

*ELMIRA HEIGHTS CENTRAL SCHOOL
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION*

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

*WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS*

ELMIRA HEIGHTS CENTRAL SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the President and Members of
The Board of Education
Elmira Heights Central School
Elmira Heights, New York

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of *Elmira Heights Central School* as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the *Elmira Heights Central School's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Elmira Heights Central School* as of June 30, 2013, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the presentation 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 these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 *Elmira Heights Central School* as of June 30, 2013, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of *Elmira Heights Central School* as of June 30, 2012, were audited by other auditors whose report dated September 17, 2012, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 34 through 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Elmira Heights Central School's** basic financial statements as a whole. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013 on our consideration of **Elmira Heights Central School's** internal control over financial reporting and 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 the 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 **Elmira Heights Central School's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 7, 2013**

I. Discussion and Analysis

The following is a discussion and analysis of the *Elmira Heights Central School's* financial performance for the year ended June 30, 2013. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the *Elmira Heights Central School* during the fiscal year ended June 30, 2013:

- Overall net position of the District increased from operations during the current year in the amount of \$1,063,000 as compared to a decrease of \$740,000 during the prior fiscal year.
- The District's total revenue increased 8% from \$18,952,000 during June 30, 2012 to \$20,419,000 during June 30, 2013. This increase was primarily the result of an increase in state aid primarily related to students with disabilities.
- The District's total expenses decreased 2% from \$19,692,000 during the year ended June 30, 2012 to \$19,356,000 during the year ended June 30, 2013. This decrease was primarily the result of decreases in debt service due to lower interest rates on bond anticipation notes, and the refunding of bonds in the prior fiscal year.
- The District's had capital outlays during the current year in the amount of \$266,000, which primarily related to the acquisition of school buses.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of *Elmira Heights Central School*.

**III. Overview of the Financial Statements
(continued)**

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 10) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the District. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**III. Overview of the Financial Statements
(continued)**

**B. Reporting the District's Most Significant Funds
(Fund Financial Statements):**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds

**III. Overview of the Financial Statements
(continued)**

**B. Reporting the District's Most Significant Funds
(Fund Financial Statements) (continued):**

1. Governmental Funds (continued)

statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

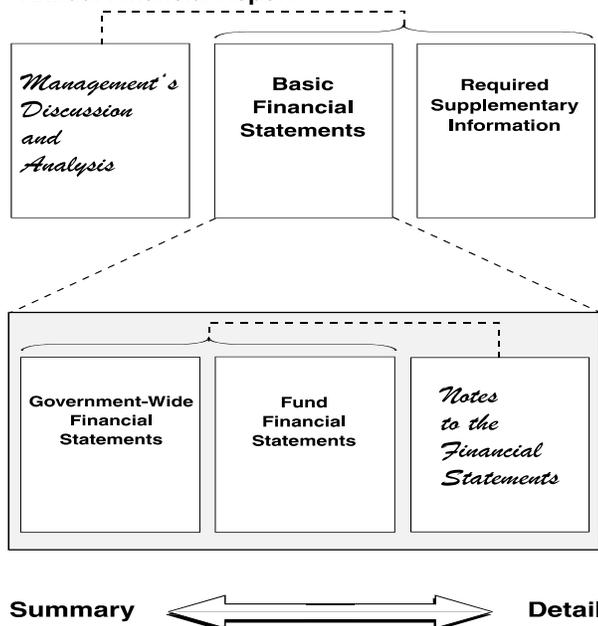
2. Fiduciary Funds

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.

Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, all assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities

Revenue of the District's governmental activities increased approximately 8%, while total expenses decreased 2%. The District's total net assets increased approximately \$1,063,000 during the fiscal year ended June 30, 2013.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$20,419,000 for the fiscal year ended June 30, 2013. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 35% of the District's total revenue for governmental activities. Tax revenue increased 3% in comparison with the prior year and was the result of a tax levy increase.
- The District's most significant revenue is state sources which represent \$11,184,000 or 55% of total governmental revenue. The District's state sources increase by approximately \$1.7 million with the most significant increase resulting from the receipt of students with disability funds from prior years.
- During the year ended June 30, 2013, the District saw a decrease in program revenue which mostly resulted from a decrease in operating grants and contributions which decreased \$625,000 as compared with the prior year revenue. This decrease was primarily due to the District no longer receiving the ARRA grants, most significantly the Education Jobs funding.

IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$15,198,000. The components of net assets include: net investment in capital assets, of \$15,359,000; restricted net position of \$2,600,000; and unrestricted net position deficit of \$2,761,000 as of June 30, 2013.

Changes in Net Position

The District's total government-wide revenue increased by approximately 8% to \$20,419,000. Approximately 35%, 6% and 55% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 4% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

The total cost of all programs and services of the District decreased 2% to \$19,356,000. The District's expenses cover a range of services, with 75% related to instruction and 16% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

IV. Financial Analysis of the School District as a Whole (continued)

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, debt service and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$19,356,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$79,000 or 3% which was primarily due to increases depreciation expense and employee benefits.
- The District's instruction costs decreased by approximately \$285,000 or 2% which was primarily due to decreases in salaries which were partially offset by an increase in BOCES services.
- Debt service of the District decreased approximately \$202,000 during the year ended June 30, 2013, which was primarily the result of a decrease in interest expense due to refunding of bonds in the prior fiscal year.
- Transportation costs of the District increased 8% or \$61,000 during the year ended June 30, 2013 as a result of decreases in depreciation expense and employee benefits.
- The District's cost of sales (food service fund) totaled \$439,000 during the current year as compared to \$428,000 during the fiscal year ended June 30, 2012. This increase was the result of higher food costs.
- The District received approximately \$1,582,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$ 17.8 million) were financed by real property taxes and state aid.

Figure A-3 – Condensed Statement of Net Assets

<i>Elmira Heights Central School District</i>			
<i>Condensed Statement of Net Position (in thousands of dollars)</i>			
	Governmental Activities and Total District-wide		
	2013	2012	% Change
Assets			
Current and other assets	\$ 6,007	\$ 6,270	-4%
Capital assets	27,965	28,602	-2%
Total assets	\$ 33,972	\$ 34,872	-3%
Liabilities			
Other liabilities	\$ 1,900	\$ 2,048	-7%
Long-term debt outstanding	16,874	18,751	-10%
Total liabilities	18,774	20,799	-10%
Net Position			
Net investment in capital assets	15,359	13,823	11%
Restricted	2,600	3,048	-15%
Unrestricted (deficit)	(2,761)	(2,798)	-1%
Total net position	15,198	14,073	8%
Total liabilities and net position	\$ 33,972	\$ 34,872	-3%

Figure A-4 – Changes in Net Position

<i>Elmira Heights Central School District</i>			
<i>Changes in Net Position from Operating Results (in thousands of Dollars)</i>			
	Governmental Activities and Total District-wide		
	2013	2012	% Change
Revenue			
Program revenue			
Charges for services	\$ 341	\$ 375	-9%
Operating grants and contributions	1,241	1,866	-33%
General revenue			
Real property taxes	7,103	6,899	3%
Use of money & property	144	141	2%
Sale of property & comp for loss	40	(42)	-195%
State sources	11,184	9,488	18%
Federal sources	61	72	-15%
Miscellaneous	305	153	100%
Total revenue	20,419	18,952	8%
Expenses			
General support	3,084	3,005	3%
Instruction	14,557	14,842	-2%
Transportation	835	774	8%
Debt service - interest	441	643	-31%
Cost of sales	439	428	3%
Total expenses	19,356	19,692	-2%
Change in net position	\$ 1,063	\$ (740)	

Figure A-5 – Sources of Revenue

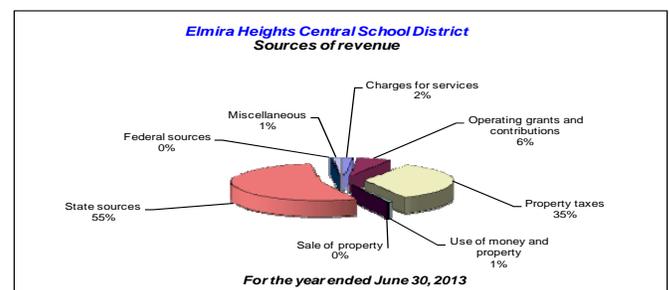


Figure A-6 - Expenses

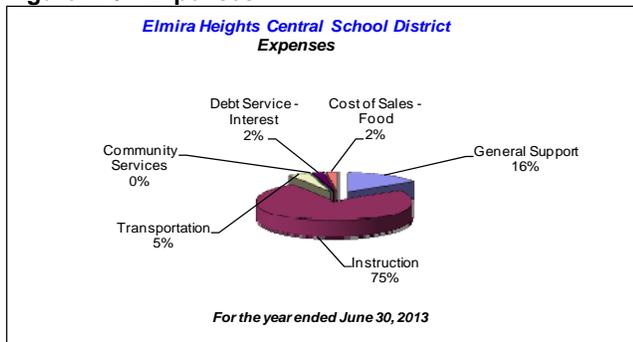


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2013		2012	
Expenditures supported with general revenue (from taxes & other sources)	\$ 17,774	92%	\$ 17,451	89%
Expenditures supported with program revenue	1,582	8%	2,241	11%
Total expenditures related to governmental activities	\$ 19,356	100%	\$ 19,692	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2013	2012	Change	2013	2012	Change
General support	\$ 3,084	\$ 3,005	\$ 79	\$ 3,084	\$ 2,971	\$ 113
Instruction	14,557	14,842	(285)	13,451	13,077	374
Transportation	835	774	61	826	773	53
Debt service - interest	441	643	(202)	441	643	(202)
Cost of sales - food	439	428	11	(28)	(13)	(15)
Total	\$ 19,356	\$ 19,692	\$ (336)	\$ 17,774	\$ 17,451	\$ 323

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term

V. Financial Analysis of the School District's Funds

debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund expenditures and other uses exceeded its revenue and other sources by approximately \$2,000 which primarily was due to increased revenue from state sources.
- The District's general fund unassigned fund balance equaled approximately \$767,000 as of June 30, 2013.
- The District maintained many fund balance reserves during the year ended June 30, 2013, and had a total restricted fund balance approximated \$2,578,000.
- The District's total assets decreased approximately \$269,000 as of June 30, 2013 due to decreases in amounts due from other funds and due from state and federal aid. The District's liabilities decreased approximately \$275,000, primarily due to a decrease in accrued liabilities and compensated absences.
- Total revenue in the District's general fund increased \$1,629,000, which was primarily related to increases in revenue from state sources.
- Total expenditures in the District's general fund increased \$575,000 primarily as a result of an increase in employee benefit and instruction costs.

