	\$ 18,362,171	\$ 1,872,118	\$ 301,784	\$ -	\$ 747,138	

Amounts reported for governmental activities in the statement of net assets are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	95,190,344
Government funds report the effect of Issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	61,820
Accrued interest expense is reported under the accrual basis.	(303,930)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(119,438,740)
Net Position of Governmental Activities	\$ (14,544,781)

See accompanying notes to financial statements.

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

Revenues	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Real Property Taxes and Tax Items	\$ 53,662,984	\$ -	\$ -	\$ -	\$ -	53,662,984
Nonproperty Taxes	-	-	-	-	-	-
Charges for Services	272,294	-	-	-	-	272,294
Use of Money and Property Forfeitures	583,043	-	20	-	-	583,063
Sale of Property and Compensation for Loss	-	-	-	-	-	-
Miscellaneous	2,466	-	-	-	-	2,466
Interfund Revenues	458,770	-	6,787	-	-	465,557
State Sources	-	-	-	-	-	-
Federal Sources	17,763,968	517,219	1,628	1,378,939	-	19,661,754
Sales	441,344	854,156	28,754	-	-	1,324,254
	-	-	947,872	-	-	947,872
Total Revenues	<u>73,184,869</u>	<u>1,371,375</u>	<u>985,061</u>	<u>1,378,939</u>	<u>-</u>	<u>76,920,244</u>
Expenditures						
General Support	7,521,400	8,308	443,759	-	-	7,973,467
Instruction	35,357,194	1,386,944	-	-	-	36,744,138
Pupil Transportation	3,147,387	61,680	-	-	-	3,209,067
Community Services	5,000	-	-	-	-	5,000
Employee Benefits	15,366,224	45,097	130,952	-	-	15,542,273
Debt Service	10,483,738	-	-	-	-	10,483,738
Cost of Sales	-	-	452,375	-	-	452,375
Other	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>71,880,943</u>	<u>1,502,029</u>	<u>1,027,086</u>	<u>-</u>	<u>-</u>	<u>74,410,058</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,303,926</u>	<u>(130,654)</u>	<u>(42,025)</u>	<u>1,378,939</u>	<u>-</u>	<u>2,510,186</u>
Other Financing Sources And (Uses)						
Interfund Transfers, net	(768,312)	128,925	-	(107,751)	747,138	-
Proceeds of Long Term Debt	-	-	-	-	-	-
Proceeds from Advanced Refunding	-	-	-	-	-	-
Payment to Escrow Agent	-	-	-	-	-	-
BANs Redeemed From Appropriations	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(768,312)</u>	<u>128,925</u>	<u>-</u>	<u>(107,751)</u>	<u>747,138</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>535,614</u>	<u>(1,729)</u>	<u>(42,025)</u>	<u>1,271,188</u>	<u>747,138</u>	<u>2,510,186</u>
Fund Equity, Beginning of Year	<u>8,619,718</u>	<u>1,729</u>	<u>85,280</u>	<u>(1,271,188)</u>	<u>-</u>	<u>7,435,539</u>
Fund Equity, End of Year	<u>\$ 9,155,332</u>	<u>\$ -</u>	<u>\$ 43,255</u>	<u>\$ -</u>	<u>\$ 747,138</u>	<u>9,945,725</u>

See accompanying notes to financial statements.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF REVENUE, EXPENSE AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Net changes in fund balance - total governmental funds	\$	2,510,186
<p>Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their useful lives as depreciation expense in the statement of activities.</p>		
	Depreciation expense \$	(5,409,585)
	Capital outlays	<u>139,456</u>
		(5,270,129)
<p>The net book value, cost less accumulated depreciation, of capital assets disposed of are removed from the statement of net assets. Any gain or loss resulting is recorded in the statement of activities.</p>		
		-
<p>Interest is recognized as an expense in the governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The decrease in accrued interest during 2013/14 results in less expense.</p>		
		10,335
<p>Proceeds of installment purchase debt is revenue in governmental funds, but proceeds increase long-term liabilities in the statement of net assets.</p>		
		-
<p>Proceeds of serial bond principal is revenue in governmental funds, but proceeds increase long-term liabilities in the statement of net assets.</p>		
		-
<p>Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		7,579,750
<p>Repayments of installment purchase debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		-
<p>Amortization of bond premium, bond insurance cost and loss on refunding bonds</p>		
		21,865
<p>Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(5,871,383)</u>
Change in net position - governmental activities	\$	<u><u>(1,019,376)</u></u>

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

	Agency	Private Purpose Trusts
ASSETS		
Cash - unrestricted	\$ 202,666	\$ -
Cash Savings and CD - restricted	81,481	117,165
Due from other funds	68,637	-
Investments - restricted	-	3,908
Total Assets	\$ 352,784	\$ 121,073
LIABILITIES		
Extracurricular activity balances	81,481	-
Due to other funds	-	6,626
Other liabilities	271,303	-
Total Liabilities	\$ 352,784	6,626
NET ASSETS		
Reserved for scholarships		\$ 114,447

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

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ -
Investment earnings	475
Total Additions	475
DEDUCTIONS	
Scholarships and awards	6,626
Contractual and other	-
Change in Net Assets	(6,151)
Net Assets - Beginning of year	120,598
Net Assets - End of year	\$ 114,447

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Niskayuna Central School District ("the District" or "the School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A. Reporting Entity

The Niskayuna Central School 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 description of certain entities included in the District's reporting entity within its Fiduciary funds:

The Extraclassroom Activity Fund

The extraclassroom activity fund of the District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity fund can be found at the School District's business office, located at 1239 Van Antwerp Road, Niskayuna, New York 12309. The District accounts for assets held as an agent for various student organizations in an agency fund.

B. Joint Venture

The Niskayuna Central School District is one of twenty-four component school districts in the Capital District 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.

