

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

FINANCIAL REPORT

JUNE 30, 2014

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

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ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION

AND ANALYSIS (UNAUDITED)

JUNE 30, 2014

As management of the Enlarged City School District of Troy, New York, we offer the reader of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2014. We encourage readers to consider the information presented here, in conjunction with information provided in the financial statements. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net position decreased by \$3,665,387 and \$2,522,510 during the course of 2014 and 2013 primarily due to the recognition of postemployment benefits as required by the implementation of GASB 45.
- District wide revenues were \$104,091,285 and \$94,570,394 for 2014 and 2013, respectively; district wide expenditures were \$107,756,672 and \$97,092,904 for 2014 and 2013, respectively.
- General fund revenues exceeded (were less than) general fund expenditures by \$326,297 and \$(680,582) for the years ended June 30, 2014 and 2013, respectively.
- General fund equity was \$15,938,598 at June 30, 2014 as compared to \$15,612,301 at June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the entity-wide statements.
- The *governmental fund statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

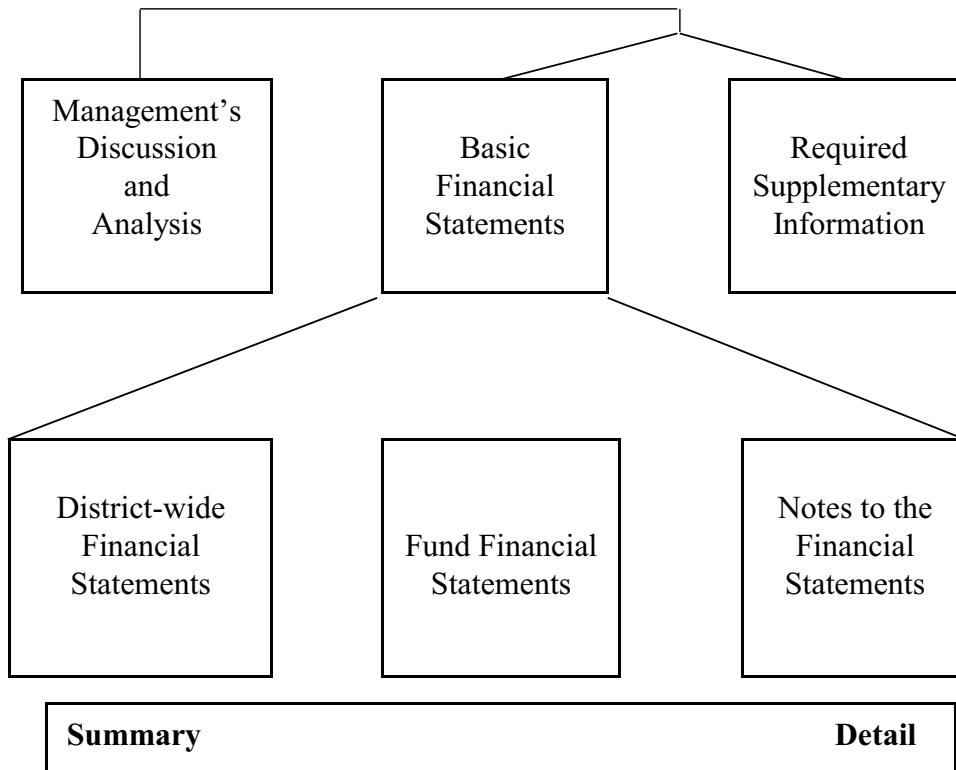
The financial statements also include notes that provide additional information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another. Table A-2 summarizes the major features of the financial statements.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)(CONTINUED)

JUNE 30, 2014

Table A-1: Organization of the Enlarged City School District of Troy, New York's Annual Financial Report



ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

*MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)*

JUNE 30, 2014

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

Table A-2: Major Features of the Entity-wide and Fund Financial Statements

<u>Description</u>	<u>Entity-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental</u>	<u>Fiduciary</u>
1. Scope	Entire district (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
2. Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
3. Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
4. Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term; funds do not contain capital assets, although they can
5. Type of inflow and outflow information	All revenues and expenses during year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; 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

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2014

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

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

The district-wide financial statements can be found on pages 14-15 of this report.

