

***ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT***

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***FOR THE FISCAL YEAR ENDED JUNE 30, 2014***

***WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS***

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**

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**INDEPENDENT AUDITOR'S REPORT**

To the President and Members of  
The Board of Education  
*Elmira Heights Central School District*  
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 District* as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the *Elmira Heights Central School District'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 District* as of June 30, 2014, 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

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

**Emphasis-of-matter**

As discussed in Note 4 to the financial statements, fixed assets, accumulated depreciation, and net position have been adjusted in the statement of net position as of and for the year ended June 30, 2014, resulting from the District transferring its fixed assets to a new software program. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited the **Elmira Heights Central School District's** June 30, 2013 financial statements, and our report dated October 7, 2013, 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, 2013, 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 33 through 34, 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 District'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 September 25, 2014 on our consideration of **Elmira Heights Central School District'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 District's** internal control over financial reporting and compliance.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
September 25, 2014**

**I. Discussion and Analysis**

The following is a discussion and analysis of the *Elmira Heights Central School District's* financial performance for the year ended June 30, 2014. 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 District* during the fiscal year ended June 30, 2014:

- Overall net position of the District increased from operations during the current year in the amount of \$143,000 as compared to an increase of \$1,063,000 during the prior fiscal year.
- The District's total revenue increased 1% from \$20,419,000 during June 30, 2013 to \$20,604,000 during June 30, 2014. This increase was primarily the result of an increase in property taxes.
- The District's total expenses increased 6% from \$19,356,000 during the year ended June 30, 2013 to \$20,461,000 during the year ended June 30, 2014. This increase was primarily the result of an increase in salaries, benefits, and depreciation expenditures related to the new fixed asset appraisal.

**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 District*.

**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.

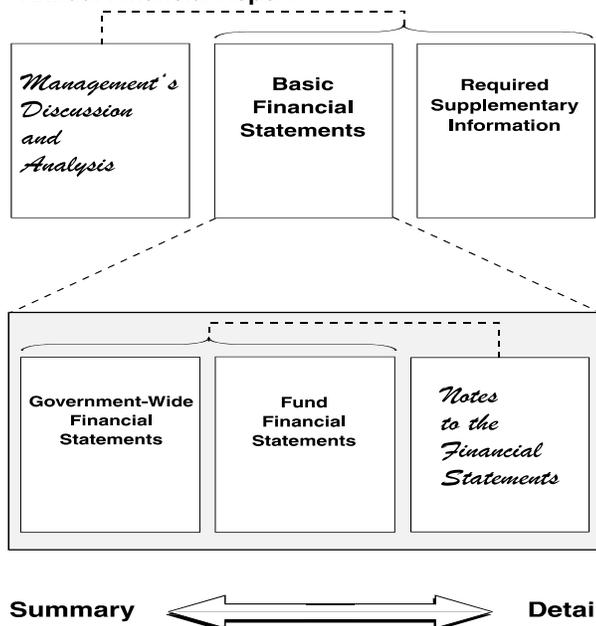
**2. Fiduciary Funds**

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 1%, while total expenses increased 6%. The District's total net assets increased approximately \$143,000 from operations during the fiscal year ended June 30, 2014.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$20,604,000 for the fiscal year ended June 30, 2014. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 37% of the District's total revenue for governmental activities. Tax revenue increased 6% 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 \$10,816,000 or 52% of total governmental revenue. The District's state sources decrease by approximately \$368,000 with the most significant decrease was in tuition from students with disabilities. In the prior year the district received aid for the 2011-12 and 2012-13 year.
- During the year ended June 30, 2014, the District saw a decrease in program revenue which mostly resulted from a decrease in operating grants and contributions which decreased \$108,000 as compared with the prior year revenue. This decrease was primarily due to a decrease in Title I grant and the District no longer receiving the School Improvement Title I grant.

**IV. Financial Analysis of the School District as a Whole**

Net Position

The District's total reporting entity net position was approximately \$13,696,000. The components of net assets include: net investment in capital assets, of \$14,130,000; restricted net position of \$3,322,000; and unrestricted net position deficit of \$3,756,000 as of June 30, 2014.

Changes in Net Position

The District's total government-wide revenue increased by approximately 1% to \$20,604,000. Approximately 37%, 5% and 52% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 6% 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 increased 6% to \$20,461,000. The District's expenses cover a range of services, with 76% 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 \$20,461,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$121,000 or 4% which was primarily due to increases depreciation expense and employee salaries and benefits.
- The District's instruction costs increased by approximately \$1,021,000 or 7% which was primarily due to increases in depreciation expense and employee salaries and benefits.
- Debt service of the District decreased approximately \$38,000 during the year ended June 30, 2014, which was primarily the result of a decrease in interest expense.
- Transportation costs of the District increased 1% or \$11,000 during the year ended June 30, 2014 as a result of increases in contractual costs associated with the sharing of services with horseheads.
- The District's cost of sales (food service fund) totaled \$429,000 during the current year as compared to \$439,000 during the fiscal year ended June 30, 2013. This decrease was the result of a decrease in food costs.
- The District received approximately \$1,487,000 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 (\$ 19.0 million) were financed by real property taxes and state aid.

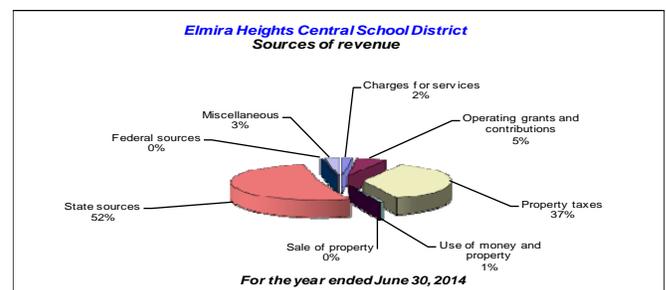
**Figure A-3 – Condensed Statement of Net Assets**

<i>Elmira Heights Central School District</i>			
<i>Condensed Statement of Net Position (in thousands of dollars)</i>			
	Governmental Activities and Total District-wide		
	2014	2013	% Change
<b>Assets</b>			
Current and other assets	\$ 6,256	\$ 6,007	4%
Capital assets	24,872	27,965	-11%
<b>Total assets</b>	<b>\$ 31,128</b>	<b>\$ 33,972</b>	<b>-8%</b>
<b>Liabilities</b>			
Other liabilities	\$ 1,762	\$ 1,900	-7%
Long-term debt outstanding	15,670	16,874	-7%
<b>Total liabilities</b>	<b>17,432</b>	<b>18,774</b>	<b>-7%</b>
<b>Net Position</b>			
Net investment in capital assets	14,130	15,359	-8%
Restricted	3,322	2,600	28%
Unrestricted (deficit)	(3,756)	(2,761)	36%
<b>Total net position</b>	<b>13,696</b>	<b>15,198</b>	<b>-10%</b>
<b>Total liabilities and net position</b>	<b>\$ 31,128</b>	<b>\$ 33,972</b>	<b>-8%</b>

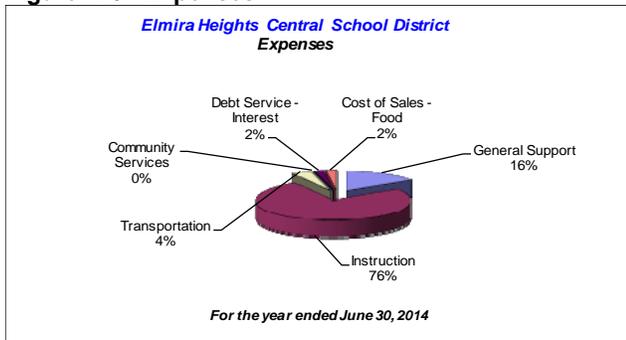
**Figure A-4 – Changes in Net Position**

<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		
	2014	2013	% Change
<b>Revenue</b>			
Program revenue			
Charges for services	\$ 354	\$ 341	4%
Operating grants and contributions	1,133	1,241	-9%
<b>General revenue</b>	<b>7,526</b>	<b>7,103</b>	<b>6%</b>
Real property taxes	143	144	0%
Use of money & property	(3)	40	-109%
Sale of property & comp for loss	10,816	11,184	-3%
State sources	74	61	21%
Federal sources	561	305	84%
Miscellaneous	20,604	20,419	1%
<b>Total revenue</b>	<b>20,604</b>	<b>20,419</b>	<b>1%</b>
<b>Expenses</b>			
General support	3,205	3,084	4%
Instruction	15,578	14,557	7%
Transportation	846	835	1%
Debt service - interest	403	441	-9%
Cost of sales	429	439	-2%
<b>Total expenses</b>	<b>20,461</b>	<b>19,356</b>	<b>6%</b>
<b>Change in net position</b>	<b>\$ 143</b>	<b>\$ 1,063</b>	