Food Service Fund

- The District's food service fund experienced a \$41,000 decrease in fund equity in the current year.
- Revenue in the food service fund was \$467,000 during 2013 as compared with \$441,000 in 2012. Expenditures increased \$81,000 as a result of increases in equipment costs.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$383,000 or 28% which was primarily related to the elimination of ARRA Education Jobs funding which was received in the prior year.

Capital Projects Fund

- The District had expenditures in the amount of \$269,000 in capital projects during the year ended June 30, 2013, which was primarily related to bus purchases.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$493,000 below the revised budget. The most significant positive variance was in the area of general support which was \$344,000 below that budgeted. On the other hand, resources available for appropriations were approximately \$231,000 above the final budgeted amount. The significant variance in revenue items consisted of a favorable variance in state sources in the amount of \$881,000, which represented the receipt of students with disabilities funding from prior years.

Figure A-9 – Budget vs. Actual Comparison

<i>Elmira Heights Central School District</i>			
<i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i>			
	Revised		
	Budget	Actual	Difference
Revenue			
Local sources	\$ 7,747	\$ 7,787	\$ 40
Statesources	10,303	11,184	881
Federal sources	125	61	(64)
Othersources	662	36	(626)
Total revenue	\$ 18,837	\$ 19,068	\$ 231
Expenditures			
General support	\$ 2,808	\$ 2,464	\$ 344
Instruction	9,246	9,098	148
Transportation	467	444	23
Employee benefits	4,102	4,124	(22)
Debt service	2,889	2,889	-
Operating transfers	71	71	0
Total expenditures	\$ 19,563	\$ 19,070	\$ 493

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2013, the District had invested approximately \$27,965,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2013, totaled approximately \$266,000 and consisted primarily of the acquisition of school buses. More detailed information about the District's capital assets is presented in the notes of the financial statements.

**VII. Capital Assets and Debt Administration
(continued)**

Long-term Debt

As depicted in Figure A-11, as of June 30, 2013, the District had approximately \$16,873,000 in bonds, compensated absences and other post-employment benefits, a decrease of approximately 10% as compared with the previous year. The decrease in bonds payable was the result of the principal payments made during the year. The decrease in compensated absences was the result of individuals retiring during the year. The increase in the post-employment benefit liability is the result of recording one year's worth of amortization of the District's unfunded actuarial accrued liability in accordance with GASB 45.

Figure A-10 – Capital Assets

<i>Elmira Heights Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2013	2012	Change
Land	\$ 44,028	\$ 44,028	0%
Buildings	36,491,359	33,813,292	8%
Construction in progress	-	2,621,917	-100%
Equipment	3,945,344	4,215,063	-6%
Accumulated depreciation	(12,516,193)	(12,092,150)	4%
Total Capital Assets, net	\$ 27,964,538	\$ 28,602,150	-2%

Figure A-11 – Outstanding Long-term Debt

<i>Elmira Heights Central School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2013	2012	Change
Bonds payable	\$ 12,421,639	\$ 14,629,255	-15%
Other post-employment benefits	4,313,279	3,911,842	10%
Compensated absences	138,366	210,641	-34%
Total Long-Term Debt	\$ 16,873,284	\$ 18,751,738	-10%

VIII. Factors Bearing on the District's Future

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

- The District is monitoring the health of the State's economy closely and waiting to see what the projections are for the funding of public education. The District receives a majority of its funding from state sources, so a reduction in state aid would have serious consequences for the District.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Elmira Heights Central School
Attention: Ms. Debra Palmer
Business Manager
District Business Office
100 Robinwood Avenue
Elmira Heights, New York 14903

ELMIRA HEIGHTS CENTRAL SCHOOL
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

Schedule 1

Page 10

	<u>2013</u>	<u>2012</u>
Assets		
Cash		
Unrestricted	\$ 1,368,270	\$ 632,577
Restricted	2,599,776	3,045,017
Receivables		
State and federal aid	635,171	993,544
Other receivables	34,219	3,680
Due from other governments	668,500	685,775
Due from fiduciary funds	6	1,627
Inventories	33,775	31,138
Prepaid expenditures	-	220,055
Cash to be used for capital assets	667,486	656,861
Capital assets, net	27,964,538	28,602,150
Total assets	<u>\$ 33,971,741</u>	<u>\$ 34,872,424</u>
Liabilities		
Current liabilities		
Accounts payable & retainage payable	\$ 60,956	\$ 56,121
Accrued liabilities	193,973	358,211
Accrued interest	19,000	19,203
Due to other governments	284	271
Due to retirement systems	789,149	766,653
Unearned revenue	17,802	35,488
Other liabilities	8,154	7,932
Bond anticipation notes payable	811,012	803,979
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	2,230,000	2,180,000
Portion due or payable after one year		
Bonds payable	10,191,639	12,449,255
Other post-employment benefits	4,313,279	3,911,842
Compensated absences	138,366	210,641
Total liabilities	<u>18,773,614</u>	<u>20,799,596</u>
Net Position		
Net investment in capital assets	15,359,471	13,823,138
Restricted	2,599,776	3,047,656
Unrestricted (deficit)	(2,761,120)	(2,797,966)
Total net position	<u>15,198,127</u>	<u>14,072,828</u>
Total liabilities and net position	<u>\$ 33,971,741</u>	<u>\$ 34,872,424</u>

ELMIRA HEIGHTS CENTRAL SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 2

Page 11

			Program Revenues		2013	2012
	Indirect		Charges for	Operating	Net (Expense)	Net (Expense)
	Expenses	Allocation	Services	Grants	Revenue and	Revenue and
	Expenses				Changes in	Changes in
					Net Position	Net Position
Functions/Programs						
General support	\$ 2,947,634	\$ 135,887	\$ -	\$ -	\$ (3,083,521)	\$ (2,970,541)
Instruction	13,925,039	632,367	196,385	909,187	(13,451,834)	(13,076,996)
Pupil transportation	646,262	189,235	-	9,877	(825,620)	(773,658)
Debt service	440,999	-	-	-	(440,999)	(642,983)
Food service program	438,725	-	144,584	322,380	28,239	13,313
Depreciation	957,489	(957,489)	-	-	-	-
Total functions and programs	<u>\$ 19,356,148</u>	<u>\$ -</u>	<u>\$ 340,969</u>	<u>\$ 1,241,444</u>	<u>(17,773,735)</u>	<u>(17,450,865)</u>
General Revenues						
Real property taxes					7,103,461	6,899,425
Use of money and property					143,719	140,802
Sale of property and compensation for loss					39,791	(41,907)
Miscellaneous					305,132	152,503
State sources					11,183,799	9,487,736
Federal sources					60,995	72,189
Total general revenues					<u>18,836,897</u>	<u>16,710,748</u>
Change in net position					1,063,162	(740,117)
Net position - beginning of year					14,072,828	14,812,945
Prior period adjustments					62,137	-
Net position - end of year					<u>\$ 15,198,127</u>	<u>\$ 14,072,828</u>

ELMIRA HEIGHTS CENTRAL SCHOOL
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013

Schedule 3

Page 12

	Governmental Funds					2013	2012
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Assets							
Unrestricted cash	\$ 1,237,217	\$ 42,191	\$ 110,839	\$ -	\$ -	\$ 1,390,247	\$ 632,577
Restricted cash	2,577,799	-	-	-	667,486	3,245,285	3,701,878
Due from other funds	378,159	22,418	4	21,977	-	422,558	761,921
Due from Fiduciary Funds	6	-	-	-	-	6	1,627
State and federal aid receivable	299,396	316,300	19,475	-	-	635,171	993,544
Other receivables	33,115	-	1,104	-	-	34,219	3,680
Due from other governments	668,500	-	-	-	-	668,500	685,775
Inventories	-	-	33,775	-	-	33,775	31,138
Prepaid items	-	-	-	-	-	-	220,055
Total assets	\$ 5,194,192	\$ 380,909	\$ 165,197	\$ 21,977	\$ 667,486	\$ 6,429,761	\$ 7,032,195
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 50,429	\$ 944	\$ 174	\$ -	\$ -	\$ 51,547	\$ 56,121
Retainage payable	-	-	-	-	9,409	9,409	13,852
Accrued liabilities	191,304	2,318	351	-	-	193,973	344,359
Bond anticipation notes payable	-	-	-	-	811,012	811,012	803,979
Due to other funds	22,572	369,493	-	-	30,493	422,558	761,922
Unearned revenue	14,499	8,154	3,303	-	-	25,956	43,420
Due to other governments	-	-	284	-	-	284	271
Due to Teachers' Retirement System	721,926	-	-	-	-	721,926	704,802
Due to Employees' Retirement System	67,223	-	-	-	-	67,223	61,850
Compensated absences	138,366	-	-	-	-	138,366	210,641
Total liabilities	1,206,319	380,909	4,112	-	850,914	2,442,254	3,001,217
Fund Equity							
Nonspendable	-	-	33,775	-	-	33,775	251,193
Restricted	2,577,799	-	-	21,977	-	2,599,776	3,047,656
Assigned	643,000	-	127,310	-	-	770,310	843,500
Unassigned (deficit)	767,074	-	-	-	(183,428)	583,646	(111,371)
Total fund equity (deficit)	3,987,873	-	161,085	21,977	(183,428)	3,987,507	4,030,978
Total liabilities and fund equity	\$ 5,194,192	\$ 380,909	\$ 165,197	\$ 21,977	\$ 667,486	\$ 6,429,761	\$ 7,032,195