**NISKAYUNA 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 New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1050 of the New York State Education Law. 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, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in the New York State Education Law, 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 Niskayuna Central School District was billed \$3,956,874 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,045,268. Final statements for the BOCES 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 non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between program expenses and 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. Indirect expenses, principally employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

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.

The District reports the following major governmental funds:

1. General Fund

The general fund is the principal operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

a. Special Aid Fund

Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State grants.

b. School Lunch Fund

The School Lunch Fund is used to account for transactions of breakfast and lunch programs.

3. 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.

4. Debt Service Fund

The debt service fund is used to account for and report the accumulation of resources to be used for the redemption of principal and interest of long term debt.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

Other Fund Type:

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:

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 how these funds will be awarded.

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D. Basis of Accounting/Measurement Focus

General Information

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 when levied. The District selected the one year time frame to match the time frame the related liabilities will be liquidated.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Refundable Advances

Refundable advances 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.

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 13, 2013. Taxes were collected during the period September 1 through October 31, 2013.

II. Enforcement

Uncollected real property taxes are enforced by the Counties of Schenectady, Albany and Saratoga, in which the School District is located. An amount representing uncollected real property taxes transmitted to the Counties for enforcement is paid by the counties to the School District no later than the forthcoming April 1.

G. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

1. The budget policies are as follows:

- a. The School 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 was approved by the voters within the District.
- c. Appropriations are adopted at the program line item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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. No supplemental appropriations occurred during the year.

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 reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Budgetary Procedures and Budgetary Accounting

III. Budget Basis of Accounting

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

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District is not legally required to adopt a budget for its special revenue funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

H. Cash and Investments

The District investment policies are governed by New York State statutes. District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. 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.

I. Accounts Receivable

Accounts receivable are shown net, with uncollectible amounts recognized under the allowance method. An allowance for uncollectible accounts of \$300,000 has been provided in the special aid fund.

J. Inventories and Prepaid Items

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. 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 4.A.II for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

L. Short Term Debt

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 BAN's issued for capital purposes are converted to long-term financing within five years after the original issue date.

M. Equity Classifications

District-wide statements:

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

Invested in capital assets, net of related-debt - consists of net capital assets reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Fund statements:

In the fund 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: Prepaid expenses in the General Fund of \$208,242 and Inventory recorded in the School Lunch Fund of \$9,941 for a total of \$218,183.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. 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, Employee Benefit Accrued Liability, Insurance, Retirement Contributions, Tax Certiorari, Unemployment Insurance, Workers' Compensation and Encumbrances.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, this reserve is used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Insurance

According to General Municipal Law §6-n, this reserve must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Retirement Contributions

According to General Municipal Law §6-r, this reserve must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Tax Certiorari

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

Unemployment Insurance

According to General Municipal Law §6-m, this reserve 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 School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

Workers' Compensation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

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.

Restricted fund balance includes the following:

General Fund:		
Employee Benefit Accrued Liability	\$	521,818
Insurance		250,000
Retirement Contributions		300,000
Tax Certiorari		1,100,849
Unemployment Insurance		157,725
Workers' Compensation		283,305
Debt Service Fund		747,138
Total Restricted Funds	\$	<u>3,360,835</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 restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance. Encumbrances reported in General Fund amounted to \$407,607

Assigned fund balance is comprised of:

General Fund:		
Board of Education	\$	112
Central Services		162,513
Health Services		804
In-service Training		31,489
Instructional Media		145,089
Programs for Students with Disabilities		2,725
Pupil Transportation		761
Supervision Regular School		209
Teaching Regular School		63,545
Teaching Special School		360
Appropriated Fund Balance		4,225,268
School Lunch Fund		33,314
Special Aid Fund		-
Total Assigned Funds	\$	<u>4,666,189</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

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. In the other governmental funds, however, if a government spends more on a specific purpose than the resources available for that purpose in the fund, then it may need to report a negative amount as unassigned fund balance. If a government cannot cover the deficit with amounts assigned to other purposes in that fund, then the remaining deficit should be reported on the unassigned fund balance line.

Unassigned fund balance is comprised of:

General Fund	\$1,700,518
Capital Fund	0
Total Unassigned Funds	\$1,700,518

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. Non-spendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Use of Fund Balance:

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance.

In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned.

N. Postemployment Benefits

The District provides retirement benefits for substantially all its regular full-time teachers and its part-time teachers who elect to participate, through contributions to the New York State Teachers Retirement System, which provides various plans and options, some of which require employee contributions.

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. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Currently retirees meet those eligibility requirements. The District recognizes the cost of providing benefits for fiscal year 2014 by recording approximately \$6,171,368, its share of insurance premiums/ assessments as expenditures in fiscal year 2014. The cost of providing this benefit for 372 retirees was approximately \$2,072,803.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Payables, Accrued Liabilities and Long-Term Obligations

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

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

P. Capital Assets

Capital assets are reported at actual cost or estimated historical costs based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life In Years
Buildings	\$ 1,000	SL	15-50
Land improvements	1,000	SL	20
Machinery and equipment	1,000	SL	5-25

Q. 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, potential contingent liabilities, other post-employment benefits and useful lives of long-term assets.

R. Restricted Resources

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. Vested Employee 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, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements at year-end. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

T. Accounting Changes

During the fiscal year ended June 30, 2014 the District adopted Governmental Accounting Standards Board Statement 66, *GASB Technical Corrections – 2012 – an Amendment of Statements 10 and 62*, effective for the year ending June 30, 2014. There was no effect on the financial statements resulting from implementation of this standard.

U. Implementation of Accounting Standards Not Yet in Effect

The District is still evaluating the effect these accounting standards will have on the District's future financial statements and will implement them as applicable and when material.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. Implementation of Accounting Standards Not Yet in Effect

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.

2. 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.