FUND FINANCIAL STATEMENTS

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

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

The fund financial statements can be found on pages 16-19 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$11,498,242 at June 30, 2014. We refer you to the notes to the financial statements for more detailed information.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2014

Table A-3: Condensed Statement of Net Position - Governmental Activities
(in millions)

	Fiscal Year 2014	Fiscal Year 2013
Current and Other Assets	\$ 36.2	\$ 35.7
Capital Assets	<u>118.7</u>	<u>115.4</u>
Total Assets	<u>\$ 154.9</u>	<u>\$ 151.1</u>
Current Liabilities	\$ 65.6	\$ 62.8
Long-term Debt Outstanding	<u>77.8</u>	<u>73.2</u>
Total Liabilities	<u>143.4</u>	<u>136.0</u>
Investment in Capital Assets, Net of Related Debt	40.5	39.9
Restricted	2.6	2.5
Reduction of Future Property Taxes	8.9	8.9
Unassigned Deficit	<u>(40.5)</u>	<u>(36.2)</u>
Total Net Position	<u>\$ 11.5</u>	<u>\$ 15.1</u>

CHANGES IN NET POSITION

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and improvements and furniture and equipment), less any related debt (serial bonds payable) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to students, employees and creditors.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2014

**Table A-4: Changes in Net Position from Operating Results
Governmental Activities Only**

	Fiscal Year 2014	Fiscal Year 2013
Changes in Net Position from Operating Results		
Program Revenues:		
Charges for Services	\$ 1,015,710	\$ 1,147,494
Operating Grants	10,028,864	7,865,247
General Revenues:		
Real Property & Utility Taxes	36,677,547	35,650,064
Use of Money and Property	52,685	86,668
Miscellaneous	2,699,117	1,518,193
State Sources	53,081,188	48,067,980
Federal Sources	536,174	234,748
Total Revenues	<u>104,091,285</u>	<u>94,570,394</u>
Expenses:		
General Support	8,459,354	8,173,787
Instruction	62,194,126	55,525,486
Pupil Transportation	5,144,546	5,277,957
Employee Benefits	24,458,635	21,656,303
Interest Expense	1,986,202	1,827,892
Other	2,061,634	1,774,980
Depreciation - Unallocated	3,452,175	2,856,499
Total Expenses	<u>107,756,672</u>	<u>97,092,904</u>
Change in Net Position	<u>\$ (3,665,387)</u>	<u>\$ (2,522,510)</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

*MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)*

JUNE 30, 2014

Table A-5: Sources of Revenue for Fiscal Year 2014

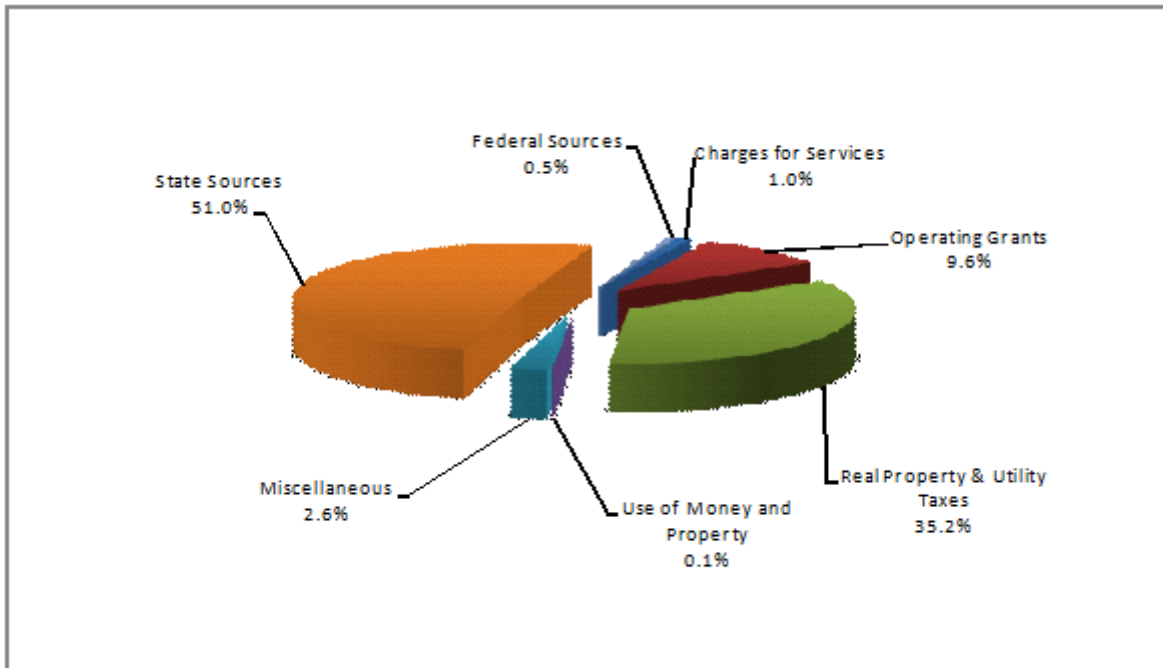
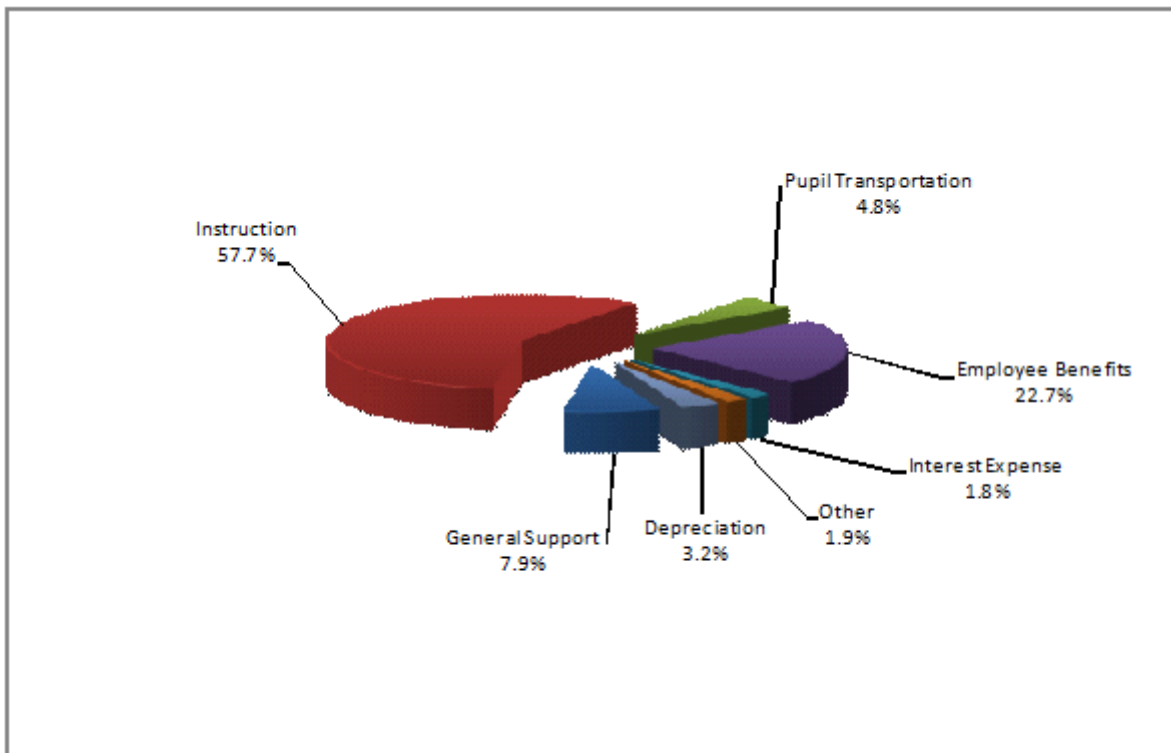