ELMIRA HEIGHTS CENTRAL SCHOOL
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 4

Page 13

	Governmental Funds					2013	2012
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Revenue							
Real property taxes	\$ 7,103,461	\$ -	\$ -	\$ -	\$ -	\$ 7,103,461	\$ 6,899,425
Charges for services	196,385	-	-	-	-	196,385	151,517
Use of money and property	142,813	-	259	906	-	143,978	140,794
Sale of property compensation for loss	39,791	-	-	-	-	39,791	53,831
Miscellaneous	305,132	5,539	2,554	-	-	313,225	228,248
State sources	11,183,799	282,181	12,243	-	-	11,478,223	10,048,423
Federal sources	60,995	631,344	275,884	-	-	968,223	1,338,221
Surplus food	-	-	34,253	-	-	34,253	36,623
Sales (school food service)	-	-	141,771	-	-	141,771	142,923
Total revenue	19,032,376	919,064	466,964	906	-	20,419,310	19,040,005
Expenditures							
General support	2,464,451	-	155,141	-	-	2,619,592	2,758,713
Instruction	9,097,142	762,848	-	-	-	9,859,990	9,984,565
Pupil transportation	444,322	9,877	-	-	227,433	681,632	798,076
Employee benefits	4,124,195	196,544	46,843	-	-	4,367,582	4,060,807
Debt service							
Principal	2,400,400	-	-	-	-	2,400,400	2,304,611
Interest	468,818	-	-	-	-	468,818	513,341
Capital outlay	-	-	-	-	22,829	22,829	179,477
Cost of sales	-	-	209,980	-	-	209,980	174,598
Other expenses	-	-	60,558	-	-	60,558	36,947
Total expenditures	18,999,328	969,269	472,522	-	250,262	20,691,381	20,811,135
Excess (deficiency) of revenue over expenditures	33,048	(50,205)	(5,558)	906	(250,262)	(272,071)	(1,771,130)
Other sources and uses							
BANs redeemed from appropriations	-	-	-	-	220,400	220,400	169,611
Proceeds from the refunding of bonds	-	-	-	-	-	-	4,975,000
Payment for the refunding of bonds	-	-	-	-	-	-	(5,064,255)
Premium received on bond issuance	-	-	-	-	-	-	204,957
Operating transfers in	35,975	50,355	-	18,432	20,617	125,379	182,739
Operating transfers out	(70,972)	(150)	(35,825)	-	(18,432)	(125,379)	(182,739)
Total other sources (uses)	(34,997)	50,205	(35,825)	18,432	222,585	220,400	285,313
Excess (deficiency) of revenue and other sources over expenditures and other uses	(1,949)	-	(41,383)	19,338	(27,677)	(51,671)	(1,485,817)
Fund equity (deficit), beginning of year	3,981,622	-	202,468	2,639	(155,751)	4,030,978	5,516,795
Prior period adjustment	8,200	-	-	-	-	8,200	-
Fund equity (deficit), end of year	\$ 3,987,873	\$ -	\$ 161,085	\$ 21,977	\$ (183,428)	\$ 3,987,507	\$ 4,030,978

See accompanying independent auditors' report and notes to financial statements.

ELMIRA HEIGHTS CENTRAL SCHOOL
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF JUNE 30, 2013

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	Total 6/30/2013	(Memo only) Total 6/30/2012
Assets				
Cash	\$ 23,584	\$ 87,338	\$ 110,922	\$ 129,928
Investments in securities	3,569	-	3,569	3,181
Due from other funds	-	442	442	663
Total assets	<u>\$ 27,153</u>	<u>\$ 87,780</u>	<u>\$ 114,933</u>	<u>\$ 133,772</u>
Liabilities				
Accrued liabilities	\$ -	\$ 12,599	\$ 12,599	\$ 21,162
Due to other funds	-	6	6	1,627
Student extraclassroom activity funds	-	75,175	75,175	78,207
Total liabilities	<u>-</u>	<u>87,780</u>	<u>87,780</u>	<u>100,996</u>
Net Position				
Reserved for scholarships	27,153	-	27,153	32,776
Total liabilities and net position	<u>\$ 27,153</u>	<u>\$ 87,780</u>	<u>\$ 114,933</u>	<u>\$ 133,772</u>

ELMIRA HEIGHTS CENTRAL SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 6
Page 15

	6/30/2013	(Memo only) 6/30/2012
Additions		
Gifts and contributions	\$ 1,656	\$ 8,067
Interest earnings	521	73
Total additions	2,177	8,140
Deductions		
Scholarships awarded	7,800	5,603
Change in net position	(5,623)	2,537
Net position - beginning of year	32,776	30,239
Net position - end of year	<u>\$ 27,153</u>	<u>\$ 32,776</u>

ELMIRA HEIGHTS CENTRAL SCHOOL
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

Total fund balances - governmental funds \$ 3,987,507

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 40,480,731	
Accumulated depreciation	<u>(12,516,193)</u>	27,964,538

Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due. (19,000)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable	(12,421,639)	
Other post-employment benefits	<u>(4,313,279)</u>	<u>(16,734,918)</u>

Total net position - governmental activities \$ 15,198,127

	Total Governmental Funds	Capital Related and Deferred Items	Long-term Debt Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 4,635,532	\$ -	\$ -	\$ -	\$ 4,635,532
Due from other funds	422,558	-	-	(422,558)	-
Due from fiduciary funds	6	-	-	-	6
State and federal aid receivable	635,171	-	-	-	635,171
Other receivables	34,219	-	-	-	34,219
Due from other governments	668,500	-	-	-	668,500
Inventories	33,775	-	-	-	33,775
Capital assets, net	-	27,964,538	-	-	27,964,538
Total assets	\$ 6,429,761	\$ 27,964,538	\$ -	\$ (422,558)	\$ 33,971,741
Liabilities and Fund Equity/Net Position					
Liabilities					
Accounts payable	\$ 51,547	\$ -	\$ -	\$ -	\$ 51,547
Retainage payable	9,409	-	-	-	9,409
Accrued liabilities	193,973	-	-	-	193,973
Accrued interest	-	-	19,000	-	19,000
Due to other funds	422,558	-	-	(422,558)	-
Deferred revenue	25,956	-	-	-	25,956
Due to other governments	284	-	-	-	284
Due to retirement systems	789,149	-	-	-	789,149
Bond anticipation notes payable	811,012	-	-	-	811,012
Bonds payable	-	-	12,421,639	-	12,421,639
Other post-employment benefits	-	-	4,313,279	-	4,313,279
Compensated absences	138,366	-	-	-	138,366
Total liabilities	2,442,254	-	16,753,918	(422,558)	18,773,614
Fund equity and net position	3,987,507	27,964,538	(16,753,918)	-	15,198,127
Total liabilities and fund equity/position	\$ 6,429,761	\$ 27,964,538	\$ -	\$ (422,558)	\$ 33,971,741

ELMIRA HEIGHTS CENTRAL SCHOOL
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Total net change in fund balances - governmental funds \$ (51,671)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 265,940	
Depreciation expense	<u>(957,489)</u>	(691,549)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,400,400

Proceeds from the issuance of long-term debt and BANs redeemed from appropriations are recorded as revenue in governmental funds. However, in the statement of activities, proceeds from long-term debt are not recorded as revenue. Rather, long-term debt is recorded as a liability in the statement of net position. (220,400)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus required the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 27,819

In the statement of activities, compensated absences, special termination benefits and judgments and claims, are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used:
 Other post-employment benefits (401,437)

Change in net position of governmental activities \$ 1,063,162

	Total Governmental Funds	Capital Related and Deferred Items	Long-term Debt Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 7,103,461	\$ -	\$ -	\$ -	\$ 7,103,461
Charges for services	196,385	-	-	(196,385)	-
Use of money and property	143,978	-	-	(259)	143,719
Sale of property compensation for loss	39,791	-	-	-	39,791
Miscellaneous	313,225	-	-	(8,093)	305,132
State sources	11,478,223	-	-	(294,424)	11,183,799
Federal sources	968,223	-	-	(907,228)	60,995
Surplus food	34,253	-	-	(34,253)	-
Sales (school food service)	141,771	-	-	(141,771)	-
Total revenue	20,419,310	-	-	(1,582,413)	18,836,897
Expenditures					
General support	2,619,592	135,887	-	326,871	3,082,350
Instruction	9,859,990	629,869	401,437	2,561,709	13,453,005
Pupil transportation	681,632	(38,198)	-	182,186	825,620
Employee benefits	4,367,582	-	-	(4,367,582)	-
Debt service	2,869,218	-	(2,428,219)	-	440,999
Capital outlay	22,829	(2,212)	-	(20,617)	-
Cost of sales	209,980	-	-	(238,219)	(28,239)
Other expenses	60,558	(33,797)	-	(26,761)	-
Total expenditures	20,691,381	691,549	(2,026,782)	(1,582,413)	17,773,735
Excess (deficiency) of revenue over expenditures	(272,071)	(691,549)	2,026,782	-	1,063,162
Other sources and uses					
BANs redeemed from appropriations	220,400	-	(220,400)	-	-
Operating transfers in	125,379	-	-	(125,379)	-
Operating transfers out	(125,379)	-	-	125,379	-
Total other sources (uses)	220,400	-	(220,400)	-	-
Net change for year	\$ (51,671)	\$ (691,549)	\$ 1,806,382	\$ -	\$ 1,063,162

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

The accompanying financial statements of the *Elmira Heights Central School* have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of the *Elmira Heights Central School* 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. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are included as supplementary information to these audited financial statements, located on pages 55-59 of this report.