**Figure A-5 – Sources of Revenue**



**Figure A-6 - Expenses**



**Figure A-7 – Expenditures Supported with Program Revenue**

	Governmental Activities & Total District	
	2014	2013
Expenditures supported with general revenue (from taxes & other sources)	\$ 18,974 93%	\$ 17,774 92%
Expenditures supported with program revenue	1,487 7%	1,582 8%
<b>Total expenditures related to governmental activities</b>	<b>\$ 20,461 100%</b>	<b>\$ 19,356 100%</b>

**Figure A-8 – Net Cost of Governmental Activities**

	Total cost of services			Net cost of services		
	2014	2013	Change	2014	2013	Change
General support	\$ 3,205	\$ 3,084	\$ 121	\$ 3,205	\$ 3,084	\$ 121
Instruction	15,578	14,557	1,021	14,547	13,451	1,096
Transportation	846	835	11	830	826	4
Debt service - interest	403	441	(38)	403	441	(38)
Cost of sales - food	429	439	(10)	(11)	(28)	17
<b>Total</b>	<b>\$ 20,461</b>	<b>\$ 19,356</b>	<b>\$ 1,105</b>	<b>\$ 18,974</b>	<b>\$ 17,774</b>	<b>\$ 1,200</b>

**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 revenues and other uses exceeded its expenditures and other sources by approximately \$251,000.
- The District's general fund unassigned fund balance equaled approximately \$928,000 as of June 30, 2014.
- The District maintained many fund balance reserves during the year ended June 30, 2014, and had a total restricted and non-spendable fund balance approximated \$2,678,000.
- The District's total assets increased approximately \$430,000 as of June 30, 2014 due to increases in cash. The District's liabilities increased approximately \$178,000, primarily due to an increase in accrued liabilities related to the teachers' retirement system.
- Total revenue in the District's general fund increased \$345,000, which was primarily related to increases in property taxes and the BOCES refund.
- Total expenditures in the District's general fund increased \$83,000 primarily as a result of an increase in salaries and teacher retirement system costs. These increases were partially offset by a decrease in health insurance due to the district change to NY44 consortium.

Food Service Fund

- The District's food service fund experienced a \$18,000 decrease in fund equity in the current year.
- Revenue in the food service fund was \$440,000 during 2014 as compared with \$467,000 in 2013. Expenditures decreased \$50,000 as a result of decreases in equipment and food costs.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$89,000 or 9% which was primarily related to the decrease in Title I funding, and the elimination of the Title I School Improvement grant.

Capital Projects Fund

- The District had expenditures in the amount of \$644,000 in capital projects during the year ended June 30, 2014, which was primarily related to an interfund transfer closing out to general fund and debt service to prior capital projects.

**VI. General Fund Budgetary Highlight**

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$970,000 below the revised budget. The most significant positive variances were in the areas of general support and employee benefits, which were \$326,000 and \$427,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$661,000 above the final budgeted amount. The significant variances in revenue items consisted of favorable variance in local and state sources in the amounts of \$516,000 and \$377,000, respectively, above that budgeted.

**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
<b>Revenue</b>			
Local sources	\$ 7,972	\$ 8,488	\$ 516
State sources	10,439	10,816	377
Federal sources	125	74	(51)
Other sources	209	28	(181)
<b>Total revenue</b>	<b>\$ 18,745</b>	<b>\$ 19,406</b>	<b>\$ 661</b>
<b>Expenditures</b>			
General support	\$ 2,805	\$ 2,479	\$ 326
Instruction	9,542	9,332	210
Transportation	499	493	6
Employee benefits	4,308	3,881	427
Debt service	2,897	2,896	1
Operating transfers	73	73	-
<b>Total expenditures</b>	<b>\$ 20,124</b>	<b>\$ 19,154</b>	<b>\$ 970</b>

**VII. Capital Assets and Debt Administration**

Capital Assets

As depicted in Figure A-10, as of June 30, 2014, the District had invested approximately \$24,872,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment.

Capital additions made during the year ended June 30, 2014, totaled approximately \$7,531 and consisted primarily of costs associated with the capital bus lease. 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, 2014, the District had approximately \$15,670,000 in bonds, compensated absences and other post-employment benefits, a decrease of approximately 7% as compared with the previous year. The decrease in bonds payable was the result of the principal payments made 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		
	2014	2013	Change
Land	\$ 44,028	\$ 44,028	0%
Buildings	35,362,035	36,491,359	-3%
Equipment	4,377,955	3,945,344	11%
Accumulated depreciation	(14,911,753)	(12,516,193)	19%
<b>Total Capital Assets, net</b>	<b>\$ 24,872,265</b>	<b>\$ 27,964,538</b>	<b>-11%</b>

**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		
	2014	2013	Change
Bonds payable	\$ 10,180,388	\$ 12,421,639	-18%
Other post-employment benefits	5,156,562	4,313,279	20%
Compensated absences	332,940	138,366	141%
<b>Total Long-Term Debt</b>	<b>\$ 15,669,890</b>	<b>\$ 16,873,284</b>	<b>-7%</b>

**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 District  
Attention: Mr. Jason Rosno  
Business Manager  
District Business Office  
100 Robinwood Avenue  
Elmira Heights, New York 14903

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2014**

**Schedule 1**

**Page 10**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash		
Unrestricted	\$ 1,802,213	\$ 1,368,270
Restricted	3,322,476	2,599,776
Receivables		
State and federal aid	420,777	635,171
Other receivables	35,796	34,219
Due from other governments	641,890	668,500
Due from fiduciary funds	4	6
Inventories	18,234	33,775
Prepaid expenditures	5,248	-
Cash to be used for capital assets	9,409	667,486
Capital assets, net	24,872,265	27,964,538
Total assets	<u>\$ 31,128,312</u>	<u>\$ 33,971,741</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable & retainage payable	\$ 43,566	\$ 60,956
Accrued liabilities	28,806	193,973
Accrued interest	16,000	19,000
Due to other governments	20,764	284
Due to retirement systems	1,077,824	789,149
Unearned revenue	5,041	17,802
Other liabilities	8,004	8,154
Bond anticipation notes payable	561,826	811,012
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	1,600,000	2,230,000
Portion due or payable after one year		
Bonds payable	8,580,388	10,191,639
Other post-employment benefits	5,156,562	4,313,279
Compensated absences	332,940	138,366
Total liabilities	<u>17,431,721</u>	<u>18,773,614</u>
<b>Net Position</b>		
Net investment in capital assets	14,130,051	15,359,471
Restricted	3,322,476	2,599,776
Unrestricted (deficit)	(3,755,936)	(2,761,120)
Total net position	<u>13,696,591</u>	<u>15,198,127</u>
Total liabilities and net position	<u>\$ 31,128,312</u>	<u>\$ 33,971,741</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Schedule 2**

**Page 11**

	Expenses	Indirect Expenses Allocation	Program Revenues		2014 Net (Expense) Revenue and Changes in Net Position	2013 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
<b>Functions/Programs</b>						
General support	\$ 2,977,715	\$ 227,027	\$ -	\$ -	\$ (3,204,742)	\$ (3,083,521)
Instruction	14,585,625	991,930	222,822	808,020	(14,546,713)	(13,451,834)
Pupil transportation	648,574	197,877	-	16,321	(830,130)	(825,620)
Debt service	403,029	-	-	-	(403,029)	(440,999)
Food service program	428,991	-	130,701	308,826	10,536	28,239
Depreciation	1,416,834	(1,416,834)	-	-	-	-
Total functions and programs	<u>\$ 20,460,768</u>	<u>\$ -</u>	<u>\$ 353,523</u>	<u>\$ 1,133,167</u>	<u>(18,974,078)</u>	<u>(17,773,735)</u>
<b>General Revenues</b>						
Real property taxes					7,526,411	7,103,461
Use of money and property					143,373	143,719
Sale of property and compensation for loss					(3,430)	39,791
Miscellaneous					560,919	305,132
State sources					10,816,475	11,183,799
Federal sources					73,557	60,995
Total general revenues					<u>19,117,305</u>	<u>18,836,897</u>
<b>Change in net position</b>					143,227	1,063,162
Net position - beginning of year					15,198,127	14,072,828
Prior period adjustments					<u>(1,644,763)</u>	<u>62,137</u>
<b>Net position - end of year</b>					<u>\$ 13,696,591</u>	<u>\$ 15,198,127</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2014**