Total Fund Equity of Governmental Funds vs. Net Position of Governmental Activities

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

Statement of Revenues, Expenditures, and Changes in Fund Equity vs. Statement of Activities

Differences between the governmental funds statement of revenues, expenditures, and changes in fund equity and the statement of activities fall into one of three board categories. The amounts shown below represent:

Long-Term Revenue Differences

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

Capital Related Differences

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

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

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Long-Term Debt Transaction Differences

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

3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. Deficit Fund Balances

There were no deficit fund balances to be reported for the year ended June 30, 2014.

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

1. Cash

The District's aggregate bank balances at June 30, 2014 were \$17,115,525. All deposits were fully insured and collateralized.

2. 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 institutions 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.

<u>Fund</u>	<u>Fair Value</u>	<u>Type of Investment</u>	<u>Category</u>
Private Purpose Trust Fund	\$ 3,908	Marketable Securities	(2)
Trust and Agency	34,712	Municipal Savings	(1)
Trust and Agency	34,476	Certificate of Deposit	(1)

Unrealized gains on investments for the year ended June 30, 2014 were \$464.

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

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

3. Restricted Cash and Investments

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at year-end consists of the following:

<u>Fund</u>	<u>Amount</u>	<u>Restriction</u>
General Fund	\$ 283,305	Workers' Compensation Reserve
	157,725	Unemployment Insurance Reserve
	521,818	Reserve for Employee Benefit Accrued Liability
	300,000	ERS Reserve
	250,000	Insurance Reserve
	1,100,849	Tax Certiorari Reserve
Total General Fund	<u>\$ 2,613,697</u>	
Trust and Agency	\$ 12,293	Extraclassroom Activity Funds
Private Purpose Trust Fund	117,165	Scholarships and Memorials
Total Fiduciary	<u>\$ 129,458</u>	

Restricted investments consist of the following:

<u>Fund</u>	<u>Amount</u>	<u>Restriction</u>
Private Purpose Trust Fund	<u>\$ 3,908</u>	Scholarships

II. Interfund Transactions

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 transactions and 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	\$ 2,104,197	\$ 1,030,409	\$ -	\$ 768,312
Special Aid Fund	907,814	1,841,131	128,925	-
School Lunch Fund	-	202,482	-	-
Debt Service Fund	-	-	747,138	-
Capital Projects Fund	-	-	-	107,751
Total Governmental Activities	<u>3,012,011</u>	<u>3,074,022</u>	<u>876,063</u>	<u>876,063</u>
Fiduciary Fund	<u>68,637</u>	<u>6,626</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 3,080,648</u>	<u>\$ 3,080,648</u>	<u>\$ 876,063</u>	<u>\$ 876,063</u>

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

4. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Interfund Transactions

The General Fund transferred \$128,925 to the Special Aid Fund to finance the District's local share of expenditures relating to the Summer Handicapped Program. The General Fund transferred \$639,387 to the Debt Service Fund from the Reserve for Debt Service to establish a stand-alone Debt Service Fund. The Capital Fund transferred \$107,751 to the Debt Service Fund from residual equity to establish a stand-alone Debt Service Fund.

III. Capital Assets

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

	<u>Balance July 1</u>	<u>Additions</u>	<u>Reclassification</u>	<u>Deletions</u>	<u>Balance June 30</u>
Governmental Activities					
Capital assets that are not depreciated:					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Land	895,205	-	-	-	895,205
Total Non-depreciable Capital Assets	<u>895,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>895,205</u>
Capital assets that are depreciated:					
Buildings and improvements	120,608,843	5,924	-	-	120,614,767
Vehicles	7,348,046	-	-	51,500	7,296,546
Machinery and equipment	10,017,969	133,533	-	-	10,151,502
Total Depreciable Capital Assets	<u>137,974,858</u>	<u>139,456</u>	<u>-</u>	<u>51,500</u>	<u>138,062,815</u>
Less accumulated depreciation:					
Buildings and improvements	30,376,002	4,063,004	-	-	34,439,006
Vehicles	4,350,779	698,180	-	51,500	4,997,460
Machinery and equipment	3,682,810	648,401	-	-	4,331,210
Total Accumulated Depreciation	<u>38,409,591</u>	<u>5,409,585</u>	<u>-</u>	<u>51,500</u>	<u>43,767,676</u>
Total Capital Assets, Net	<u>\$100,460,472</u>	<u>(\$5,270,129)</u>	<u>-</u>	<u>-</u>	<u>\$95,190,344</u>

Depreciation Expense was charged to governmental functions as follows:

General Support	\$ 106,978
Instruction	4,587,118
Pupil Transportation	715,489
Community Services	-
	<u>\$ 5,409,585</u>

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

4. DETAIL NOTES ON ALL FUNDS

B. Deferred Outflows of Resources

Deferred outflows of resources consist of bond discounts, bond insurance premiums and amounts deferred from the defeasance of prior debt issues. Original issue discounts and deferred losses on refundings of long-term indebtedness are amortized over the life of the respective bond using the straight-line method. Amounts deferred on defeasance of bonds being amortized consist of the following bond series.

	June 30, 2014
Amounts Deferred on Defeasance of Bonds	
8/7/2012 Bond	\$ 61,820
Total	\$ 61,820

C. 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, ERS and TRS are referred to herein as the "Systems". These Systems are cost sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to vesting of retirement benefits, years of service and final average salary.

Plan Descriptions

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS 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 TRS issues a publicly available financial report that contains financial statements and required supplementary information for the TRS. 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

The ERS provides retirement benefits to plan members and beneficiaries. 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 ERS 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, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

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

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

I. Pension Plans

Funding Policies

Employees' Retirement System

The Systems are noncontributory except for employees who joined the Systems between July 27, 1976 and January 1, 2010, contribute 3% of their salary for a period of ten years. Employees who joined after January 1, 2010, and are members in ERS contribute 3% of their salary throughout their active membership and those in TRS contribute 3.5% throughout their active membership. Employees who joined after April 1, 2012, and are members in ERS contribute between 3 and 6% of their salary throughout their active membership and those in TRS contribute between 3 and 6% throughout their active membership. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of members' payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

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

	<u>ERS</u>	<u>TRS</u>
2013-14	\$ 1,034,500	\$ 4,597,652
2012-13	1,738,768	3,582,183
2011-12	1,579,463	3,600,780

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

II. Indebtedness

1. Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. No bond anticipation notes were issued or redeemed during the year ended June 30, 2014.