Table A-6: Expenses for Fiscal Year 2014



ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2014

GOVERNMENTAL FUNDS

Financial Analysis of the District's Funds - As explained earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. The District has designated portions of the reserved fund balance to earmark resources for certain governmental funds. The unreserved fund balance is divided between designated and undesignated balances. The District has designated a portion of the unreserved fund balance for subsequent year's expenditures. Fund balance of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

General Fund - The general fund is the chief operating fund of the District. Financial highlights include:

Total General Fund revenues for 2013-2014 were \$91,303,509, an increase of 6.1% from 2012-2013. The key factors in this increase were higher state aid and property tax receipts in 2013-2014.

Total General Fund expenditures for 2013-2014 were \$90,977,212, an increase of 4.9% from 2012-2013. The key factors in this increase were higher instructional and employee benefits expenditures.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2014, the District had invested \$118,747,782, net of depreciation of \$55,688,162, in a broad range of capital assets, including school buildings, transportation facility, administrative buildings, athletic facilities, computer and audio-visual equipment and buses. This amount represents an increase of \$3,390,908 from fiscal year-end 2013 (more detailed information about capital assets can be found in Note 2. A.IV. to the financial statements). Total depreciation expense for the year was \$3,452,175, while equipment acquisitions and additional construction on capital projects amounted to \$6,843,083 during the year.

The following table reflects the total net cost of various building renovations and additions, technology and equipment expenditures through the end of fiscal year 2014 and 2013:

**Table A-7: Capital Assets, Net of Depreciation
(in millions)**

Category	Fiscal Year-End <u>2014</u>	Fiscal Year-End <u>2013</u>
Land and Land Improvements	\$ 3.5	\$ 3.6
Construction in Progress	56.2	50.2
Buildings	57.3	60.3
Machinery, Equipment and Vehicles	<u>1.8</u>	<u>1.3</u>
Total	<u>\$ 118.8</u>	<u>\$ 115.4</u>

Short-Term Debt

The District borrowed \$47,564,622 in bond anticipation notes in November 2013 to fund the outstanding capital projects. More detailed information about the District's short-term debt is presented in Note 2.B III to the Financial Statements.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
*MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)*
JUNE 30, 2014

Long-Term Debt

At year-end June 30, 2014 the District had \$31.1 million in general obligation and approximately \$49.1 million in other long-term debt outstanding. More detailed information about the District's long-term liabilities is presented in Note 2. B.III. to the Financial Statements.

Table A-8: Outstanding Long-Term Debt

Category	Fiscal Year-End <u>2014</u>	Fiscal Year-End <u>2013</u>
Serial and Statutory Installment Bonds	\$ 31,155,000	\$ 34,100,000
Compensated Absences	3,587,020	2,582,019
Other Postemployment Benefits	<u>45,495,270</u>	<u>39,474,326</u>
	<u>\$ 80,237,290</u>	<u>\$ 76,156,345</u>

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 dependent on the State of New York for state aid, historically in the 50-60% range of all revenues. Should aid be reduced as a result of the State being in a deficit situation or compelled to send a larger portion of aid to New York City, the effect will be felt in the District. At this time the District must appropriate over five million dollars to cover the cost of District charter school students. Significant financial stress will be placed on the District's financial health unless changes are made in the way charter schools are financed. The continuing increases in health insurance, utilities and pension costs cause funds to be diverted from sound educational programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Enlarged City School District of Troy, New York
Attn: Assistant Superintendent for Business
475 1st Street
Troy, New York 12180
(518) 328-5005

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: INFO@CUSACKCPA.COM
WWW.CUSACKCPA.COM

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Education
Enlarged City School District of Troy