**Schedule 3**

**Page 12**

	Governmental Funds					2014	2013
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
<b>Assets</b>							
Unrestricted cash	\$ 1,814,678	\$ 17,082	\$ 164,077	\$ -	\$ -	\$ 1,995,837	\$ 2,035,756
Restricted cash	2,672,356	-	-	456,496	9,409	3,138,261	2,599,776
Due from other funds	238,403	-	-	193,624	-	432,027	422,564
State and federal aid receivable	216,802	178,253	25,722	-	-	420,777	635,171
Other receivables	34,879	-	917	-	-	35,796	34,219
Due from other governments	641,890	-	-	-	-	641,890	668,500
Inventories	-	-	18,234	-	-	18,234	33,775
Prepaid items	5,248	-	-	-	-	5,248	-
Total assets	\$ 5,624,256	\$ 195,335	\$ 208,950	\$ 650,120	\$ 9,409	\$ 6,688,070	\$ 6,429,761
<b>Liabilities and Fund Equity</b>							
<b>Liabilities</b>							
Accounts payable	\$ 33,605	\$ 552	\$ -	\$ -	\$ -	\$ 34,157	\$ 51,547
Retainage payable	-	-	-	-	9,409	9,409	9,409
Accrued liabilities	27,288	1,013	505	-	-	28,806	193,973
Bond anticipation notes payable	-	-	-	-	561,826	561,826	811,012
Due to other funds	193,624	185,766	52,633	-	-	432,023	422,558
Unearned revenue	883	8,004	4,158	-	-	13,045	25,956
Due to other governments	20,514	-	250	-	-	20,764	284
Due to Teachers' Retirement System	1,009,931	-	-	-	-	1,009,931	721,926
Due to Employees' Retirement System	59,590	-	8,303	-	-	67,893	67,223
Compensated absences	39,245	-	-	-	-	39,245	138,366
Total liabilities	1,384,680	195,335	65,849	-	571,235	2,217,099	2,442,254
<b>Fund Equity</b>							
Nonspendable	5,248	-	18,234	-	-	23,482	33,775
Restricted	2,672,356	-	-	650,120	-	3,322,476	2,599,776
Assigned	633,713	-	124,867	-	-	758,580	770,310
Unassigned (deficit)	928,259	-	-	-	(561,826)	366,433	583,646
Total fund equity (deficit)	4,239,576	-	143,101	650,120	(561,826)	4,470,971	3,987,507
Total liabilities and fund equity	\$ 5,624,256	\$ 195,335	\$ 208,950	\$ 650,120	\$ 9,409	\$ 6,688,070	\$ 6,429,761

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Schedule 4**

**Page 13**

	Governmental Funds					2014	2013
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
<b>Revenue</b>							
Real property taxes	\$ 7,526,411	\$ -	\$ -	\$ -	\$ -	\$ 7,526,411	\$ 7,103,461
Charges for services	222,822	-	-	-	-	222,822	196,385
Use of money and property	142,815	-	141	558	-	143,514	143,978
Sale of property compensation for loss	34,777	-	-	-	-	34,777	39,791
Miscellaneous	560,919	455	2,919	-	-	564,293	307,686
State sources	10,816,475	262,982	11,433	-	-	11,090,890	11,478,223
Federal sources	73,557	560,904	267,655	-	-	902,116	968,223
Surplus food	-	-	29,738	-	-	29,738	34,253
Sales (school food service)	-	-	127,641	-	-	127,641	147,310
Total revenue	19,377,776	824,341	439,527	558	-	20,642,202	20,419,310
<b>Expenditures</b>							
General support	2,479,319	-	158,498	-	-	2,637,817	2,653,389
Instruction	9,331,833	665,489	-	-	-	9,997,322	9,859,990
Pupil transportation	492,842	16,321	-	-	16,881	526,044	683,392
Employee benefits	3,881,161	198,621	48,352	-	-	4,128,134	4,365,822
Debt service							
Principal	2,479,187	-	-	-	-	2,479,187	2,400,400
Interest	417,280	-	-	-	-	417,280	468,818
Capital outlay	-	-	-	-	-	-	22,829
Cost of sales	-	-	194,357	-	-	194,357	191,423
Other expenses	-	-	27,784	-	-	27,784	45,318
Total expenditures	19,081,622	880,431	428,991	-	16,881	20,407,925	20,691,381
<b>Excess (deficiency) of revenue over expenditures</b>	296,154	(56,090)	10,536	558	(16,881)	234,277	(272,071)
<b>Other sources and uses</b>							
BANs redeemed from appropriations	-	-	-	-	249,187	249,187	220,400
Operating transfers in	28,520	56,090	-	627,585	16,881	729,076	125,379
Operating transfers out	(72,971)	-	(28,520)	-	(627,585)	(729,076)	(125,379)
Total other sources (uses)	(44,451)	56,090	(28,520)	627,585	(361,517)	249,187	220,400
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	251,703	-	(17,984)	628,143	(378,398)	483,464	(51,671)
Fund equity (deficit), beginning of year	3,987,873	-	161,085	21,977	(183,428)	3,987,507	4,030,978
Prior period adjustment	-	-	-	-	-	-	8,200
<b>Fund equity (deficit), end of year</b>	\$ 4,239,576	\$ -	\$ 143,101	\$ 650,120	\$ (561,826)	\$ 4,470,971	\$ 3,987,507

See accompanying independent auditor's report and notes to financial statements.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AS OF JUNE 30, 2014**

**Schedule 5**

**Page 14**

	Private Purpose Trusts	Agency Funds	Total 06/30/14	(Memo only) Total 06/30/13
<b>Assets</b>				
Cash	\$ 19,803	\$ 91,565	\$ 111,368	\$ 110,922
Investments in securities	3,995	-	3,995	3,569
Due from other funds	-	247	247	442
Total assets	<u>\$ 23,798</u>	<u>\$ 91,812</u>	<u>\$ 115,610</u>	<u>\$ 114,933</u>
<b>Liabilities</b>				
Accrued liabilities	\$ -	\$ 8,922	\$ 8,922	\$ 12,599
Due to other funds	-	4	4	6
Student extraclassroom activity funds	-	82,886	82,886	75,175
Total liabilities	<u>-</u>	<u>91,812</u>	<u>91,812</u>	<u>87,780</u>
<b>Net Position</b>				
Reserved for scholarships	23,798	-	23,798	27,153
Total liabilities and net position	<u>\$ 23,798</u>	<u>\$ 91,812</u>	<u>\$ 115,610</u>	<u>\$ 114,933</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Schedule 6**

**Page 15**

	06/30/14	(Memo only)	06/30/13
<b>Additions</b>			
Gifts and contributions	\$ 2,637	\$	1,656
Interest earnings	508		521
Total additions	3,145		2,177
<b>Deductions</b>			
Scholarships awarded	6,500		7,800
<b>Change in net position</b>	(3,355)		(5,623)
Net position - beginning of year	27,153		32,776
<b>Net position - end of year</b>	<b>\$ 23,798</b>	<b>\$</b>	<b>27,153</b>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2014**

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**Total fund balances - governmental funds** \$ 4,470,971

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	\$ 39,784,018	
Accumulated depreciation	<u>(14,911,753)</u>	24,872,265

Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(16,000)
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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	(10,180,388)	
Other post-employment benefits	(5,156,562)	
Compensated absences	<u>(293,695)</u>	<u>(15,630,645)</u>