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

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

II. Indebtedness

2. Long-Term Debt

a. 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.

Interest on long-term debt for the year was composed of:

Interest paid	\$ 2,903,988
Less interest accrued in the prior year	(314,265)
Plus current year accrued interest	303,930
Total Expense	\$ 2,893,653

b. Prior Year Defeasance

In a prior fiscal year, the District defeased serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all 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. At June 30, 2014, \$3.4 million of bonds outstanding are considered defeased.

c. Other Long-Term Liabilities

In addition to the above long-term debt, the District had the following noncurrent liabilities:

Compensated Absences - Represent the value of the earned and unused portion of the liability for employees' vacation and sick pay which has not been accrued in the General Fund.

Workers' Compensation - Represents the estimate of the District's share of unpaid workers' compensation claims and administrative costs due.

Judgments and Claims – There are currently pending certiorari proceedings, the results of which could require the future tax refunds by the District if existing assessment rolls are modified based on the outcome of the litigation proceedings. The District plans on funding any settlements from the Tax Certiorari Reserve, future appropriations and/or issuing debt.

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

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

II. Indebtedness

2. Long-Term Debt

c. Other Long-Term Liabilities

Other Postemployment Benefits – Represents the net liability for other postemployment benefits calculated in accordance with GASB 45 (See Note 7).

3. Changes

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

<u>Fund/Type</u>	<u>Balance July 1, 2013</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>Balance June 30, 2014</u>
<u>General Long-Term Debt</u>				
Bonds Payable	\$ 83,789,125	\$ -	\$ 7,579,750	\$ 76,209,375
Less: Deferred Amounts on Refunding	(82,427)	-	(20,607)	(61,820)
	<u>\$ 83,706,698</u>	<u>\$ -</u>	<u>\$ 7,559,143</u>	<u>\$ 76,147,555</u>
Unamortized Bond Premium	182,325	-	42,471	139,854
Judgments and Claims	2,393,635	785,289	1,064,595	2,114,329
Workers' Compensation	574,722	563,968	-	1,138,690
Compensated Absences	593,570	-	71,752	521,818
Other Postemployment Benefits	33,656,201	7,731,276	2,072,803	39,314,674
Total General Long-Term Debt	<u>\$121,107,151</u>	<u>\$ 9,080,533</u>	<u>\$ 10,810,764</u>	<u>\$119,376,920</u>

Additions and deletions to compensated absences and workers' compensation are shown net since it is impractical to determine these amounts separately.

4. 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>				
Renovations	2008	2023	3.125 - 4.000%	\$ 32,840,000
Renovations	2009	2024	2.50 - 4.00%	29,605,000
Renovations	2010	2024	2.50 - 4.00%	5,955,000
Finance School Buses	2011	2015	2.59%	475,000
Finance School Buses	2012	2015	1.10%	374,750
Finance School Buses	2012	2016	1.285%	449,625
Renovations – Advanced Refunding	2012	2017	2.00 – 3.00%	3,485,000
Acquisition of Bus Garage	2013	2028	1.10%	3,025,000
				<u>\$76,209,375</u>

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

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

II. Indebtedness

The following is a summary of maturing debt service requirements for bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	7,779,750	2,693,727	10,473,477
2016	8,059,750	2,468,620	10,528,370
2017	7,884,875	2,229,901	10,114,776
2018	7,560,000	1,987,700	9,547,700
2019	7,345,000	1,745,150	9,090,150
2020-2024	36,590,000	4,286,275	40,876,275
2025-2028	990,000	88,519	1,078,519
	<hr/>	<hr/>	<hr/>
Total	76,209,375	15,499,892	91,709,267

5. 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 do not exceed 10% of the average full valuation of taxable real estate within such District. At June 30, 2014 the District has exhausted 28.44% of its constitutional debt limit.

III. Self-Insurance

Workers' Compensation Insurance

The District is self-insured for workers' compensation benefits on a cost-reimbursement basis. Under the program, the District is responsible for claim payments.

All known claims filed and an estimate of all incurred but unreported claims existing at June 30, 2014 have been recorded as other liabilities.

Health & Dental Insurance

The District is self-insured for health insurance benefits, on a cost-reimbursement basis. Under the program, the District is responsible for claim payments. Empire HealthChoice Assurance, Inc. is the third party claims administrator for the District's health plan. The cost of medical care is paid out of employee and employer contributions and is held in a separate bank account. The District pays the medical claims and related administrative fees on monthly basis by funding the separate bank account. The total cash in the account amounted to \$639,387 at June 30, 2014. The District estimates the liability for unpaid health insurance claims to be \$1,141,769 for the year ended June 30, 2014.

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

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

III. Self-Insurance

Health & Dental Insurance

The District self-funds the health insurance plan, but has purchased both aggregate and specific stop loss coverage from HM Life Insurance Company of New York. The aggregate insurance provides full coverage for aggregate claims in excess of 125% of expected claims. The specific stop loss insurance assumes the risk for claims on any individual in excess of \$225,000 paid during a calendar year.

The District is self-insured for dental insurance benefits on a cost-reimbursement basis. Under the program, the District is responsible for claim payments. Delta Dental of New York is the third party claims administrator for the District's dental plan. The cost of dental care is paid out of employee and employer contributions. The District pays the dental claims and related administrative fees on monthly basis by wiring funds to Delta Dental. The District estimates the liability for unpaid dental insurance claims to be \$71,121 for the year ended June 30, 2014. The District has not purchased stop loss insurance on the self-funded dental plan. The District's maximum liability is limited to the annual dental allowance per covered individual, which is \$1,500 per covered individual for the year ended June 30, 2014.