B. Joint Venture

The *Elmira Heights Central School* is a component of the Supervisory District of the Greater Southern Tier 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

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

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

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, the District was billed \$4,714,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$1,703,000 the year ended June 30, 2013. Financial statements for the Greater Southern Tier BOCES are available at the BOCES administrative offices.

C. Basis of Presentation

1. 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

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

2. 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:

General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid - is used to account for the proceeds of specific revenue sources such as Federal and State grants, that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service - is used to account for all revenue and expenditures pertaining to the cafeteria operations.

Capital Projects - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt Service - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

Fiduciary Fund Types - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or 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. Included in the Fiduciary Fund are Private Purpose Trust Funds and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting. Private Purpose Trust Funds are accounted for on the accrual basis of accounting.

D. Measurement Focus and Basis of Accounting

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 the current period or soon enough thereafter to be used to pay liabilities of the current period. Non-expendable trust funds are accounted for on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

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

E. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

F. Inventory

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase.

G. Investments

Investments are stated at current market value.

H. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

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 as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 1,000	Straight-line	50 years
Machinery and equipment	\$ 1,000	Straight-line	5-20 years

I. Due To/From Other Funds

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

J. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave. The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. The District has recorded an estimated liability in the District-wide financial statement amounting to \$138,366. Payment of these benefits is dependent on many factors, therefore, the timing of future payments is not readily determinable.

The District believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

K. Unearned Revenue

Unearned revenue is reported on the District's combined balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the 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 unearned revenue is removed and revenue is recognized. Unearned revenues recorded in the governmental funds are not recorded in the District-wide statements.

L. Post-Employment Benefits

In addition to the retirement benefits described in Note 3VA, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

M. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Fund Equity (continued)

1. Governmental Funds (continued)

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

1. Inventory Reserve

This reserve is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Food Service Fund.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

1. Liability Reserve

This reserve is used to reserve funds for unsettled claims or suits. This reserve may be established by a majority vote of the board of education.

2. Reserve for Employee Benefits

The purpose of this reserve is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of service. This reserve fund may be established by a majority vote of the board of education 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

3. Employee Retirement Contribution Reserve

This reserve is used to accumulate funds for employee retirement system contributions. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

4. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. The reserve is accounted for in the Capital Projects Fund.

5. Workers' Compensation Reserve

This reserve is used to accumulate funds for the purpose of paying for compensation benefits and other expenditures authorized under Article 2 of the New York State Workers' Compensation Law, and for payment of expenditures of administering this self-insurance program. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations for the next fiscal year's budget. The reserve is accounted for in the General Fund.

6. Debt Service Reserve

This reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These reserves are accounted for in the Debt Service Fund.

7. Reserve for Insurance Recoveries

This reserve contains the difference between the insurance recovery received for the destruction of District property and the cost of replacement.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

8. Tax Certiorari Reserve

Tax Certiorari 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 amounts which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeding 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.

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2013.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

1. Governmental Funds (continued)

D. Assigned (continued)

1. Encumbrance Reserve

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund.

The cost of construction contract commitments generally is recorded as an encumbrance of Capital Projects Fund and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported as reservations of fund equity since they do not constitute expenditures or liabilities. Reserve for encumbrances totaled \$43,000 as of June 30, 2013.

2. Appropriated Fund Equity

General Fund - The amount of \$600,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2014 as allowed by Section 1318 of the Real Property Tax Law.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide financial statements

A. Net Investment in Capital Assets

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

2. Government-wide financial statements (continued)

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

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 and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District had no supplemental appropriations during the fiscal year ended June 30, 2013.
- e.) During the year ended June 30, 2013, the Board of Education approved transfers from Employee Retirement Reserve of \$303,000 to the General Fund, \$84,560 from the Workers' Compensation Reserve to the General Fund, \$25,000 from the Unemployment Reserve to the General Fund, \$16,375 from the General Fund to the Reserve for Employee Benefits, and \$16,349 from the Tax Certiorari Reserve to the General Fund. The Board of Education approved the use of funds in the Tax Certiorari Reserve for a tax refund to Horseheads Heights of \$54,675.

2. Budget Basis for Accounting

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for the Food Service Fund reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Budgetary Procedures and Budgetary Accounting (Continued)

2. Budget Basis for Accounting (continued)

Budgetary controls for the special revenue and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, expenditures and changes in fund equity - budget and actual.

O. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on October 31.

2. Enforcement

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

P. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

Q. Deferred Compensation Plan

Elmira Heights Central School offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b) - Tax Sheltered Annuities (TSA). The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' TSA plan administrator. The TSA plans are owned by the individuals and held in trust by the plan administrator. The School District has a fiduciary responsibility for funds withheld and remittance to trustees.

R. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

**NOTE 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.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differs 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 Sheet.

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

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

1. Long-term Revenue Differences

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

2. 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.

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (continued)**

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (continued)

3. 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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash

The *Elmira Heights Central School's* investment policies are governed by State statutes. School District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District treasurer is authorized to use demand accounts and certificates of deposits. 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.

A. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

Total financial institution (bank) balances at June 30, 2013 per the bank were approximately \$4,670,000. Deposits are categorized as follows:

**ELMIRA HEIGHTS CENTRAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash (continued)

A. Deposits (continued)

Category 1	Category 2	Carrying Value
\$ 777,000	\$ 3,893,000	\$ 4,670,000

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2013, the District's bank deposits were fully collateralized.

II. Interfund Transactions

Interfund balances as of June 30, 2013 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 378,165	\$ 22,572
School Lunch Fund	4	-
Special Aid Fund	22,418	369,493
Debt Service Fund	21,977	-
Capital Fund	-	30,493
Fiduciary Funds	-	6
Total	\$ 422,564	\$ 422,564

Interfund transfers during the fiscal year ended June 30, 2013 were as follows:

	Interfund Revenue	Interfund Expense
General Fund	\$ 35,975	\$ 70,972
School Lunch Fund	-	35,825
Special Aid Fund	50,355	150
Debt Service Fund	18,432	-
Capital Fund	20,617	18,432
Total	\$ 125,379	\$ 125,379

During the current year ended June 30, 2013, the District transferred \$50,355 from the General Fund to the Special Aid Fund to cover the local portion of the summer school grant. The school lunch fund transferred \$35,825 to the general fund to cover employee benefit costs. Capital projects were closed out in the current year and remaining balances of \$18,432 were transferred to the debt service fund. Lastly, \$150 was transferred from the special aid fund to the general fund.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

III. Receivables

Receivables at June 30, 2013 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.44,028

Fund	Description	Amount
Special Aid	State and Federal Aid	\$ 316,300
Food Service	State and Federal Aid	19,475
Food Service	Other Receivables	1,104
General	State and Federal Aid	299,396
General	Due from Other Governments	668,500
General	Other Receivables	33,115
		\$ 1,337,890

IV. Capital Assets

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	Beginning Balance 06/30/12	Net Additions (Disposals)	Ending Balance 06/30/13
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 44,028	\$ -	\$ 44,028
Construction-in-progress	2,621,917	(2,621,917)	-
Capital assets that are depreciated:			
Buildings and improvements	33,813,292	2,678,067	36,491,359
Machinery and equipment	4,215,063	(269,719)	3,945,344
Total depreciable historical cost	40,694,300	\$ (213,569)	40,480,731
Less accumulated depreciation:			
Buildings and improvements	10,194,524	\$ 713,035	10,907,559
Furniture and equipment	1,897,626	(288,992)	1,608,634
Total accumulated depreciation	12,092,150	\$ 424,043	12,516,193
Total net book value	\$28,602,150		\$27,964,538

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General support	\$ 135,887
Instruction	632,367
Pupil transportation	189,235
	<u>\$ 957,489</u>

During the fiscal year ended June 30, 2013 the District had capital additions in the amount of \$265,940.

V. Liabilities

A. Pension Plans and Post-Employment Benefits

1. General Information

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

2. Plan Descriptions

a. Teachers' Retirement System (TRS)

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

2. Plan Descriptions (continued)

b. Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

3. Funding Policies

For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. For TRS, employers are required to contribute at an actuarially determined rate, currently at 11.84%, of the annual covered payroll for the fiscal year ended June 30, 2013. Rates applicable to the fiscal years ended June 30, 2012 and 2011 were 11.11% and 8.62%, respectively. 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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans and Post-Employment Benefits (continued)

3. Funding Policies (continued)

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

Year	TRS	ERS
2013	\$ 721,537	\$268,120
2012	704,802	205,269
2011	541,346	207,127

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

Since 1989, the TRS' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

B. Other Post-Employment Benefits

1. Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan) administered by a third party. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

2. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

3. Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities not to exceed thirty years.