<b>Total net position - governmental activities</b>	<u><u>\$ 13,696,591</u></u>
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	Total Governmental Funds	Capital Related and Deferred Items	Long-term Debt Transactions	Reclassification and Eliminations	Statement of Net Position
<b>Assets</b>					
Cash	\$ 5,134,098	\$ -	\$ -	\$ -	\$ 5,134,098
Due from other funds	432,027	-	-	(432,023)	4
State and federal aid receivable	420,777	-	-	-	420,777
Other receivables	35,796	-	-	-	35,796
Due from other governments	641,890	-	-	-	641,890
Inventories	18,234	-	-	-	18,234
Prepaid expenditures	5,248	-	-	-	5,248
Capital assets, net	-	24,872,265	-	-	24,872,265
Total assets	<u>\$ 6,688,070</u>	<u>\$ 24,872,265</u>	<u>\$ -</u>	<u>\$ (432,023)</u>	<u>\$ 31,128,312</u>
<b>Liabilities and Fund Equity/Net Position</b>					
<b>Liabilities</b>					
Accounts payable	\$ 34,157	\$ -	\$ -	\$ -	\$ 34,157
Retainage payable	9,409	-	-	-	9,409
Accrued liabilities	28,806	-	-	-	28,806
Accrued interest	-	-	16,000	-	16,000
Due to other funds	432,023	-	-	(432,023)	-
Unearned revenue and other liabilities	13,045	-	-	-	13,045
Due to other governments	20,764	-	-	-	20,764
Due to retirement systems	1,077,824	-	-	-	1,077,824
Bond anticipation notes payable	561,826	-	-	-	561,826
Bonds payable	-	-	10,180,388	-	10,180,388
Other post-employment benefits	-	-	5,156,562	-	5,156,562
Compensated absences	39,245	-	293,695	-	332,940
Total liabilities	<u>2,217,099</u>	<u>-</u>	<u>15,646,645</u>	<u>(432,023)</u>	<u>17,431,721</u>
<b>Fund equity and net position</b>	<u>4,470,971</u>	<u>24,872,265</u>	<u>(15,646,645)</u>	<u>-</u>	<u>13,696,591</u>
Total liabilities and fund equity/position	<u>\$ 6,688,070</u>	<u>\$ 24,872,265</u>	<u>\$ -</u>	<u>\$ (432,023)</u>	<u>\$ 31,128,312</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Total net change in fund balances - governmental funds** \$ 483,464

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	\$ 7,531	
Depreciation expense	<u>(1,416,834)</u>	(1,409,303)

Proceeds from the sale of assets are reported as revenue in the governmental funds, whereas in the statement of activities a gain or loss on sale is reported.		(38,207)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,479,187
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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.		(249,187)
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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.		14,251
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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:		
Compensated absences	(293,695)	
Other post-employment benefits	<u>(843,283)</u>	(1,136,978)

<b>Change in net position of governmental activities</b>		<b><u>\$ 143,227</u></b>
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	Total Governmental Funds	Capital Related and Deferred Items	Long-term Debt Transactions	Reclassification and Eliminations	Statement of Activities Totals
<b>Revenue</b>					
Real property taxes	\$ 7,526,411	\$ -	\$ -	\$ -	\$ 7,526,411
Charges for services	222,822	-	-	(222,822)	-
Use of money and property	143,514	-	-	(141)	143,373
Sale of property compensation for loss	34,777	(38,207)	-	-	(3,430)
Miscellaneous	564,293	-	-	(3,374)	560,919
State sources	11,090,890	-	-	(274,415)	10,816,475
Federal sources	902,116	-	-	(828,559)	73,557
Surplus food	29,738	-	-	(29,738)	-
Sales (school food service)	127,641	-	-	(127,641)	-
Total revenue	20,642,202	(38,207)	-	(1,486,690)	19,117,305
<b>Expenditures</b>					
General support	2,637,817	227,027	34,867	305,031	3,204,742
Instruction	9,997,322	984,399	1,102,111	2,462,881	14,546,713
Pupil transportation	526,044	197,877	-	106,209	830,130
Employee benefits	4,128,134	-	-	(4,128,134)	-
Debt service	2,896,467	-	(2,493,438)	-	403,029
Capital outlay	-	-	-	-	-
Cost of sales	194,357	-	-	(204,893)	(10,536)
Other expenses	27,784	-	-	(27,784)	-
Total expenditures	20,407,925	1,409,303	(1,356,460)	(1,486,690)	18,974,078
Excess (deficiency) of revenue over expenditures	234,277	(1,447,510)	1,356,460	-	143,227
<b>Other sources and uses</b>					
BANs redeemed from appropriations	249,187	-	(249,187)	-	-
Operating transfers in	729,076	-	-	(729,076)	-
Operating transfers out	(729,076)	-	-	729,076	-
Total other sources (uses)	249,187	-	(249,187)	-	-
<b>Net change for year</b>	\$ 483,464	\$ (1,447,510)	\$ 1,107,273	\$ -	\$ 143,227

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Page 18**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Significant Accounting Policies**

The accompanying financial statements of the *Elmira Heights Central School District* 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 District* represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. 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 54-57 of this report.

**B. Joint Venture**

The *Elmira Heights Central School District* 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 \$4,803,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$1,425,000 the year ended June 30, 2014. 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 \$332,940. 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. Deferred Inflows and Outflows of Resources**

The District reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide and governmental fund financial statements. The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and governmental fund financial statements. No deferred inflows or outflows of resources affect either of the government-wide or governmental fund financial statements in the current year.

**N. 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.

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

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

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

**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.

**2. Prepaid Reserve**

This reserve is used to restrict a portion of fund balance, relating to prepaid expenses paid in the current year, which is not in spendable form. This reserve is accounted for in the General 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.

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

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**2. Reserve for Employment 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.

**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.

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

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**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.

**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, 2014.

**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)**

**N. 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 \$33,713 as of June 30, 2014.

**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, 2015 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)**

**N. 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)**

**O. 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, 2014.
- e.) During the year ended June 30, 2014, the Board of Education approved transfers from Employee Retirement Reserve of \$275,000 to the General Fund, \$84,560 from the Workers' Compensation Reserve to the General Fund, \$175,000 from the Unemployment Reserve to the General Fund, \$19,000 from the General Fund to the Reserve for Employee Benefits, and \$199,000 from the Tax Certiorari Reserve to the General Fund.

**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)**

**O. 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.

**P. 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.

**Q. Interfund Transfers**

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

**R. Deferred Compensation Plan**

*Elmira Heights Central School District* 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.

**S. 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 District'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, 2014 per the bank were approximately \$5,288,000. Deposits are categorized as follows:

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
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**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**I. Cash (continued)**

**A. Deposits (continued)**

Category 1	Category 2	Carrying Value
\$ 591,000	\$ 4,697,000	\$ 5,288,000

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, 2014, the District's bank deposits were fully collateralized.

**II. Interfund Transactions**

Interfund balances as of June 30, 2014 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 238,403	\$ 193,624
School Lunch Fund	-	52,633
Special Aid Fund	-	185,766
Debt Service Fund	193,624	-
Fiduciary Funds	-	4
Total	<u>\$ 432,027</u>	<u>\$ 432,027</u>

Interfund transfers during the fiscal year ended June 30, 2014 were as follows:

	Interfund Revenue	Interfund Expense
General Fund	\$ 28,520	\$ 72,971
School Lunch Fund	-	28,520
Special Aid Fund	56,090	-
Debt Service Fund	627,585	-
Capital Fund	16,881	627,585
Total	<u>\$ 729,076</u>	<u>\$ 729,076</u>

During the current year ended June 30, 2014, the District transferred \$56,090 from the General Fund to the Special Aid Fund to cover the local portion of the summer school grant. The school lunch fund transferred \$28,520 to the general fund to cover employee benefit costs. Capital projects were closed out in the current year and remaining balances of \$627,585 were transferred to the debt service fund. Lastly, \$16,881 was transferred from the general fund to the capital fund.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**III. Receivables**

Receivables at June 30, 2014 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

Fund	Description	Amount
Special Aid	State and Federal Aid	\$ 178,253
Food Service	State and Federal Aid	25,722
Food Service	Other Receivables	917
General	State and Federal Aid	216,802
General	Due from Other Governments	641,890
General	Other Receivables	34,879
		<u>\$ 1,098,463</u>

**IV. Capital Assets**

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

	Beginning Balance 06/30/13	Net Additions (Disposals)	Ending Balance 06/30/14
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 44,028	\$ -	\$ 44,028
Capital assets that are depreciated:			
Buildings and improvements	36,491,359	(1,129,324)	35,362,035
Machinery and equipment	3,945,344	432,611	4,377,955
Total depreciable historical cost	40,480,731	\$ (696,713)	39,784,018
Less accumulated depreciation:			
Buildings and improvements	10,907,559	\$ 1,440,299	12,347,858
Furniture and equipment	1,608,634	955,261	2,563,895
Total accumulated depreciation	12,516,193	\$ 2,395,560	14,911,753
Total net book value	<u>\$27,964,538</u>		<u>\$24,872,265</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**IV. Capital Assets (continued)**

Depreciation expense was charged to governmental functions as follows:

General support	\$	227,027
Instruction		991,930
Pupil transportation		197,877
		<u>\$ 1,416,834</u>

During the fiscal year ended June 30, 2014, the District transferred its fixed asset to a new software program and evaluated its cost basis and accumulated depreciation of assets resulting in a prior period adjustment. As a result, net fixed assets were written down as of the beginning of the year by \$1,644,763.