All known claims filed and an estimate of all incurred but unreported claims existing at June 30, 2014 pertaining to both health and dental insurance have been recorded as other liabilities.

The District establishes health and dental claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

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

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

III. Self-Insurance

Health & Dental Insurance

As discussed above, the District establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the District during the past two years:

	<u>2014</u>	<u>2013</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 1,344,223	\$ 1,043,516
Incurred claims and claim adjustment expenses:		
Provision for incurred claims expenditures for events of the current year	6,040,359	6,649,359
Increase (decrease) in provision for incurred events of prior years	-	-
Total incurred claims and claim adjustment expenses	<u>7,384,582</u>	<u>7,692,875</u>
Payments made for claims during the current year	<u>6,171,692</u>	<u>6,348,652</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 1,212,890</u>	<u>\$ 1,344,223</u>

Workers' Compensation Insurance

The District establishes workers compensation claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

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

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

III. Self-Insurance

Workers' Compensation Insurance

As discussed above, the District establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the District during the past two years:

	<u>2014</u>	<u>2013</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 574,722	\$ 319,213
Incurred claims and claim adjustment expenses:		
Provision for incurred claims expenditures for events of the current year	775,397	446,597
Increase (decrease) in provision for incurred events of prior years	-	-
	<u>1,350,119</u>	<u>765,810</u>
Total incurred claims and claim adjustment expenses		
Payments made for claims during the current year	<u>211,429</u>	<u>191,088</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 1,138,690</u>	<u>\$ 574,722</u>

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

4. DETAIL NOTES ON ALL FUNDS

D. Deferred Inflows of Resources

Deferred inflows of resources on the balance sheet-governmental funds arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period.

5. COMMITMENTS AND CONTINGENCIES

A. Litigation

The District has been named as defendant in various actions. A review of these actions by District Management indicates that they are either fully covered by insurance or not substantial enough to materially affect the financial position of the District.

B. Federal and State Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies or expenditures disallowed under the terms of the grant.

C. Risk Financing and Related Insurance

The Niskayuna 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 three years.

D. NYS Building Aid

The Niskayuna Central School District was notified in February 2014 of a potential overpayment of Building Aid by NYSED of \$1,933,614. The overpayment included projects from the 1999 Bond Referendum, 2006 Bond Referendum and the 2007 EXCEL Bond Referendum. The potential overpayment resulted from the state reimbursing the district at a bond ratio greater than the actual bond ratio based on the Final Cost Report submissions. Additionally, the final cost reports that were submitted were based on contractor cost allocations which did not align with the cost allowances established for each project. The District reviewed, revised and re-submitted Final Cost Reports in order to reallocate some of the reported costs to the appropriate cost categories in June 2014. At the time of this report, the District was awaiting a final response from NYSED as to the recalculated amount of overpayment that would need to be refunded, if any. The amount of any overpayment ultimately due the State could range from \$300,000 to \$1.9 million.

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

6. OTHER POST EMPLOYMENT BENEFITS PAYABLE

Plan Description

The District administers the post employment benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits. The Plan provides for continuation of medical and/or dental/vision benefits for certain retirees and their survivors and can be amended by action of the District subject to applicable collective bargaining and employment agreements. 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 eligible for the retiree health benefits upon meeting the following requirements: 1) retire from the District, 2) enrolled in District provided health care at time of retirement and 3) working .5 FTE for members of the Niskayuna Teachers' Association or 30 hours a week for other staff members having at least 5 years of service under the New York State Teachers' or Employees' Retirement Systems and at least 5 years of service with the District. The District currently funds the plan to satisfy current obligations on a pay-as-you-go basis. The cost of providing this benefit for 372 retirees was approximately \$2,072,803 for the year ended June 30, 2014.

The contribution requirements of Plan members and the District are established by the Board of Education. Until changes are made in the NYS law to permit funding, there is no legal authority to fund OPEB, other than "pay as you go".

Actuarial Methods and Assumptions

The District obtained an actuarial valuation dated July 1, 2013 which indicated that the total liability for other post employment benefits totaled \$89,630,033. 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.

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

6. OTHER POST EMPLOYMENT BENEFITS PAYABLE

Actuarial Methods and Assumptions

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.

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 30-year period.

The following assumptions were used in the calculation: a) a 4.00% discount rate baseline compounded annually, b) dental annual trend of 5%, c) initial medical cost trend of 9% that is downgraded over a 30 year period to an ultimate rate of 5%, d) mortality tables from RP 2000 Combined, sex distinct, with full generational projection using Scale AA, e) assumed that no employee will retire before the age of 70 without attaining at least 5 years of service, f) active employee and spousal coverage – it is assumed the female spouse is 3 years younger and 80% will be covered, dependent coverage is considered immaterial, g) coverage elections – it is assumed 85% of covered employees will elect coverage upon retirement, 60% of eligible married employees will elect spousal coverage and 100% of surviving spouses will continue coverage for 10 years after the retiree's death, h) a payroll growth assumption of 4% and i) termination, retirement and disability assumptions based on a blend of assumptions for all employees under ERS and female employees under TRS.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment 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.