The following table summarizes the District's annual OPEB cost for 2013, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Normal Cost	\$ 784,988
Amortization of unfunded actuarial accrued liability	737,627
Interest adjustment	195,592
Annual required contribution adjustment	(146,516)
	<u>1,571,691</u>
Contributions made	(1,170,254)
Increase in net OPEB obligation	401,437
Net OPEB obligation - beginning of year	<u>3,911,842</u>
Net OPEB obligation - end of year	<u>\$ 4,313,279</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012 and 2011 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$1,571,691	74.5%	\$4,313,279
6/30/12	\$1,980,177	58.7%	\$3,911,842
6/30/11	\$1,876,574	64.1%	\$3,094,119

4. Funding Status and Funding Progress

As of June 30, 2013, the actuarial accrued liability for benefits was \$19,693,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was \$6,728,431 and the ratio of unfunded actuarial liability to the covered payroll was 292.7%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

4. Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events 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 ARC of the District are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

5. Actuarial Methods and Assumptions

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

Measurement Date – July 1, 2012.

Discount rate – Five percent (5%) per year compounded annually.

Mortality – The mortality rates were developed by the Office of the Actuary of the New York State Retirement System (TRS) and the Office of the Actuary for the New York State Employees Retirement System (ERS).

Withdrawal from service – Withdrawal rates used in the valuation were developed by the Office of the Actuary of the New York Teachers Retirement System (TRS) and the Office of the Actuary for the New York State Employees Retirement System (ERS).

Medicare – Medicare is expected to continue to cover the same portion of costs

Marital status – The valuation assumes that 70% of male retirees and 55% of female retirees elect spousal coverage upon retirement.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

5. Actuarial Methods and Assumptions (continued)

Healthcare cost trend factors – The Getzen Model was used to determine increases in healthcare trend rates. Medical care costs are assumed to increase between 3.3% and 6.1% per year.

Retirement rates – Retirement rates used in the valuation were developed by the Office of the Actuary of the New York Teachers Retirement System (TRS) and the Office of the Actuary for the New York State Employees Retirement System (ERS), for the valuation of their respective pension liabilities.

Net annual experience-rated claims cost – Since the District's plans are community rated, the premium rates in effect at June 1, 2013 were used as the initial per capita claim costs.

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds is recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the financial statements when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. 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. Proceeds were utilized to purchase new buses.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

1. Short-Term Debt (continued)

a. Bond Anticipation Notes (continued)

The following is a summary of the District's BANS payables as of June 30, 2013:

Description of issue	Issue date	Final maturity	Interest rate	Outstanding as of 6/30/13
Bus Ban	6/26/13	3/14/14	1.35%	\$ 227,433
Bus Ban	5/22/13	5/22/14	1.09%	264,019
Bus Ban	3/14/13	3/14/14	1.47%	181,465
Bus Ban	2/08/13	2/06/14	1.30%	121,778
Bus Ban	2/08/13	2/06/14	1.30%	16,317
Total				<u>\$ 811,012</u>

b. Short-Term Debt Interest

The District had short-term interest of \$10,855 for the year ended June 30, 2013.

2. Long-Term Debt

a. Debt Limit

At June 30, 2013, the total indebtedness represents approximately 42% of its debt limit.

b. 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 capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the Statement of Net Assets. The provisions 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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Changes

The changes in the School District's indebtedness during the year ended June 30, 2013 and 2012 are as follows:

	Balance June 30, 2013	Balance June 30, 2012	Amounts Due Within One Year
10 Serial Bond	\$ 8,945,000	\$ 9,595,000	\$ 665,000
12 Serial Bond	3,476,639	5,034,255	1,565,000
OPEB Liability	4,313,279	3,911,842	-
Compensated absences	138,366	210,641	-
	<u>\$16,873,284</u>	<u>\$18,751,738</u>	<u>\$ 2,230,000</u>

During the year, the District made principal payments on its serial bonds in the amount of \$2,180,000. The net change in compensated absences was a decrease of \$72,275 during the fiscal year ended June 30, 2013. During the current year, post-employment benefits liability increased in the amount of \$401,437.

d. Maturity

1. The following is a summary of serial bonds indebtedness:

Description of Issue	Outstanding at June 30, 2013
<u>Serial Bonds</u>	
Serial Bonds, issued in 2010 with a maturity date of 2026, bonds carry interest at 3.500%. Proceeds used to fund additions and reconstruction projects.	\$ 8,945,000
<u>Refunded Serial Bonds:</u>	
Serial Bonds, issued in 2012 with a maturity date of 2016, bonds carry interest at 2.000-3.000%. Proceeds used to fund additions and reconstruction projects.	3,415,000
Subtotal of serial bonds	<u>12,360,000</u>
Plus: unamortized bond premiums on bond issuance, net of refunding costs.	61,639
	<u>\$ 12,421,639</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity (continued)

Year	Serial Bonds – 2010	
	Principal	Interest
2014	\$ 665,000	\$ 305,413
2015	685,000	285,463
2016	700,000	264,913
2017	725,000	243,913
2018	750,000	222,163
2019-2023	4,135,000	724,288
2024-2026	1,285,000	78,000
Total	<u>\$ 8,945,000</u>	<u>\$ 2,124,153</u>

Year	Serial Bonds – 2012	
	Principal	Interest
2014	\$ 1,565,000	\$ 102,450
2015	915,000	55,500
2016	935,000	28,050
Total	<u>\$ 3,415,000</u>	<u>\$ 186,000</u>

e. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$457,963 for the year ended June 30, 2013.

f. Bond premiums

Bond premium of \$61,639 was recorded as other sources in the debt service fund on the combined statement of revenue, expenditures and changes in fund equity – governmental funds. However, on the government wide-financial statements bond premiums are recorded as a liability and amortized over the life of the bonds using the effective interest rate method.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

3. Refunding of Long-Term Debt

On June 19, 2012, \$4,975,000 in general obligation bonds, with interest rates ranging between 2.000% and 3.000% were issued to advance refund \$4,975,000 of outstanding bonds with interest rates ranging between 2.625% and 4.000%. The net proceeds of \$4,975,000 (including a premium of \$204,957 and after payment of \$115,702 in underwriting fees, insurance, and other issuance costs and \$89,255 of accrued interest) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payment on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the financial statements. The outstanding balance on the defeased bonds was \$4,975,000. The net present value of total savings in debt service cost is estimated to be \$106,263. Unamortized capitalized bond issue costs related to refunding bonds were \$115,702 as of June 30, 2012.

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

4. Debt Issuance Costs and Amortization

Debt issuance costs and net premiums resulting from bond and other debt refinancing are being amortized over the life of the related debt using the interest method. Those costs are accordingly included in the outstanding principal balances of the bonds.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity

A. Classification

The District's fund equity is comprised of various components.

Fund	Reservation Purposes	Balance June 30, 2013
Nonspendable:		
Food Service	Inventory	\$ 33,775
Restricted:		
General	Reserve for employee benefits	\$ 257,393
	Reserve for unemployment insurance	199,799
	Reserve for retirement system credits	736,352
	Reserve for repairs	203,661
	Reserve for tax certiorari	201,819
	Reserve for workers' compensation	171,783
	Reserve for capital	806,992
		<u>\$ 2,577,799</u>
Debt Service	Reserve for debt service	\$ 21,977
Fiduciary	Reserve for endowment scholarships	\$ 27,153
Assigned:		
General	Appropriated Fund Balance	\$ 600,000
	Encumbrances	43,000
		<u>\$ 643,000</u>
Food Service	Fund Equity	\$ 127,310

B. District-wide Net Assets

Net assets of the District include restricted net assets of \$2,599,776 which represent restricted amounts in the general and debt service funds as presented above.

C. Deficit Fund Balance

Capital Project Fund – The District's capital project fund had an accumulated deficit of \$183,428 as of June 30, 2013. It is not uncommon for school districts to have deficit fund balances in the capital projects funds as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or redeemed at which time such proceeds are recorded as other financing sources revenue.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The *Elmira Heights Central School* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

2. Risk Sharing Pools

For its employee health coverage, *Elmira Heights Central School* was a participant in the Central Southern Tier Plan (CST), a public entity risk pool operated for the benefit of 7 individual school districts. The School District paid monthly premiums to the Plan for this health coverage.

Effective July 1, 2013, the District withdrew from the CST Plan and joined the NY44 Health Benefits Plan which was established in 2003 by Erie 1 BOCES and has approximately 45 entities in the Plan. As a result of its withdraw from the CST Plan, the District was required to make a payment in the amount of approximately \$273,000 for claim runoffs, which was applied against a liability established in prior years by the District.

The District has a self-insured plan for dental coverage. The plan is administered by a third party administrator who pays the claims directly. The District then reimburses the third party administrator for the exact amount of claims paid.

The *Elmira Heights Central School* has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees.

B. Federal and State Grants

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Commitments and Contingencies (continued)

C. Compensated Absences

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$151,399 as of June 30, 2013 for accumulating non-vesting sick leave.

D. Contingencies

The District, in the normal course of its operations, is involved in various other litigation and arbitration cases. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the District's financial position.

NOTE 4 – PRIOR PERIOD ADJUSTMENT

The District restated its beginning net assets and fixed assets, net of depreciation. The effect of this prior period adjustment was a net increase to beginning governmental net assets in the amount of \$62,137.