**V. Liabilities**

**A. Pension Plans and Post-Employment Benefits**

**1. General Information**

The **Elmira Heights Central School District** 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)**

**A. Pension Plans and Post-Employment Benefits**

**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 16.25%, of the annual covered payroll for the fiscal year ended June 30, 2014. Rates applicable to the fiscal years ended June 30, 2013 and 2012 were 11.84% and 11.11%, 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.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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
2014	\$ 1,009,857	\$ 267,991
2013	721,537	268,120
2012	704,802	205,269

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 2014, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Normal Cost	\$ 828,162
Amortization of unfunded actuarial accrued liability	760,514
Interest adjustment	215,664
Annual required contribution adjustment	<u>(161,552)</u>
	1,642,788
Contributions made	<u>(799,505)</u>
Increase in net OPEB obligation	843,283
Net OPEB obligation - beginning of year	<u>4,313,279</u>
	5,156,566
Net OPEB obligation - end of year	<u>\$ 5,156,562</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013 and 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	\$1,642,788	48.7%	\$5,156,562
6/30/13	\$1,571,691	74.5%	\$4,313,279
6/30/12	\$1,980,177	58.7%	\$3,911,842

**4. Funding Status and Funding Progress**

As of June 30, 2014, the actuarial accrued liability for benefits was \$20,304,951, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was \$6,798,912 and the ratio of unfunded actuarial liability to the covered payroll was 298.7%.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**B. Other Post-Employment Benefits (continued)**

**3. Funding Status and Funding Progress (continued)**

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, 2013.

*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 are utilized to purchase new buses.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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, 2014:

Description of issue	Issue date	Final maturity	Interest rate	Outstanding as of 6/30/14
Bus Ban	3/14/14	3/12/15	1.28%	\$ 181,947
Bus Ban	5/22/14	3/12/15	1.34%	198,014
Bus Ban	3/14/14	3/12/15	1.28%	120,976
Bus Ban	2/06/14	2/05/15	1.85%	60,889
Total				<u>\$ 561,826</u>

**b. Short-Term Debt Interest**

The District had short-term interest of \$9,417 for the year ended June 30, 2014.

**2. Long-Term Debt**

**a. Debt Limit**

At June 30, 2014, the total indebtedness represents approximately 33% 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, 2014 and 2013 are as follows:

	Balance June 30, 2014	Balance June 30, 2013	Amounts Due Within One Year
10 Serial Bond	\$ 8,280,000	\$ 8,945,000	\$ 685,000
12 Serial Bond	1,900,388	3,476,639	915,000
OPEB Liability	5,156,562	4,313,279	-
Compensated absences	332,940	138,366	-
	<u>\$15,669,890</u>	<u>\$16,873,284</u>	<u>\$ 1,600,000</u>

During the year, the District made principal payments on its serial bonds in the amount of \$2,230,000, and amortized premium of \$61,787. The net change in compensated absences was an increase of \$194,574 during the fiscal year ended June 30, 2014. During the current year, post-employment benefits liability increased in the amount of \$843,283.

**d. Maturity**

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

Description of Issue	Outstanding at June 30, 2014
<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.	<u>\$ 8,280,000</u>
<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. Plus: unamortized bond premiums on bond issuance.	<u>\$ 1,850,000</u> <u>50,388</u>
	<u>\$ 1,900,388</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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
2015	\$ 685,000	\$ 285,463
2016	700,000	264,913
2017	725,000	243,913
2018	750,000	222,163
2019	770,000	198,725
2020-2024	4,210,000	576,963
2025-2026	440,000	26,600
<b>Total</b>	<b>\$ 8,280,000</b>	<b>\$ 1,818,740</b>

Year	Serial Bonds – 2012	
	Principal	Interest
2015	\$ 915,000	\$ 55,500
2016	935,000	28,050
<b>Total</b>	<b>\$ 1,850,000</b>	<b>\$ 83,550</b>

**e. Long-Term Debt Interest**

Interest expense on long-term debt amounted to \$407,863 for the year ended June 30, 2014.

**f. Bond premiums**

Bond premium of \$50,388 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.

**g. Premiums, Debt Issuance Costs and Amortization**

Net premiums resulting from bond and other debt refinancing are being amortized over the life of the relating debt using the interest method. These premiums are accordingly included in the outstanding principal balances for the bonds. Debt issuance costs related to the bonds were expensed in accordance with GASB 65.

**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, 2014
<b>Nonspendable:</b>		
Food Service	Inventory	\$ 18,234
General	Reserve for prepaid expense	\$ 5,248
<b>Restricted:</b>		
General	Reserve for employee benefits	\$ 257,242
	Reserve for unemployment insurance	175,100
	Reserve for retirement system credits	812,829
	Reserve for repairs	204,319
	Reserve for tax certiorari	17,801
	Reserve for workers' compensation	395,467
	Reserve for capital	809,598
		<b>\$ 2,672,356</b>
Debt Service	Reserve for debt service	\$ 650,120
Fiduciary	Reserve for endowment scholarships	\$ 23,798
<b>Assigned:</b>		
General	Appropriated Fund Balance	\$ 600,000
	Encumbrances	33,713
		<b>633,713</b>
Food Service	Fund Equity	\$ 124,867

**B. District-wide Net Assets**

Net assets of the District include restricted net assets of \$3,322,476 which represent restricted amounts in the general and debt service funds as presented above.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VI. Fund Equity (continued)**

**C. Deficit Fund Balance**

Capital Project Fund – The District’s capital project fund had an accumulated deficit of \$561,826 as of June 30, 2014. 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.

**VII. Commitments and Contingencies**

**A. Risk Financing and Related Insurance**

**1. General Information**

The *Elmira Heights Central School District* 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 District* 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.

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 District* 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 \$257,242 as of June 30, 2014 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**

During the fiscal year ended June 30, 2014, the District transferred its fixed assets to a new software program and evaluated its cost basis and accumulated depreciation of assets resulting in a prior period adjustment. The effect of this prior period adjustment was a net decrease to beginning governmental net position in the amount of \$1,644,763.

During the fiscal year ended June 30, 2013, 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 September 25, 2014, which is the date the financial statements were available to be issued.

***SUPPLEMENTARY INFORMATION***

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
<b>Revenues</b>				
<b>Local Sources:</b>				
Real property taxes and tax items	\$ 7,375,592	\$ 7,375,592	\$ 7,373,991	\$ (1,601)
Real property tax items	137,910	137,910	152,420	14,510
Charges for services	109,400	109,400	222,822	113,422
Use of money and property	129,650	129,650	142,815	13,165
Sale of property and compensation for loss	-	-	34,777	34,777
Miscellaneous	200,000	219,901	560,919	341,018
<b>State Sources:</b>				
Basic formula	8,873,658	8,680,034	8,447,420	(232,614)
BOCES	1,444,511	1,444,511	1,424,459	(20,052)
Textbooks	65,357	65,357	62,401	(2,956)
All other aid	244,262	248,759	882,195	633,436
<b>Federal Sources:</b>				
Medicaid reimbursement	125,000	125,000	73,557	(51,443)
<b>Total revenue</b>	18,705,340	18,536,114	19,377,776	841,662
<b>Other Sources</b>				
Operating transfer in	15,750	209,374	28,520	(180,854)
<b>Total revenue and other sources</b>	18,721,090	18,745,488	\$ 19,406,296	\$ 660,808
Appropriated fund equity	1,333,436	1,379,945		
<b>Total revenue, other sources and appropriated fund equity</b>	\$ 20,054,526	\$ 20,125,433		

	Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
<b>Expenditures</b>					
<b>General Support:</b>					
Board of education	\$ 12,336	\$ 12,427	\$ 10,384	\$ -	\$ 2,043
Central administration	219,538	219,448	209,299	269	9,880
Finance	446,545	462,479	443,197	-	19,282
Staff	54,037	53,621	43,917	-	9,704
Central services	1,665,197	1,668,598	1,390,546	-	278,052
Special items	387,770	388,557	381,976	-	6,581
<b>Instructional:</b>					
Instruction, administration and improvement	402,581	382,401	370,776	-	11,625
Teaching - regular school Programs for children with handicapping conditions	4,800,707	4,826,504	4,727,573	26,180	72,751
Teaching - special schools	2,967,919	2,986,532	2,925,495	-	61,037
Occupational education	119,065	105,267	105,267	-	-
Instructional media	660,076	655,455	655,455	-	-
Pupil services	122,929	147,849	134,647	7,544	5,658
	432,019	438,424	412,620	-	25,804
<b>Pupil Transportation</b>	471,494	499,278	492,842	-	6,436
<b>Employee Benefits</b>	4,321,944	4,308,220	3,881,161	-	427,059
<b>Debt Service:</b>					
Debt service principal	2,429,186	2,479,187	2,479,187	-	-
Debt service interest	474,183	418,215	417,280	-	935
<b>Total expenditures</b>	<u>19,987,526</u>	<u>20,052,462</u>	<u>19,081,622</u>	<u>33,993</u>	<u>936,847</u>
<b>Other Uses:</b>					
Transfer to other funds	67,000	72,971	72,971	-	-
<b>Total other uses</b>	<u>67,000</u>	<u>72,971</u>	<u>72,971</u>	<u>-</u>	<u>-</u>
<b>Total expenditures and other uses</b>	<u>\$ 20,054,526</u>	<u>\$ 20,125,433</u>	<u>19,154,593</u>	<u>\$ 33,993</u>	<u>\$ 936,847</u>
<b>Excess of revenue and other sources over expenditures and other uses</b>			<u>\$ 251,703</u>		

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Schedule SS1A**

**Page 34**

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
<b>Revenue</b>			
State sources	\$ 24,361	\$ 11,433	\$ (12,928)
Federal sources	-	267,655	267,655
Sales	145,084	127,641	(17,443)
Miscellaneous	47,320	2,919	(44,401)
Surplus food	311,450	29,738	(281,712)
Use of money and property	189	141	(48)
Total revenue	<u>528,404</u>	<u>439,527</u>	<u>(88,877)</u>
<b>Expenditures</b>			
General support	160,248	158,498	1,750
Employee benefits	48,081	48,352	(271)
Cost of sales	203,237	194,357	8,880
Other expenses	94,814	27,784	67,030
Total expenditures	<u>506,380</u>	<u>428,991</u>	<u>77,389</u>
<b>Excess of revenue over expenditures</b>	22,024	10,536	(11,488)
<b>Other sources (uses)</b>			
Transfer to general fund	-	(28,520)	(28,520)
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	<u>\$ 22,024</u>	<u>(17,984)</u>	<u>\$ (40,008)</u>
Fund equity, beginning of year		<u>161,085</u>	
<b>Fund equity, end of year</b>		<u>\$ 143,101</u>	

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**  
**AND THE REAL PROPERTY TAX LIMIT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Schedule SS2**

**Page 35**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

<b>Adopted budget</b>	\$ 20,011,526
<b>Additions:</b>	
Prior year encumbrances	43,000
<b>Original Budget</b>	20,054,526
<b>Budget Revisions:</b>	
Gifts, donations and other state aid	24,398
Additional use of fund balance	46,509
<b>Final budget</b>	<u>\$ 20,125,433</u>

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

<b>2014-15 voter-approved expenditure budget</b>	
<b>Maximum allowed (4% of 2014-15 budget)</b>	<b>\$ 20,055,987</b>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:</b>	
<b>Unrestricted fund balance:</b>	
Committed fund balance	\$ -
Assigned fund balance	633,713
Unassigned fund balance	928,259
Total unrestricted fund balance	<u>1,561,972</u>
<b>Less:</b>	
Appropriated fund balance	600,000
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	33,713
Total adjustments	<u>633,713</u>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law</b>	<b><u>\$ 928,259</u></b>
<b>Actual percentage</b>	<b><u>4.6%</u></b>

\* 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 DISTRICT**  
**SCHEDULE OF PROJECTS EXPENDITURES - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Schedule SS3**

**Page 36**

Project Title	Original Appropriation	Revised Appropriation	Expenditures				Unexpended (Overexpended) Balance	Methods of financing					Fund Balance June 30, 2014	
			Prior Years	Current Year	Transfer to Debt Service	Total		Proceeds of Obligations	Local Sources	State Sources	Interfund Transfer	Total		
Edison Jr-Sr High School Reconstruction	\$ 3,721,150	\$ 5,991,334	\$ 5,851,145	\$ -	\$ -	\$ 5,851,145	\$ 140,189	\$ 5,678,980	\$ 80,178	\$ 105,000	\$ (13,013)	\$ 5,851,145	\$ -	
Dr. Nathan Cohen Elementary School/007-009	4,413,850	4,413,850	3,860,822	-	-	3,860,822	553,028	3,496,203	-	345,613	19,006	3,860,822	-	
Dr. Nathan Cohen Elementary School/007-011	1,693,425	975,566	975,566	-	-	975,566	-	790,317	137,502	57,641	(9,894)	975,566	-	
Dr. Nathan Cohen Elementary School/007-012	2,853,595	2,142,780	2,142,780	-	-	2,142,780	-	1,945,000	-	226,736	(28,956)	2,142,780	-	
Thomas Edison High School/ 001-008	6,817,082	5,490,222	5,490,222	-	-	5,490,222	-	5,451,463	208,274	490,048	(659,563)	5,490,222	-	
Dr. Nathan Cohen Elementary School/007-013	982,582	918,382	900,448	17,522	-	917,970	412	1,011,356	-	20,005	(113,391)	917,970	-	
Thomas Edison High School/ 001-009	1,438,547	1,428,962	1,673,623	(16,977)	-	1,656,646	(227,684)	1,581,864	-	5	74,777	1,656,646	-	
Thomas Edison High School/ 001-010	60,000	103,365	101,783	1,667	-	103,450	(85)	-	-	-	103,450	103,450	-	
Buses - Prior years	-	-	-	-	17,822	17,822	(17,822)	17,822	-	-	-	17,822	-	
Buses - 2010	304,248	304,248	304,248	-	198	304,446	(198)	304,446	-	-	-	304,446	-	
Buses - 2011	305,500	305,500	302,244	-	198	302,442	3,058	302,442	-	-	-	302,442	-	
Buses - 2012	330,024	332,900	329,810	-	214	330,024	2,876	330,024	-	-	-	330,024	-	
Buses - 2013	227,433	227,433	-	227,433	-	227,433	-	227,433	-	-	-	227,433	-	
Bus Garage lease	20,617	20,617	-	20,617	-	20,617	-	-	-	20,617	-	20,617	-	
	<u>\$ 23,168,053</u>	<u>\$ 22,655,159</u>	<u>\$ 21,932,691</u>	<u>\$ 250,262</u>	<u>\$ 18,432</u>	<u>\$ 22,201,385</u>	<u>\$ 453,774</u>	<u>\$ 21,137,350</u>	<u>\$ 425,954</u>	<u>\$ 1,265,665</u>	<u>\$ (627,584)</u>	<u>\$ 22,201,385</u>	<u>-</u>	
													Less: Bond Anticipation Notes	(561,826)
													Undesignated fund equity (deficit) as of June 30, 2014	<u>\$ (561,826)</u>

**See accompanying independent auditor's report.**

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**BUDGET COMPARISON STATEMENT FOR STATE AND**  
**OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Schedule SS4A**

**Page 37**

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school	N/A	2014	N/A	\$ 94,302	\$ 94,302
Universal Pre-kindergarten	0409-14-7078	2014	\$ 164,736	162,138	162,138
Universal Pre-kindergarten	0409-13-7078	2013	6,542	6,542	6,542
School lunch programs	N/A	2014	N/A	9,391	9,391
School breakfast programs	N/A	2014	N/A	2,042	2,042
				<u>\$ 274,415</u>	<u>\$ 274,415</u>

***ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT*** ***Schedule SS4B***  
***NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***  
***FOR THE YEAR ENDED JUNE 30, 2014***

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**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the ***Elmira Heights Central School District*** 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 District*** is the recipient of a non-monetary federal award program. During the year ended June 30, 2014, the District reported in the Schedule of Federal Awards \$29,738 of donated commodities at fair market value received and disbursed.