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

6. OTHER POST EMPLOYMENT BENEFITS PAYABLE

Annual OPRB Cost and Net OPEB Obligation

The following table summarizes the Annual OPEB Cost:

	<u>2014</u>	<u>2013</u>
Normal Cost	\$ 3,272,555	\$ 3,101,948
Amortization of Unfunded Actuarial Liability	4,983,955	4,715,465
ARC	<u>8,256,510</u>	<u>7,817,413</u>
Interest on Prior Net OPEB Obligation	1,346,248	1,121,305
Adjustment to ARC	<u>(1,871,482)</u>	<u>(1,558,779)</u>
OPEB Expense	<u>\$ 7,731,276</u>	<u>\$ 7,379,939</u>
Net OPEB Obligation at the beginning of the year	\$ 33,656,201	\$ 28,032,632
OPEB Expense	7,731,276	7,379,939
Net OPEB Contributions made during the fiscal year	<u>(2,072,803)</u>	<u>(1,756,370)</u>
Net OPEB Obligation at the end of the year	<u>\$ 39,314,674</u>	<u>\$ 33,656,201</u>
Percentage of Expense Contributed	26.8%	23.8%
<i>Funded Status</i>		
Accrued Liability at end of year	\$ 89,630,033	\$ 84,801,570
Plan Assets at end of year	-	-
Unfunded Accrued Liability	\$ 89,630,033	\$ 84,801,570
Percentage of Funded Accrued Liability	0%	0%

The Net OPEB Obligation at the end of the year is reflected as an operating expense in the accompanying financial statements. Prior years' comparative data is available and prior year trend information is presented below:

<u>Net OPEB Obligation:</u>	<u>Balance June 30,</u>
2014	\$39,314,674
2013	\$33,656,201
2012	\$28,032,632

7. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 14, 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 statements herein.

NISKAYUNA CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES AND OTHER USES COMPARED TO BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Final Budget</u>
Revenues				
Local Sources				
Real Property Taxes	\$ 52,979,818	\$ 52,979,818	\$ 52,962,954	\$ (16,864)
Appropriation of Planned Balance	-	-	-	-
Real Property Tax Items	1,182,895	1,182,895	700,030	(482,865)
Nonproperty Taxes	-	-	-	-
Charges for Services	139,000	139,000	272,294	133,294
Use of Money and Property	409,500	409,500	583,043	173,543
Forfeitures	-	-	-	-
Sale of Property and Compensation for Loss	2,000	2,000	2,466	466
Miscellaneous	189,000	189,000	458,770	269,770
Interfund Revenues	-	-	-	-
State Sources	17,680,988	17,680,988	17,763,968	82,980
	-	-	-	-
Federal Sources	310,000	310,000	441,344	131,344
Other Sources				
Interfund Transfers	-	-	-	-
Proceeds from Advance Refunding	-	-	-	-
Proceeds of Long Term Debt	-	-	-	-
	<u>72,893,201</u>	<u>72,893,201</u>	<u>73,184,869</u>	<u>\$ 291,668</u>
Total Revenue and Other Sources				
Appropriated Reserve for Tax Certiorari	-	-	-	-
Appropriated Fund Balance	<u>2,887,148</u>	<u>2,887,148</u>	<u>-</u>	<u>-</u>
Total Revenues, Other Sources and Appropriated Fund Balance	<u>\$ 75,780,349</u>	<u>\$ 75,780,349</u>	<u>\$ -</u>	<u>\$ -</u>

NISKAYUNA CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES AND OTHER USES COMPARED TO BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

Expenditures	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
General Support					
Board of Education	\$ 48,896	\$ 61,114	\$ 37,965	\$ 112	\$ 23,037
Central Administration	525,824	545,996	518,546	-	27,450
Finance	600,566	622,278	543,429	-	78,849
Staff	492,692	571,676	480,975	-	90,701
Central Services	5,955,884	5,489,831	4,746,073	162,513	581,245
Special Items	761,635	1,272,413	1,194,412	-	78,001
Instruction					
Instruction, Administration & Improvement	2,533,355	2,491,696	2,396,900	31,698	63,098
Teaching - Regular School	20,825,889	21,156,126	20,548,160	63,545	544,421
Programs for Students with Disabilities	7,064,048	7,543,856	7,216,383	2,725	324,748
Occupational Education	405,000	405,000	392,996	-	12,004
Teaching - Special Schools	136,236	166,805	87,031	360	79,414
Instructional Media	2,173,955	2,514,495	2,166,532	145,089	202,874
Pupil Services	2,638,364	2,839,475	2,549,192	804	289,479
Pupil Transportation	2,733,796	3,309,181	3,147,387	761	161,033
Community Services	-	5,000	5,000	-	-
Employee Benefits	18,280,050	15,501,944	15,366,224	-	135,720
Debt Service					
Debt Service Principal	7,564,750	7,579,750	7,579,750	-	-
Debt Service Interest	2,939,409	2,935,401	2,903,988	-	31,413
Total Expenditures	75,680,349	75,012,037	71,880,943	407,607	2,723,487
Other Uses					
Interfund Transfer	100,000	768,312	768,312	-	-
Payment to Escrow Agent	-	-	-	-	-
Total Expenditures and Other Uses	\$ 75,780,349	\$ 75,780,349	72,649,255	\$ 407,607	\$ 2,723,487
Excess of Revenues and Other Sources over Expenditures and Other Uses			\$ 535,614		

**NISKAYUNA CENTRAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 FOR THE YEAR ENDED 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
7/1/2013	-	89,630,033	89,630,033	0%	31,326,369	286.1%
7/1/2012	-	84,801,570	84,801,570	0%	33,055,577	256.5%
7/1/2011	-	90,111,545	90,111,545	0%	31,697,813	284.3%

**NISKAYUNA CENTRAL SCHOOL DISTRICT
 SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET
 AND THE SCHEDULE OF REAL PROPERTY TAX LAW LIMIT CALCULATION
 FOR THE YEAR ENDED JUNE 30, 2014**

Adopted Budget	\$	75,693,201
Add: Prior year's encumbrances		<u>87,148</u>
Original Budget		75,780,349
Budget revisions		<u>-</u>
Final Budget	\$	<u>75,780,349</u>
The 2014-2015 Budget is a Voter-approved Budget in the amount of:	\$	<u>77,313,256</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2014-15 [subsequent year's] voter-approved expenditure budget	\$	77,313,256
Maximum allowed (4% of 2014-15 [subsequent year's] budget)		3,092,530