We have audited the accompanying financial statements of the governmental activities of the Enlarged City School District of Troy, New York (the“District”), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress - other postemployment plans on pages 1-10 and 43-45 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 District's basic financial statements. The supplemental information on pages 46-50 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 on page 55 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 supplemental information on pages 46-50 and the schedule of expenditures of federal awards or page 55 are the responsibility of management and was 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 non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 7, 2014

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF NET POSITION

JUNE 30, 2014

ASSETS

Current Assets:	
Unrestricted Cash	\$ 21,405,492
Restricted Cash	2,638,271
Accounts Receivable	172,789
Taxes Receivable	4,594,240
State and Federal Aid Receivable	5,311,946
Due from Other Governments	1,323,508
Inventories	54,000
Other Receivables	645,667
Capital Assets, Net	<u>118,747,782</u>
Total Assets	<u>\$ 154,893,695</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 7,048,261
Accrued Liabilities	1,525,144
Due to Fiduciary Funds	171,510
Due to Other Governments	8,369
Accrued Interest	951,063
Due to Teachers' Retirement Plan	5,225,487
Due to Employees' Retirement System	400,745
Bond Anticipation Notes Payable	47,564,622
Long-term Liabilities - Due and Payable Within One Year	
Bonds	2,380,000
Unearned Revenue	262,962
Long-term Liabilities:	
Bonds	28,775,000
Compensated Absences	3,587,020
Other Postemployment Benefits	<u>45,495,270</u>
Total Liabilities	<u>143,395,453</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	40,499,611
Restricted for:	
Debt	408,597
Other Reserves	2,166,820
Unassigned:	
Reduction of Future Property Taxes	8,925,000
Unassigned Deficit	<u>(40,501,786)</u>
Total Net Position	<u>11,498,242</u>
Total Liabilities and Net Position	<u>\$ 154,893,695</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Expenses (Revenue) and Changes in Contributions</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Functions/Programs:				
General Support	\$ 8,459,354	\$ (177,940)	\$ (150,190)	\$ 8,131,224
Instruction	62,194,126	(682,889)	(7,822,668)	53,688,569
Pupil Transportation	5,144,546	(28,908)	-	5,115,638
Community Service	37,522	-	-	37,522
Employee Benefits	24,458,635	-	-	24,458,635
Debt Service - Interest	1,986,202	-	-	1,986,202
Depreciation - Unallocated (includes direct expense of various functions and programs)	3,452,175	-	-	3,452,175
School Lunch Program	<u>2,024,112</u>	<u>(125,973)</u>	<u>(2,056,006)</u>	<u>(157,867)</u>
Total Functions and Programs	<u>\$ 107,756,672</u>	<u>\$ (1,015,710)</u>	<u>\$ (10,028,864)</u>	<u>96,712,098</u>
General Revenues:				
Real Property Taxes				30,438,595
Other Tax Items				4,667,352
Nonproperty Taxes				1,571,600
Use of Money and Property				52,685
Sale of Property and Compensation for Loss				95,814
State Aid				53,081,188
Federal Aid				536,174
Miscellaneous				2,350,777
Premium on BAN Issuance				<u>252,526</u>
Total General Revenues				<u>93,046,711</u>
Change in Net Position				(3,665,387)
Total Net Position-Beginning of Year				<u>15,163,629</u>
Total Net Position-End of Year				<u>\$ 11,498,242</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
BALANCE SHEET- GOVERNMENTAL FUNDS AND
RECONCILIATION TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