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

**Schedule SS4C**

**Page 38**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
<b>US Department of Education:</b>					
<b><i>Passed through NYS</i></b>					
<b><i>Department of Education:</i></b>					
Title I *	84.010A	0021-14-2860	\$ 250,950	\$ 243,404	\$ 243,404
Title I *	84.010A	0021-13-2860	5,193	5,193	5,193
Title II, Part A	84.367A	0147-14-2860	45,987	45,987	45,987
Race to the Top, ARRA	84.395A	5500-14-2860	79,097	33,111	33,111
IDEA Part B, Section 611 **	84.027A	0032-14-0858	227,202	227,202	227,202
IDEA Part B, Section 619 **	84.173A	0033-14-0858	6,007	6,007	6,007
<b>US Department of Agriculture:</b>					
<b><i>Passed through NYS</i></b>					
<b><i>Department of Education:</i></b>					
National School Breakfast Program ***	10.553	N/A	N/A	36,165	36,165
National School Lunch Program ***	10.555	N/A	N/A	231,490	231,490
<b><i>Passed through NYS</i></b>					
<b><i>Office of General Services:</i></b>					
National School Lunch Program					
Noncash assistance (Donated Commodities) ***	10.555	N/A	N/A	29,738	29,738
Total expenditures and revenue				\$ 858,297	\$ 858,297

- \* Constitutes a cluster of Federal programs
- \*\* Constitutes a cluster of Federal programs
- \*\*\* Constitutes a cluster of Federal programs

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF MAJOR FEDERAL PROGRAMS TESTED**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Schedule SS4D**

**Page 39**

Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 858,297</u>
<b>Major Programs Tested (Type B):</b>		
U.S. Department of Education - IDEA Part B, Section 611**	84.027A	\$ 227,202
U.S. Department of Education -IDEA Part B, Section 619**	84.173A	6,007
National School Breakfast Program ***	10.553	36,165
National School Lunch Program		
Cash Assistance***	10.555	231,490
Non-Cash Assistance (commodities)***	10.555	<u>29,738</u>
Total major programs tested		<u>\$ 530,602</u>
% of Federal programs tested		<u>62%</u>

\*\* Constitutes a cluster of Federal programs

\*\*\* Constitutes a cluster of Federal programs

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CERTAIN REVENUE AND EXPENDITURES**  
**COMPARED TO ST-3 DATA – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Schedule SS5**

**Page 40**

	Account Code	ST-3 Amount	Audited Amount
Revenues			
Property taxes	A-1001	\$ 7,526,411	\$ 7,526,411
Non-property taxes	AT-1199	-	-
State aid	AT-3999	10,816,475	10,816,475
Federal aid	AT-4999	73,557	73,557
Total revenue	AT-5999	19,406,296	19,406,296
Expenditures			
General support	AT-1999	2,479,319	2,479,319
Pupil transportation	AT-5599	492,842	492,842
Debt service - principal	AT-9798.6	2,479,187	2,479,187
Debt service - interest	AT-9798.7	417,280	417,280
Total expenditures	AT-9999	\$ 19,154,593	\$ 19,154,593

***ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT***  
***SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS***  
***AS OF JUNE 30, 2014***

***Schedule SS6***

***Page 41***

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Capital Assets	\$ 24,872,265
Less:	
Serial bonds - capital and transportation related	(10,180,388)
Bond anticipation notes	<u>(561,826)</u>
Net investment in capital assets	<u><u>\$ 14,130,051</u></u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE YEARS ENDED JUNE 30, 2014, 2013, 2012 AND 2011**

**Schedule SS7**

**Page 42**

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, 2014	\$ -	\$ 20,304,951	\$ 20,304,951	0%	\$ 6,798,912	298.7%
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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

**To the President and  
Members of the Board of Education  
*Elmira Heights Central School District*  
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 District* as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise *Elmira Heights Central School District's* basic financial statements and have issued our report thereon dated September 25, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered *Elmira Heights Central School District's* internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Elmira Heights Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Elmira Heights Central School District'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.2014-001 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether *Elmira Heights Central School District'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. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2014-002.

### **Elmira Heights Central School District's Response to Finding**

*Elmira Heights Central School District's* response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. *Elmira Heights Central School District'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 District* in a separate letter dated September 25, 2014.

### **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  
September 25, 2014**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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 District*  
Elmira Heights, New York**

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

We have audited *Elmira Heights Central School District'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 District's* major federal programs for the year ended June 30, 2014. *Elmira Heights Central School District'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.

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, *Elmira Heights Central School District* 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, 2014. However, the results of our audit procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and are described in the accompanying schedule of findings and questions costs as item III.A.2014-003.

**Report on Internal Control Over Compliance**

Management of *Elmira Heights Central School District* is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered *Elmira Heights Central School District's* internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of 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 District](#) in a separate letter dated September 25, 2014.

**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  
September 25, 2014**

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

**I. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Elmira Heights Central School District*.
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.2014-001.
3. There was one instance of noncompliance material to the financial statements of *Elmira Heights Central School District* 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". This instance of noncompliance is reported in the schedule of findings and questioned costs as item II.B.2014-002.
4. There were no deficiencies relating to the audit of the major federal assistance programs of the *Elmira Heights Central School District* 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 auditor's report on compliance for the major federal assistance programs for the *Elmira Heights Central School District* expresses an unmodified opinion. However, the results of our audit procedures disclosed one instance of noncompliance with those requirements. This instance of noncompliance is reported in the schedule of findings and questioned costs as item III.A.2014-003.
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- IDEA Part B Section 611**	84.027A	Type B	\$ 227,202
U.S. Department of Education- IDEA Part B Section 619**	84.173A	Type B	6,007
National School Lunch ***	10.555	Type B	231,490
National School Breakfast***	10.553	Type B	36,165
Donated Commodities****	10.555	Type B	29,738
Total tested			<u>\$ 530,602</u>
Percentage of total programs tested			<u>62%</u>

\*\* Constitutes a cluster of Federal programs.

\*\*\* 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 District* does not qualify as a low-risk auditee.

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

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**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2014-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Year ended June 30, 2014**

*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).

*Auditor's 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, 2013**

There were similar internal control findings reported upon during the fiscal year ended June 30, 2013.

**B. COMPLIANCE AND OTHER MATTERS**

**2014-002 Unassigned Fund Balance**

**Year ended June 30, 2014**

*Conditions and criteria:* **Elmira Heights Central School District's** unassigned fund balance as of June 30, 2014 amounted to \$928,259. This amount constitutes approximately 4.6% of the 2014-2015 school budget. In addition, the District's Board of Education approved transfers of \$823,000 from its unassigned fund balance to multiple reserve accounts on dates subsequent to June 30, 2014. This is contrary to the position the New York State Department of Education has taken regarding the transfer to fund balance to reserves. The District has taken the position that districts have the right to transfer fund balances to reserves up until the subsequent year's tax levy is approved.

*Effect:* The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance was greater than 4% of the subsequent year's budget. In addition, had the transfers not been recorded in the current fiscal year, the total unassigned fund balance would have been approximately 8.7% of the 2014-2015 school budget.

*Auditors' Recommendation:* **Elmira Heights Central School District** should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance. In addition, prior to June 30<sup>th</sup> of each year, the District's Board of Education should formally approve any funding of reserves that are intended to be effective at year end.

*School District's Response:* **Elmira Heights Central School District** realizes that its unassigned fund balance as of June 30, 2014 was in excess of the NYS mandated 4% level. The District has and will continue to review its options with regards to reservation and designation of fund balance.

**Year ended June 30, 2013**

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

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

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

**A. COMPLIANCE**

**Year ended June 30, 2014**

**U.S. Department of Agriculture – Free and Reduced Lunch and Breakfast Programs  
(CFDA #10.555 and CFDA #10.553)**

**2014-003 Eligibility**

*Condition and Criteria:* As part of our audit, we reviewed the District's process and completion of the "Verification of Free and Reduced Price Applications" as required by Federal Guidelines. Based on the standard sample size calculation, the District was required to select four applications as part of the verification process and did so accordingly. We reviewed documentation that the District received for each of these applications selected. In one instance we noted where the incorrect wage information (net pay was used instead of gross wages) was utilized to calculate the income eligibility of the family. Because the District used net pay to calculate eligibility, the students of the family received reduced meals, however if the gross pay was properly utilized, the students of the family would not have been eligible to receive free meals. During our testing we also noticed that the section on the application, which confirms information provided by families was reviewed by District officials, was not completed in many instances.

*Effect:* Because this family maintained a reduced status rather than paid, the District received more federal reimbursement dollars than it was eligible for. Total questioned costs are estimated to be less than \$500 or .2% of the total program expenditures. Also, because the District did not receive "current" pay information from the family as required by the Federal Guidelines, the District could not make an accurate determination on eligibility. Neither matter identified is considered material to the program. Also, not reviewing Free and Reduced Meal applications could create situations where the determination of family eligibility is not properly identified and categorized.

*Cause:* Monitoring over the application process was not documented.

*Auditors' Recommendation:* The District should designate an individual independent of the verification process to review the documentation received for accuracy, completeness and timeliness. This review process should be documented.

*School District's Response:* The District understands the importance of reviewing all applications and will ensure documentation exists in the future to evidence this review.