In addition, the District restated its general fund beginning fund equity in the amount of \$8,200 for expenditures reported on its state report in the fiscal year ended June 30, 2012 which was not reflected on the prior year audit.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 7, 2013, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ELMIRA HEIGHTS CENTRAL SCHOOL
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 6,997,715	\$ 6,997,715	\$ 6,956,729	\$ (40,986)
Real property tax items	160,779	160,779	146,732	(14,047)
Charges for services	109,400	110,200	196,385	86,185
Use of money and property	134,650	134,650	142,813	8,163
Sale of property and compensation for loss	40,000	40,000	39,791	(209)
Miscellaneous	287,273	303,383	305,132	1,749
State Sources:				
Basic formula	8,363,354	8,363,354	8,419,475	56,121
BOCES	1,609,219	1,609,219	1,494,803	(114,416)
Textbooks	62,743	62,743	61,105	(1,638)
All other aid	239,949	267,847	1,208,416	940,569
Federal Sources:				
Medicaid reimbursement	125,000	125,000	60,995	(64,005)
Total revenue	18,130,082	18,174,890	19,032,376	857,486
Other Sources				
Operating transfer in	661,692	661,692	35,975	(625,717)
Total revenue and other sources	18,791,774	18,836,582	\$ 19,068,351	\$ 231,769
Appropriated fund equity	672,170	726,855		
Total revenue, other sources and appropriated fund equity	\$ 19,463,944	\$ 19,563,437		

	Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 14,376	\$ 10,444	\$ 9,568	\$ -	\$ 876
Central administration	209,210	207,211	203,358	-	3,853
Finance	449,106	433,058	425,034	-	8,024
Staff	53,151	49,232	44,600	-	4,632
Central services	1,686,172	1,666,640	1,354,337	-	312,303
Special items	388,827	441,090	427,554	-	13,536
Instructional:					
Instruction, administration and improvement	373,646	413,764	380,794	50	32,920
Teaching - regular school Programs for children with handicapping conditions	4,704,419	4,588,755	4,556,208	10,080	22,467
Teaching - special schools	2,886,796	2,901,029	2,860,198	612	40,219
Occupational education	110,981	112,869	112,635	-	234
Instructional media	635,142	641,492	641,492	-	-
Pupil services	123,728	124,378	107,227	18,994	(1,843)
	450,373	464,219	438,588	-	25,631
Pupil Transportation	467,584	467,249	444,322	-	22,927
Employee Benefits	3,973,129	4,101,814	4,124,195	13,264	(35,645)
Debt Service:					
Debt service principal	2,415,620	2,400,400	2,400,400	-	-
Debt service interest	471,064	468,818	468,818	-	-
Total expenditures	<u>19,413,324</u>	<u>19,492,462</u>	<u>18,999,328</u>	<u>43,000</u>	<u>450,134</u>
Other Uses:					
Transfer to other funds	50,620	70,975	70,972	-	3
Total other uses	<u>50,620</u>	<u>70,975</u>	<u>70,972</u>	<u>-</u>	<u>3</u>
Total expenditures and other uses	<u>\$ 19,463,944</u>	<u>\$ 19,563,437</u>	<u>19,070,300</u>	<u>\$ 43,000</u>	<u>\$ 450,137</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses			<u>\$ (1,949)</u>		

ELMIRA HEIGHTS CENTRAL SCHOOL
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Schedule SS1A

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	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 22,202	\$ 12,243	\$ (9,959)
Federal sources	250,217	275,884	25,667
Sales	146,931	141,771	(5,160)
Miscellaneous	3,374	2,554	(820)
Surplus food	36,000	34,253	(1,747)
Use of money and property	231	259	28
Total revenue	<u>458,955</u>	<u>466,964</u>	<u>8,009</u>
Expenditures			
General support	154,375	155,141	(766)
Employee benefits	43,761	46,843	(3,082)
Cost of sales	220,642	209,980	10,662
Other expenses	57,852	60,558	(2,706)
Total expenditures	<u>476,630</u>	<u>472,522</u>	<u>4,108</u>
Excess of revenue over expenditures	(17,675)	(5,558)	12,117
Other sources (uses)			
Transfer to general fund	(17,325)	(35,825)	(18,500)
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>\$ (35,000)</u>	<u>(41,383)</u>	<u>\$ (6,383)</u>
Fund equity, beginning of year		<u>202,468</u>	
Fund equity, end of year		<u>\$ 161,085</u>	

ELMIRA HEIGHTS CENTRAL SCHOOL
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2013

Schedule SS2

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CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 19,391,774
Additions:	
Prior year encumbrances	72,170
Original Budget	19,463,944
Budget Revisions:	
Gifts, donations and other state aid	44,808
Additional use of fund balance	54,685
Final budget	<u>\$ 19,563,437</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2013-14 voter-approved expenditure budget	
Maximum allowed (4% of 2013-14 budget)	\$ 20,054,526
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	643,000
Unassigned fund balance	767,074
Total un restricted fund balance	<u>1,410,074</u>
Less:	
Appropriated fund balance	600,000
Insurance recovery reserve	-
Tax reduction reserve	-
Enumbrances included in committed and assigned fund balance	43,000
Total adjustments	<u>643,000</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 767,074</u>
Actual percentage	<u>3.8%</u>

* Per Office of State Comptroller's "Fund Balance Reporting and Governmental Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of the General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

ELMIRA HEIGHTS CENTRAL SCHOOL
BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Schedule SS4A

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Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school	N/A	2013	\$ N/A	\$ 114,436	\$ 114,436
Universal Pre-kindergarten	0409-13-7078	2013	160,194	167,745	167,745
School lunch programs	N/A	2013	N/A	9,791	9,791
School breakfast programs	N/A	2013	N/A	2,452	2,452
				<u>\$ 294,424</u>	<u>\$ 294,424</u>

ELMIRA HEIGHTS CENTRAL SCHOOL

Schedule SS4B

***NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013***

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the ***Elmira Heights Central School*** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Non-monetary Federal Program

The accompanying ***Elmira Heights Central School*** is the recipient of a non-monetary federal award program. During the year ended June 30, 2013, the District reported in the Schedule of Federal Awards \$34,253 of donated commodities at fair market value received and disbursed.

ELMIRA HEIGHTS CENTRAL SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Schedule SS4C

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
Passed through NYS					
Department of Education:					
Title I *	84.010A	0021-13-2860	\$ 292,069	\$ 285,457	\$ 285,457
Title I *	84.010A	0021-12-2860	10,262	10,262	10,262
Title I - School Improvement *	84.010A	0021-13-2150	11,353	11,353	11,353
Title II, Part A	84.367A	0147-13-2860	48,330	48,330	48,330
Race to the Top, ARRA	84.395A	5500-13-2860	32,566	32,566	32,566
IDEA Part B, Section 611 **	84.027A	0032-13-0858	237,851	237,851	237,851
IDEA Part B, Section 619 **	84.173A	0033-13-0858	5,525	5,525	5,525
US Department of Agriculture:					
Passed through NYS					
Department of Education:					
National School Breakfast Program ***	10.553	N/A	N/A	36,099	36,099
National School Lunch Program ***	10.555	N/A	N/A	239,785	239,785
Passed through NYS					
Office of General Services:					
National School Lunch Program					
Noncash assistance (Donated Commodities) ***	10.555	N/A	N/A	34,253	34,253
Total expenditures and revenue				\$ 941,481	\$ 941,481

* Constitutes a cluster of Federal programs

ELMIRA HEIGHTS CENTRAL SCHOOL
SCHEDULE OF MAJOR PROGRAMS TESTED
FOR THE YEAR ENDED JUNE 30, 2013

Schedule SS4D

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Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 941,481</u>
Major Programs Tested (Type A):		
U.S. Department of Education - Title I	84.010A	\$ 307,072
National School Breakfast Program ***	10.553	36,099
National School Lunch Program		
Cash Assistance***	10.555	239,785
Non-Cash Assistance (commodities)***	10.555	<u>34,253</u>
Total major programs tested		<u>\$ 617,209</u>
% of Federal programs tested		<u>66%</u>

*** Constitutes a cluster of Federal programs

ELMIRA HEIGHTS CENTRAL SCHOOL
SCHEDULE OF CERTAIN REVENUE AND EXPENDITURES
COMPARED TO ST-3 DATA – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

Schedule SS5

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	Account Code	ST-3 Amount	Audited Amount
Revenues			
Property taxes	A-1001	\$ 7,103,461	\$ 7,103,461
Non-property taxes	AT-1199	-	-
State aid	AT-3999	11,183,799	11,183,799
Federal aid	AT-4999	60,995	60,995
Total revenue	AT-5999	19,068,351	19,068,351
Expenditures			
General support	AT-1999	2,464,451	2,464,451
Pupil transportation	AT-5599	444,322	444,322
Debt service - principal	AT-9798.6	2,400,400	2,400,400
Debt service - interest	AT-9798.7	468,818	468,818
Total expenditures	AT-9999	\$ 19,070,300	\$ 19,070,300

ELMIRA HEIGHTS CENTRAL SCHOOL
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2013

Schedule SS6

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Capital Assets	\$ 27,964,538
Less:	
Serial bonds - capital and transportation related	(12,421,639)
Bond anticipation notes	(811,012)
Plus:	
Cash in capital projects fund, net of related payables	<u>627,584</u>
Net investment in capital assets	<u>\$ 15,359,471</u>

ELMIRA HEIGHTS CENTRAL SCHOOL
SCHEDULE OF FUNDING PROGRESS
FOR THE YEARS ENDED JUNE 30, 2013, 2012 AND 2011

Schedule SS7

Page 43

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded Actuarial Accrued Liability ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
June 30, 2013	\$ -	\$ 19,693,900	\$ 19,693,900	0%	\$ 6,728,431	292.7%
June 30, 2012	\$ -	\$ 23,715,947	\$ 23,715,947	0%	\$ 6,692,766	354.4%
June 30, 2011	\$ -	\$ 22,766,699	\$ 22,766,699	0%	\$ 6,688,270	340.4%



**INDEPENDENT AUDITORS' 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"**

**To the President and
Members of the Board of Education
Elmira Heights Central School
Elmira Heights, New York**

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 *Elmira Heights Central School* as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise *Elmira Heights Central School's* basic financial statements and have issued our report thereon dated October 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered *Elmira Heights Central School'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 *Elmira Heights Central School's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Elmira Heights Central School's* internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that deficiencies, significant deficiencies and material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2013-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Elmira Heights Central School's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Elmira Heights Central School's Response to Finding

Elmira Heights Central School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. *Elmira Heights Central School's* response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Other Matters

We noted other matters that we have reported to management of *Elmira Heights Central School* in a separate letter dated October 7, 2013.