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

Unrestricted Fund Balance:		
Committed Fund Balance	\$	-
Assigned Fund Balance		4,632,875
Unassigned Fund Balance		<u>1,700,518</u>
Total Unrestricted Fund Balance	\$	<u>6,333,393</u>

Less:

Appropriated Fund Balance	\$	4,225,268
Insurance Recovery Reserve		-
Tax Reduction Reserve		-
Encumbrances in Committed & Assigned Fund Balance		<u>407,607</u>
Total Adjustments	\$	<u>4,632,875</u>

General Fund Fund-Balance Subject to Section 1318 of Real Property Tax Law	\$	<u>1,700,518</u>
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Actual Percentage	2.20%
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NISKAYUNA CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2014
			Prior Years	Current Year	Total		Proceeds of Installment Purchase Debt	Serial Installment Bonds	Local Sources	Total	
Niskayuna High School Renovation Phase 1 SED Project # 6023	\$ 31,290,628	\$ 28,998,295	\$ 28,998,295	\$ -	\$ 28,998,295	\$ -	\$ -	\$ 28,998,295	\$ -	\$ 28,998,295	\$ -
Niskayuna High School Renovation Phase 2 SED Project # 6021	21,981,870	23,252,560	23,252,560	-	23,252,560	-	-	23,240,818	11,742	23,252,560	-
Birchwood Elementary School Renovation SED Project # 1007	5,379,093	5,377,350	5,377,350	-	5,377,350	-	-	5,377,350	-	5,377,350	-
Craig Elementary School Renovation SED Project # 2013	6,414,749	6,041,474	6,166,474	(125,000)	6,041,474	-	-	5,990,710	50,764	6,041,474	-
Glenciff Elementary School Renovation SED Project # 3010	5,967,802	5,469,400	5,649,400	(180,000)	5,469,400	-	-	5,422,317	47,083	5,469,400	-
Rosendale Elementary School Renovation SED Project # 4011	5,382,710	5,707,702	5,707,702	-	5,707,702	-	-	5,382,710	324,992	5,707,702	-
Hillside Elementary School Renovation SED Project # 7011	5,706,010	5,694,704	5,694,704	-	5,694,704	-	-	5,682,579	12,125	5,694,704	-
Iroquois Middle School Renovation SED Project # 8013	4,335,639	3,729,477	3,729,477	-	3,729,477	-	-	3,729,477	-	3,729,477	-
Van Antwerp Middle School Renovation SED Project # 1011	8,041,501	5,739,892	5,434,892	305,000	5,739,892	-	-	5,739,892	-	5,739,892	-
District-wide Temperature Control System Project SED Project # 9002	-	2,862,367	2,862,367	-	2,862,367	-	-	2,862,367	-	2,862,367	-
District-wide Technology Upgrades Project SED Project # 9003	-	2,236,706	2,236,706	-	2,236,706	-	-	2,073,487	163,219	2,236,706	-
Total Projects - 1/24/2006 Referendum	94,500,002	95,109,927	95,109,927	-	95,109,927	-	-	94,500,002	609,925	95,109,927	-
Birchwood Elementary School EXCEL SED Project # 1008	-	493,720	493,720	-	493,720	-	-	493,720	-	493,720	-
Craig Elementary School EXCEL SED Project # 2014	-	474,371	474,371	-	474,371	-	-	474,371	-	474,371	-
Glenciff Elementary School EXCEL SED Project # 3011	-	451,299	451,299	-	451,299	-	-	451,299	-	451,299	-
Rosendale Elementary School EXCEL SED Project # 4012	-	462,474	462,474	-	462,474	-	-	462,474	-	462,474	-
Hillside Elementary School EXCEL SED Project # 7012	-	464,132	464,132	-	464,132	-	-	464,132	-	464,132	-
Iroquois Middle School EXCEL SED Project # 8014	-	469,940	469,940	-	469,940	-	-	469,940	-	469,940	-
Van Antwerp Middle School EXCEL SED Project # 1012	-	670,527	670,527	-	670,527	-	-	670,527	-	670,527	-
Niskayuna High School EXCEL SED Project # 6024	4,706,276	1,112,532	1,112,532	-	1,112,532	-	-	1,112,532	-	1,112,532	-
Total Projects - 2/27/2007 EXCEL Referendum	4,706,276	4,598,995	4,598,995	-	4,598,995	-	-	4,598,995	-	4,598,995	-
Niskayuna High School Gym Roof SED Project # 6022	300,000	294,918	294,918	-	294,918	-	-	-	294,918	294,918	-
Soil Remediation Project SED Project # 6025	454,850	1,102,576	1,102,576	-	1,102,576	-	-	-	1,102,576	1,102,576	-
Glenciff Sewer Project SED Project # 3012	849,415	855,750	855,750	-	855,750	-	-	-	855,750	855,750	-
Glenciff Roof Project SED Project # 3014	45,000	45,000	45,000	-	45,000	-	-	-	45,000	45,000	-
Bus Facility Building Purchase SED Project # N/A	3,200,000	3,200,000	3,200,000	-	3,200,000	-	-	3,200,000	-	3,200,000	-
Other Non-Major Projects	9,555,541	10,097,239	10,097,239	-	10,097,239	-	-	7,798,995	2,298,244	10,097,239	-
Totals	\$ 104,055,543	\$ 105,207,166	\$ 105,207,166	\$ -	\$ 105,207,166	\$ -	\$ -	\$ 102,298,997	\$ 2,908,169	\$ 105,207,166	\$ -

**NISKAYUNA CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2014**

Capital Assets, Net	\$	95,190,344
Add:		
Deferred financing costs	61,820	61,820
Deduct:		
Unamortized bond premium	\$ (139,854)	
Short-term portion of bonds payable	(7,779,750)	
Long-term portion of bonds payable	(68,429,625)	(76,349,229)
Net Investment in Capital Assets	\$	18,902,935

**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**

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

Thomas J. Ross, CPA

Heather D. Patten, CPA

To the President and Members of the Board of Education
Niskayuna Central School District

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Niskayuna 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 October 14, 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.