**Year ended June 30, 2013**

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

**B. INTERNAL CONTROL OVER COMPLIANCE**

**Year ended June 30, 2014**

No findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2014.

**Year ended June 30, 2013**

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

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

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2014 of the District's financial statements and have issued our reports thereon dated September 25, 2014. 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 District* for the year ended June 30, 2014, 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, 2010 through June 30, 2014. 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 District'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  
September 25, 2014**

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

	06/30/14	06/30/13	06/30/12	06/30/11	06/30/10
<b>Revenue and other sources</b>					
Property taxes	\$ 7,526	\$ 7,103	\$ 6,899	\$ 6,603	\$ 6,477
State aid	10,816	11,184	9,779	10,010	10,846
All other	1,063	781	769	1,651	1,318
Proceeds from issuance of debt	-	-	-	-	-
	<u>19,405</u>	<u>19,068</u>	<u>17,447</u>	<u>18,264</u>	<u>18,641</u>
<b>Expenditures and other uses</b>					
General support	2,479	2,465	2,487	2,559	2,509
Instruction	9,332	9,097	8,951	8,576	8,798
Transportation	493	444	440	428	431
Benefits	3,881	4,124	3,734	3,886	3,235
Debt	2,896	2,869	2,818	2,797	2,627
Transfers	73	71	64	82	38
	<u>19,154</u>	<u>19,070</u>	<u>18,494</u>	<u>18,328</u>	<u>17,638</u>
<b>Excess (deficiency) of revenue over expenditures</b>	251	(2)	(1,047)	(64)	1,003
<b>Fund equity</b>					
Beginning of year	3,988	3,990	5,037	5,101	4,098
End of year	<u>\$ 4,239</u>	<u>\$ 3,988</u>	<u>\$ 3,990</u>	<u>\$ 5,037</u>	<u>\$ 5,101</u>
<b>Analysis of fund equity</b>					
Non'spendable	\$ 5	\$ -	\$ 220	\$ 39	\$ -
Restricted					
Reserve for repairs	204	204	204	203	203
Reserve for retirement system credits	813	736	1,040	-	-
Reserve for tax certiorari	18	202	273	280	258
Reserve for employee benefits	257	257	241	1,283	1,124
Reserve for unemployment insurance	175	200	225	224	124
Reserve for workers' compensation	395	172	256	256	155
Reserve for capital	810	807	807	805	803
Assigned					
Reserve for encumbrances	34	43	-	-	140
Next year's budget	600	600	600	1,147	701
Unassigned	928	767	124	800	1,593
	<u>\$ 4,239</u>	<u>\$ 3,988</u>	<u>\$ 3,990</u>	<u>\$ 5,037</u>	<u>\$ 5,101</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Page 52**

**Equipment and Inventory**

The District reports approximately \$25 million of capital assets. The most significant dollar amount of these assets consist of the District buildings and capital improvements that are not as susceptible to the risk of loss or misuse. Assets that are more susceptible to such risk include equipment and inventory items. It is extremely important for the District to be aware of the risks associated with these assets and have processes in place to safeguard against their loss or misuse. Internal controls that the District may consider include the following:

- Continued updating of the District's fixed asset and inventory additions and disposals within its asset database;
- Obtaining a full independent appraisal every few years, that would compare the assets listed within the database compared with those physically counted;
- Maintaining a perpetual inventory system for higher risk equipment and inventory items;
- Periodically perform random spot checks of equipment and inventory and compare to asset database;
- Performing annual physical inventory counts and investigating any differences between the appraisal/inventory reports and physical count;
- Obtaining mileage logs and purchases records to determine reasonableness of gasoline usage.

In addition, the District has not had a full inventory appraisal performed of in many years. We recommend that an inventory of School District property and equipment should be performed.

***District's response: The District realizes the importance of internal controls to help reduce the risks associated with loss or misuse of assets. The District continues to update and inventory items as they are purchased. All items received are logged and assets are tagged. The District will continue to research and implement ways to improve physical inventory counts and perpetual inventory systems that are feasible given the current resources available in personnel.***

**Fund Balance Reserves**

As of June 30, 2014, 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, 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.***

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**GASB 68 - Accounting and Financial Reporting for Pensions**

The Government Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Statement No. 68 will be effective for the District in the fiscal year ending June 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

The new accounting standard will require the District to report in their government-wide financial statements their proportionate share of the net pension liability of the pension systems (Teachers' Retirement System and Employees' Retirement System). The net pension liability is equal to the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits to current employees, retirees and their beneficiaries. Once the District receives the projected net pension liability from the retirement systems, the District will be in a position to calculate its proportionate share of the liability and should begin to communicate its impact on the financial statements.

***District response: The District will comply with GASB 68 once the District receives the projected net pension liability from the retirement systems.***

**Purchase Orders**

During the audit, we noticed that documentation was missing to substantiate certain controls in the area of purchasing of goods and services. We noticed various instances where purchases were made during the 2013-14 fiscal year without the documentation of prior authorization or approval from management. Although in most cases purchase orders were prepared, they were sometimes submitted for approval subsequent to the date of the invoice. By not having approval of expenditures prior to the date of purchase, the District could incur expenditures that were not authorized by the Board of Education during the budget process. Also, expenditures may be incurred which do not coincide with management's expectations or philosophy in providing an education to the students of the District. The District should attempt to use purchase orders for all expenditures and during instances in which a purchase order is not possible, a purchase requisition should be utilized. All purchase orders should be examined and approved by a designated member of management prior to the goods or services are ordered. A signature and date should accompany each purchase order, which evidences that such steps were taken.

***District response: The District understands the purchase order process and its importance. District staff has been trained in the appropriate steps to purchase goods; which includes having the required approvals before goods are purchased. Some delays in the process between the submission of requests and approvals of requests have been identified and rectified. The District will undertake re-training as necessary to reinforce appropriate steps for the purchasing cycle as part of our budget process for the upcoming school year.***

***ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT***

***EXTRACLASSROOM ACTIVITY FUND  
FINANCIAL STATEMENT***

***FOR THE FISCAL YEAR ENDED JUNE 30, 2014***

***WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS***

**INDEPENDENT AUDITOR'S REPORT**

**To the President and  
Members of the Board of Education  
*Elmira Heights Central School District*  
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 District* for the year ended June 30, 2014, 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

***Basis for Qualified Opinion***

The records of the Extraclassroom funds of the *Elmira Heights Central School District* 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 District* for the year ended June 30, 2014 on the basis of accounting described in Note 1.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
September 25, 2014**

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND**  
**JULY 1, 2013 THROUGH JUNE 30, 2014**

	Balances July 01, 2013	Total Receipts 2013-14	Total Receipts & Balances	Total Payments 2013-14	Balances June 30, 2014
Class of 2012	\$ 5,711	\$ -	\$ 5,711	\$ 5,711	\$ -
Class of 2013	5,432	28	5,460	143	5,317
Class of 2014	13,114	32,953	46,067	38,214	7,853
Class of 2015	4,037	29,738	33,775	14,229	19,546
Class of 2016	3,195	5,133	8,328	4,161	4,167
Class of 2017	-	9,376	9,376	6,474	2,902
Builders' Club	699	927	1,626	758	868
Eighth Grade Class	582	4,218	4,800	4,167	633
Key Club	1,735	570	2,305	837	1,468
Medieval Festival Club	1,720	3,368	5,088	3,298	1,790
Middle School Band	-	-	-	-	-
Middle School Store	2,224	-	2,224	11	2,213
Middle School Council	1,708	3,032	4,740	1,756	2,984
Science Club	-	-	-	-	-
Middle School Yearbook	631	1,624	2,255	1,476	779
Sales Tax	667	3,048	3,715	3,682	33
Seventh Grade Class	77	5,458	5,535	5,344	191
Ski Club	5,301	-	5,301	5,301	-
Student Council	65	3,915	3,980	1,974	2,006
Student Council Savings	25,568	5,589	31,157	3,884	27,273
TAE Art Club	91	444	535	413	122
TAE Band Club	2,618	2,313	4,931	2,190	2,741
TAE Yearbook	-	6,295	6,295	6,295	-
Total activity fund	<u>\$ 75,175</u>	<u>\$ 118,029</u>	<u>\$ 193,204</u>	<u>\$ 110,318</u>	<u>\$ 82,886</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUND  
NOTE TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2014**

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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 District**. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$82,886 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 District** 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 DISTRICT  
EXTRACLASSROOM ACTIVITY FUND  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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

**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.***

**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.***