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 result of that testing, and not provided 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 7, 2013**



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

**To the President and
Members of the Board of Education
Elmira Heights Central School
Elmira Heights, New York**

Report on Compliance for Each Major Federal Program

We have audited *Elmira Heights Central School's* 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 *Elmira Heights Central School's* major federal programs for the year ended June 30, 2013. *Elmira Heights Central School's* major federal programs are identified in the Summary of Audit 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of *Elmira Heights Central School'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 *Elmira Heights Central School'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 legal determination on *Elmira Heights Central School's* compliance.

Opinion on Each Major Federal Program

In our opinion, *Elmira Heights Central School* complied, in all material respects, with the 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, 2013.

Report on Internal Control Over Compliance

Management of *Elmira Heights Central School* 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 *Elmira Heights Central School'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 the 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 award 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 the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted other matters that we have reported to management of *Elmira Heights Central School* in a separate letter dated October 7, 2013.

Purpose of this Report

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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 7, 2013**

**ELMIRA HEIGHTS CENTRAL SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

I. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements of *Elmira Heights Central School*.
2. One deficiency relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". This condition is reported as a significant deficiency and is described in the accompanying schedule of findings and questioned costs as item II.A. 2013-1.
3. No instances of noncompliance material to the financial statements of *Elmira Heights Central School* reported in the 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".
4. There were no deficiencies relating to the audit of the major federal assistance programs of the *Elmira Heights Central School* as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal assistance programs for the *Elmira Heights Central School* expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

Name	CFDA#	Program Type	Expenditures Amounts
U.S. Department of Education- Title I	84.010A	Type A	\$ 307,072
National School Lunch ***	10.555	Type A	239,785
National School Breakfast***	10.553	Type A	36,099
Donated Commodities****	10.555	Type A	34,253
Total tested			\$ 617,209
Percentage of total programs tested			66%

*** Constitutes a cluster of Federal programs.

8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. *Elmira Heights Central School* does not qualify as a low-risk auditee.

**ELMIRA HEIGHTS CENTRAL SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

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II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2013-1 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2013

Condition and criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District.

Effect: AU-C entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming with Generally Accepted Accounting Principles (GAAP).

Auditors' Recommendations: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

School District's Response: The District has received, reviewed and accepted all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements.

Year ended June 30, 2012

There were no internal control findings reported upon during the fiscal year ended June 30, 2012. The audit for the fiscal year ended June 30, 2012 was conducted by other auditors.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2013

There were no compliance findings reported upon during the fiscal year ended June 30, 2013.

Year ended June 30, 2012

There were no compliance findings reported upon during the fiscal year ended June 30, 2012. The audit for the fiscal year ended June 30, 2012 was conducted by other auditors.

ELMIRA HEIGHTS CENTRAL SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2013

There were no compliance findings reported upon during the fiscal year ended June 30, 2013.

Year ended June 30, 2012

There were no compliance findings reported upon during the fiscal year ended June 30, 2012. The audit for the fiscal year ended June 30, 2012 was conducted by other auditors.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2013

No findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2013.

Year ended June 30, 2012

No findings related to internal control over compliance were reported during the fiscal year ended June 30, 2012. The audit for the fiscal year ended June 30, 2012 was conducted by other auditors.



October 7, 2013

**To the President and Members of the
Board of Education
and School Administration
Elmira Heights Central School
Elmira Heights, New York**

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2013 of the District's financial statements and have issued our reports thereon dated October 7, 2013. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by Government Auditing Standards.

In planning and performing our audit of the financial statements of the *Elmira Heights Central School* for the year ended June 30, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the District generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2009 through June 30, 2013. In addition, we have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Elmira Heights Central School's* has provided responses to additional comments that follow, however, we did not audit such responses and, accordingly, we express no opinion on them.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 7, 2013**

ELMIRA HEIGHTS CENTRAL SCHOOL
REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND
EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)

	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009
Revenue and other sources					
Property taxes	\$ 7,103	\$ 6,899	\$ 6,603	\$ 6,477	\$ 6,406
State aid	11,184	9,779	10,010	10,846	10,498
All other	781	769	1,651	1,318	555
Proceeds from issuance of debt	-	-	-	-	-
	<u>19,068</u>	<u>17,447</u>	<u>18,264</u>	<u>18,641</u>	<u>17,459</u>
Expenditures and other uses					
General support	2,465	2,487	2,559	2,509	2,535
Instruction	9,097	8,951	8,576	8,798	8,799
Transportation	444	440	428	431	440
Benefits	4,124	3,734	3,886	3,235	3,304
Debt	2,869	2,818	2,797	2,627	2,010
Transfers	71	64	82	38	42
	<u>19,070</u>	<u>18,494</u>	<u>18,328</u>	<u>17,638</u>	<u>17,130</u>
Excess (deficiency) of revenue over expenditures	(2)	(1,047)	(64)	1,003	329
Fund equity					
Beginning of year	<u>3,990</u>	<u>5,037</u>	<u>5,101</u>	<u>4,098</u>	<u>3,769</u>
End of year	\$ 3,988	\$ 3,990	\$ 5,037	\$ 5,101	\$ 4,098
Analysis of fund equity					
Restricted					
Reserve for repairs	\$ 204	\$ 204	\$ 203	\$ 203	\$ 202
Reserve for retirement system credits	736	1,040	-	-	-
Reserve for tax certiorari	202	273	280	258	61
Reserve for employee benefits	257	241	1,283	1,124	1,020
Reserve for unemployment insurance	200	225	224	124	123
Reserve for workers' compensation	172	256	256	155	155
Reserve for capital	807	807	805	803	800
Assigned					
Reserve for encumbrances	43	-	-	140	195
Next year's budget	600	600	1,147	701	400
Unassigned	<u>767</u>	<u>344</u>	<u>839</u>	<u>1,593</u>	<u>1,142</u>
	<u>\$ 3,988</u>	<u>\$ 3,990</u>	<u>\$ 5,037</u>	<u>\$ 5,101</u>	<u>\$ 4,098</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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Fixed Assets

Prior to 2013, the District utilized an appraisal company to maintain its fixed assets records and calculate annual depreciation expense. During 2013, the District contracted with the Central Business Office of the Greater Southern Tier BOCES to maintain its fixed asset records. As of June 30, 2013, the database of fixed assets maintained by the BOCES was not fully reconciled with the amounts previously reported by the appraisal company. We commend the District in its commitment to maintain accurate fixed asset records and recommend that they assist the BOCES in reconciling these fixed asset records to ensure future report is accurate and consistent.

In addition, an inventory of School District equipment and material should be performed on an annual basis, with any discrepancies between the physical count and the District appraisal being investigated and explained. Adherence to this policy is a sound accounting practice that helps to safeguard the District's assets, and limits the possibility of their loss or misappropriation. We recommend that the District consider maintaining a perpetual inventory system for all inventory. By maintaining an ongoing inventory system, the District would strengthen its controls over inventory in the cafeteria and safeguard against loss or misuse.

A year-end, a physical inventory should be performed on which is then compared with the perpetual inventory with any differences investigated. The physical and perpetual inventory reports should be provided to the business office for review and comparison with records maintained by the third-party. Performing inventories is a sound accounting practice that helps to safeguard the District's assets, and limits the possibility of their loss or misappropriation. Recognizing the District has limited staff, the District should consider whether there are alternative procedures that may mitigate risk, such as having the claims auditor perform spot checks of inventory/equipment that was purchased during the year or identifying and inventorying the equipment and supplies that are most susceptible to loss, theft or misuse.

District's response: The District continues to work with the CBO to reconcile the fixed asset listing. We will also receive a complete physical inventory in 2015 from CBIZ. The District will also research possible perpetual inventory systems that may be available through BOCES computer services or that other districts may be using. Depending on the cost and availability of personnel to maintain a perpetual inventory we will explore the possibility of the claims auditor performing spot checks of inventory/equipment purchased during the year that might be most susceptible to loss, misuse or theft.

Fund Balance Reserves

As of June 30, 2013, the District has certain fund balance reserves. The New York State Comptroller's Office in its audits of school districts has increased its scrutiny of fund balance reserves established by districts. We recommend that the District ensure that as reserves are established and utilized that New York State required procedures are closely followed. Further, for existing and future reserves we recommend that the District document its rationale to support the purpose and dollar level of the reserves along with a chronological history of the board and voter actions taken to create, fund, and utilize reserves. In addition, we recommend that the District consider forming a long-term plan with regard to funding and use of each reserve. This worksheet should be carried forward to future years and provide important historical data of all reserves of the District.