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

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 to be material weaknesses.

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*.

District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Marvin and Company, P.C.

Latham, NY
October 14, 2014

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SINGLE AUDIT
SUPPLEMENTARY FINANCIAL REPORT
JUNE 30, 2014**

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SINGLE AUDIT**

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

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Thomas J. Ross, CPA

Heather D. Patten, CPA

To the President and Members
of the Board of Education of
Niskayuna Central School District

Report on Compliance for Each Major Federal Program

We have audited the Niskayuna 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 Niskayuna Central School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Niskayuna 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the Niskayuna 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 Niskayuna 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 October 14, 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 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.

Latham, NY
October 14, 2014

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
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 Expendi- tures</u>
<u>U.S. Department of Agriculture</u>			
Passed Through New York State Education Department: School Breakfast Program	10.553	Not Applicable	\$ 26,287
National School Lunch Program	10.555	Not Applicable	<u>2,467</u>
Total U.S. Department of Agriculture			<u>28,754</u>
<u>U.S. Department of Education</u>			
Passed Through New York State Education Department: Title I - Grants to Local Educational Agencies	84.010	0021-13-2740	117,531
Special Education - Grants to States	84.027	0032-13-0830	713,671
Special Education - Preschool Grants	84.173	0033-13-0830	20,454
Title II, Part A - Teacher and Principal Training and Recruitment	84.367	0147-13-2740	<u>2,500</u>
Total Passed Through New York State Education Department			<u>854,156</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 882,910</u>

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
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 Niskayuna Central School District (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 Niskayuna Central School District is an independent municipal corporation. All Federal grant awards of the District are included in the scope of the single audit.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
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 no
- Significant deficiency(ies) identified? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes 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 no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? yes no

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with government auditing standards:

Material Weakness

2014-001 Finance Manager Access

Statement of Condition: We noted that both the Assistant Superintendent of Business and the Accounting Supervisor have full access to Finance Manager and are the system administrators of the software. These rights give them the ability to change their own access along with the access of all other users. The software provider did provide a software update that purported to prevent any user, including system administrators, from changing their own user accounts. However, subsequent tests indicated that the update did not work as intended.

Criteria: Internal Controls should be in place to provide adequate segregation of duties.

Cause of Condition: The District has not completed the process of evaluating who should maintain system administrator rights.

Effect: The Assistant Superintendent of Business and the Accounting Supervisor perform incompatible functions and duties.

Recommendation: Ideally, system administrator rights should be held by someone outside of the accounting department. If this is not feasible, we recommend the following: 1) access to transaction screens, data tables or master files should be restricted to only those areas necessary to perform daily job functions; read-only access can be allowed for the remaining areas; and 2) each of the system administrators be prevented from changing their own access rights within the software. This will ensure that controls established in step 1) are not able to be negated. We also recommend that the Internal Claims Auditor review the change reports generated from Finance Manager and document and retain this review.

Management Response:

The District had requested that Finance Manager develop mitigating controls that would prevent a user from having authorization to make changes to their own permissions. The software provider developed a patch to prevent this situation from occurring. The patch was installed in early 2014, but testing by District staff revealed that the patch did not prevent the override of the individual's access rights as the administrator. In the meantime, the District will consider reassigning the responsibilities to a newly hired IT employee with previous experience regarding FM and its access rights.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section II: Financial Statement Findings

2014-002 Lack of Segregation of Duties Relating to Cash Receipts

Statement of Condition: The same person is responsible for handling and depositing cash and checks received into the central office, reconciles the bank accounts, records cash receipts and maintains accounts receivable records.

Criteria: Internal Controls should be in place to provide adequate segregation of duties.

Cause of Condition: Insufficient staff levels in the business office.

Effect: Creates the opportunity for error or fraud.

Recommendation: We recommend the District separate the custodial and record-keeping responsibilities between staff. We also recommend the following procedures to ensure efficient internal control: 1) An employee should open the mail, make a control list of all receipts, and restrictively endorse all items received. 2) The receipts should then go to another employee for further processing and deposit to the bank on a timely basis. 3) Then, someone who does not otherwise handle receipts should compare the deposit slips to the list of receipts to ensure that all funds reflected on the receipts were deposited. 4) Additionally, authenticated deposit slips and supporting documentation should be retained for each deposit made and reconciled by someone who does not have recordkeeping abilities.

Management Response:

The District is committed to hiring an individual to work in the business office to address the issue of segregation of duties related to the handling of cash receipts and account reconciliations. The District expects to have someone in place by mid-November to assist in business office functions.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs for Federal awards as defined in OMB Circular A-133 Section __.510a:

2014-003 Certification of Salaries Charged to the Special Education Program Cluster

Statement of Condition: Our audit procedures revealed that the District did not obtain the required semi-annual payroll certifications for employees whose salary is paid through the Special Education Program Cluster.

Criteria: Employees working on a federally funded program, or their supervisor, must periodically certify that they are aware that they are in fact working on a program that is federally funded. These certifications should be prepared at least semi-annually and should be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. For employees working on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documentation and the employee must certify monthly.

Cause of Condition: The District did not provide the certification forms to the employees.

Effect: The District was not in compliance with the employee certification requirement for Special Education employees.

Recommendation: We recommend that the District follow through with their established procedures to ensure that required certifications are obtained and retained.

Management Response:

The District has already instituted a process to ensure that employee certifications are obtained as required. They will continue to follow up with employees in order to remain in compliance with OMB Circular A-133 guidelines.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Finding 2013-01 Finance Manager Access

Current Status

There were steps taken in during 2013/2014 to address this finding; however, the steps taken by the software vendor did not work as intended so the condition still exists. It will be repeated as Finding 2014-001.

Finding 2013-02 Certification of Salaries Charged to the Special Education Program Cluster

The certification process was not completed as required during 2013/14. It will be repeated as Finding 2014-003.