In addition, it was brought to our attention during the course of the audit that the District's employee benefit accrued liability reserve (EBLAR) is adjusted at the end of each fiscal year to a level that is consistent with the District's calculated compensated absence balance. Although, the EBLAR reserve is allowed to be funded for such purposes, the District should increase its balance (fund the reserve) only when the Board of Education provides authority to do so. In addition, the balance should only be reduced for payments that are made during the year for compensated absences.

District's response: A history of reserves has been kept since 2006. This history documents the Board's authorization and rationale for increase/decreasing reserves.

Specific board approval is not obtained on an annual basis for adjusting the EBALR reserve to the calculated compensated absence balance. In the future all adjustments to the EBALR reserve will be board authorized, including the annual adjustment as calculated.

The Board reviews reserve accounts on an annual basis or more frequently as needed as they realize that especially in difficult times long-range planning is crucial.

Compensated Absences

The District's contracts with its various employees and collective bargaining units provide for compensated absences for sick and personal reasons. Unused time accumulates in accordance with the various contracts and may be utilized to partially fund the employees cost of health insurance purchased through the District upon retirement. The District maintains records of accumulated time for each employee which is quantified at year-end and recognized as a liability in the District's general fund. We recommend that the District evaluate the recording of liabilities for accumulated compensated absences in accordance with both the full accrual (district-wide) and modified accrual (funds) basis of accounting. Only those amounts that are deemed current should be included as a liability in the general fund. In addition, any amounts that are reflected as a liability should also not be reserved for in the District's employee benefit accrued liability reserve (EBLAR).

District's response: The District will review the reserve and liability accounts to make sure the proper accounting procedures are applied for the reserve funds. In addition the proper procedures will be reviewed with the audit team in advance of the end of the next fiscal year.

Forecasts/Projection

The District should continue to prepare projections of future revenue and expenditures and should consider developing a three to five year financial plan. This plan is particularly important as a result of the potential for future declines in Federal and State aid, increases in contractual expenditures and increases in retirement system contribution rates. We realize that such a plan will require the use of estimates and assumptions of information such as the amount of expected Federal and State Aid, expected rate increase in retirement systems and health insurance, potential increase in salaries, etc. However, we believe this plan could be a very useful tool that the District can utilize when negotiating employee contracts, setting future tax rates, purchasing future equipment, establishing reserves and utilizing fund balance.

District response: The District currently has a four year projection in place from November 2012. The current projection will be updated this fall with 2012-13 actual numbers and revised projections based on current information.

Real Property Tax Cap

Because the tax cap is still relatively new and more information continues to be relayed by various New York State agencies, we recommend that the District continue to participate in seminars and webinars in future years to keep abreast of any changes or further clarification. In addition the District should maintain substantiation for all exclusion calculation, PILOT adjustments and carry forward amounts.

District response: The Business Manager currently attends the Questar III bi-annual seminars and any pertinent webinars offered by SED/NYSSBA/NYSASBO, etc to keep current with changes in the rules and regulations. In addition all calculations for the tax cap are maintained in a binder for each year. The District was recently audited for its 2013-14 tax cap calculation and received a letter from the comptroller that the calculations were within the allowable tolerance.

ELMIRA HEIGHTS CENTRAL SCHOOL

*EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT*

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

*WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS*

INDEPENDENT AUDITORS' REPORT

**To the President and
Members of the Board of Education
Elmira Heights Central School
Elmira Heights, New York**

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the *Elmira Heights Central School* for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

The records of the Extraclassroom funds of the *Elmira Heights Central School* were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

Qualified Opinion

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the basis for qualified opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the *Elmira Heights Central School* for the year ended June 30, 2013 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 7, 2013**

ELMIRA HEIGHTS CENTRAL SCHOOL
ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND
JULY 1, 2012 THROUGH JUNE 30, 2013

	Balances July 01, 2012	Total Receipts 2012-13	Total Receipts & Balances	Total Payments 2012-13	Balances June 30, 2013
Class of 2010	\$ 5,177	\$ -	\$ 5,177	\$ 5,177	\$ -
Class of 2011	7,416	-	7,416	7,416	-
Class of 2012	5,326	455	5,781	71	5,710
Class of 2013	16,413	25,382	41,795	36,362	5,433
Class of 2014	4,056	23,400	27,456	14,342	13,114
Class of 2015	3,003	3,764	6,767	2,730	4,037
Builders' Club	778	9,740	10,518	6,545	3,973
Eighth Grade Class	1,640	722	2,362	801	1,561
Key Club	1,876	6,385	8,261	7,444	817
Medieval Festival Club	829	738	1,567	879	688
Middle School Band	-	3,273	3,273	2,382	891
Middle School Store	1,552	3,580	5,132	2,908	2,224
Middle School Council	1,774	3,637	5,411	3,702	1,709
Middle School Yearbook	805	2,334	3,139	2,508	631
Sales Tax	729	2,511	3,240	2,571	669
Seventh Grade Class	863	4,817	5,680	5,613	67
Ski Club	6,671	2,360	9,031	3,730	5,301
Student Council	772	1,153	1,925	1,850	75
Student Council Savings	14,223	12,603	26,826	1,260	25,566
TAE Art Club	100	122	222	131	91
TAE Band Club	4,204	85	4,289	1,671	2,618
TAE Yearbook	-	3,975	3,975	3,975	-
Total activity fund	\$ 78,207	\$ 111,036	\$ 189,243	\$ 114,068	\$ 75,175

**ELMIRA HEIGHTS CENTRAL SCHOOL
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of **Elmira Heights Central School**. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$75,175 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

The accounts of the Extraclassroom Activity Fund of **Elmira Heights Central School** are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.

**ELMIRA HEIGHTS CENTRAL SCHOOL
EXTRACLASSROOM ACTIVITY FUND
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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During the course of our audit of the extraclassroom activities, we noted the following:

Point of Sale Records

We noted several instances where the receipt of cash lacked point of sale records. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. Due to the lack of point of sale records, cash receipts are not adequate to permit the application of the necessary auditing procedures to indicate whether receipts were recorded. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer and teacher advisor, and be verified or reviewed by the central treasurer.

District's response: The Central Treasurer and the faculty auditor continue to work together and review receipts to determine that proper documentation supports the receipt. We also continue to instruct activity advisors and treasurers in writing and upon review of each activities book to document non-compliance with procedures. In addition the District will be holding a mandatory training for all advisors and student treasurers led by the Business Manager, Central Treasurer and Faculty Auditor which will cover these procedures and recommend ways to document different types of point of sales.

Approval of Purchases

During the current year we noted that the District has implemented an approval form for purchases which is to be signed by the Student Treasurer, Club Advisor, and Central Treasurer. During our testing we found certain disbursements (majority of those tested) where there was no formal process in place for the prior approval of purchases. We recommend the District develop a system in which formal approval of purchases is documented and properly approved.

District response: The teacher advisors have been instructed to document in meeting minutes in advance when disbursements are authorized. The District has provided a standard form for meeting minutes which contains a specific place for disbursement approvals. Also, since the District is using WinCap as its accounting software for extra classroom activities we will explore the implementation of the use of purchase orders for disbursements to be authorized in advance.

Sales Tax

We noted that during our disbursement testing that often purchases were being made by the extra classroom fund as if purchases were exempt from sales tax. During instances where items are purchased for resale, the sales tax may be remitted based on the amount sold; however, in instances where items are not being resold sales tax should be paid.

We recommend that extraclassroom advisors and student treasurers be instructed that the District's tax exempt status is not valid for purchases by extraclassroom organizations and when sales tax should be remitted.

District response: Extraclassroom advisors and student treasurers have been told that the extraclassroom fund is not tax exempt and it is not permissible to use the District's tax exempt status. We will continue to stress this and will focus on it during the training session to be held.

Fundraiser Approval/ Gross Margin Analysis

The District should consider a form to document the approval of all fundraisers. This form should include a description of the fundraising activities, the timeframe for the activity, and the expected revenue and expenditures. At the conclusion of the fundraiser the Activity is expected to compare the actual revenue and expenditures to the expected results. We recommend that going forward these forms be required to be completed for each individual fundraiser. Further, we recommend that these forms be filed separate from the receipts and disbursements records and that they be analyzed by someone in an oversight role to ensure that fundraisers meet budgeted expectations and achieve appropriate margins.

District's response: The high school principal maintains a calendar of approved fundraising. The annual fundraisers held by individual classes at the high school and certain other fundraisers are included on this calendar but are "pre-approved" by being included on the official District-wide calendar. They do not have to be approved individually. However, all other fundraisers are to be approved on the proper form submitted to the principal prior to being held. All fundraisers are expected to have a profit and loss submitted after the fundraiser is held and all expenses have been paid. However it may be prudent to incorporate the profit and loss statement with the fundraiser approval form so that the principal can review prior to authorizing the fundraiser. This would ensure the appropriate authorization is given and that the activity expects to achieve appropriate margins.

**ELMIRA HEIGHTS CENTRAL SCHOOL
EXTRACLASSROOM ACTIVITY FUND
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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Timely Deposits

During our audit, we noticed certain instances where it appeared that deposits were not being made in a timely manner. We recommend that when cash is received by the extraclassroom activity fund it is deposited in the bank.

District's response: Board policy dictates that all money is to be deposited in a specific number of business days. All advisors will again be reminded they must submit their deposits in the specific time frame dictated by Board policy.