	<u>General</u>	<u>\$64.9 Million Capital Project</u>	<u>Non-Major</u>	<u>Total Governmental Funds</u>
Current Assets:				
Cash				
Unrestricted	\$ 18,681,727	\$ -	\$ 2,723,765	\$ 21,405,492
Restricted	2,166,820	471,451	-	2,638,271
Receivables				
Taxes	4,594,240	-	-	4,594,240
Due from Other Funds	2,440,200	-	108,622	2,548,822
State and Federal Aid	3,748,681	-	1,563,265	5,311,946
Due from Other Governments	1,323,508	-	-	1,323,508
Other	171,799	-	990	172,789
Inventories	-	-	54,000	54,000
Total Assets	<u>\$ 33,126,975</u>	<u>\$ 471,451</u>	<u>\$ 4,450,642</u>	<u>\$ 38,049,068</u>
Current Liabilities:				
Payables				
Accounts Payable	\$ 6,543,022	\$ 81,929	\$ 423,310	\$ 7,048,261
Accrued Liabilities	1,525,144	-	-	1,525,144
Due to Other Funds	279,097	354,537	2,086,698	2,720,332
Due to Other Governments	155	-	8,214	8,369
Due to Teachers' Retirement System	5,225,487	-	-	5,225,487
Due to Employees' Retirement System	400,745	-	-	400,745
Bond Anticipation Notes Payable	-	47,564,622	-	47,564,622
Overpayments and Collections in Advance	-	-	-	-
Unearned Revenue	-	-	262,962	262,962
Total Liabilities	<u>13,973,650</u>	<u>48,001,088</u>	<u>2,781,184</u>	<u>64,755,922</u>
Deferred Inflows of Resources:				
Uncollected Real Estate Taxes	<u>3,214,727</u>	<u>-</u>	<u>-</u>	<u>3,214,727</u>
Fund Balances:				
Nonspendable:				
Inventories	-	-	54,000	54,000
Restricted for:				
Judgments and Claims	500,000	-	-	500,000
Employee Benefits Accrued Liabilities	1,188,197	-	-	1,188,197
Debt Service	-	-	408,597	408,597
Workers' Compensation	396,608	-	-	396,608
Unemployment Insurance	82,015	-	-	82,015
Assigned for:				
General Support	993,066	-	-	993,066
Instruction	351,171	-	-	351,171
Pupil Transportation	15,000	-	-	15,000
Food Service	-	-	1,206,861	1,206,861
Appropriated for Subsequent Year Expenditures	8,925,000	-	-	8,925,000
Unassigned:				
Unassigned (Deficit)	3,487,541	(47,529,637)	-	(44,042,096)
Total Fund Balance (Deficit)	<u>15,938,598</u>	<u>(47,529,637)</u>	<u>1,669,458</u>	<u>(29,921,581)</u>
Total Liability, Deferred Inflows and Fund Balance	<u>\$ 33,126,975</u>	<u>\$ 471,451</u>	<u>\$ 4,450,642</u>	<u>\$ 38,049,068</u>

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

Total governmental fund deficits per above	\$ (29,921,581)
Long-term receivables are not financial resources and, therefore, are not reported in the funds.	645,667
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	118,747,782
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore, are not reported in funds.	(34,742,020)
Deferral of charges for property taxes and state aid earned in the current are recognized as revenue under full accrual accounting.	3,214,727
Other postemployment benefit liability is recognized as a liability under full accrual accounting.	(45,495,270)
Interest payable in the government-wide statements under full accrual accounting.	<u>(951,063)</u>
Net Position of Governmental Activities	<u>\$ 11,498,242</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>\$64.9 Million Capital Project</u>	<u>Non-Major</u>	<u>Total Governmental Funds</u>
Revenues:				
Real Property Taxes	\$ 30,685,903	\$ -	\$ -	\$ 30,685,903
Other Tax Items	4,667,352	-	-	4,667,352
Nonproperty Taxes	1,571,600	-	-	1,571,600
Charges for Service	889,737	-	-	889,737
Use of Money and Property	52,073	-	612	52,685
Sale of Property and Compensation for Loss	95,814	-	-	95,814
Interfund Revenues	149,836	-	-	149,836
State Aid	49,658,577	3,422,611	1,838,876	54,920,064
Sales	-	-	125,973	125,973
Miscellaneous	2,996,443	-	1,593	2,998,036
Federal Aid	536,174	-	8,069,062	8,605,236
Surplus Food	-	-	119,333	119,333
Total Revenues	<u>91,303,509</u>	<u>3,422,611</u>	<u>10,155,449</u>	<u>104,881,569</u>
Expenditures:				
General Support	8,286,132	-	150,190	8,436,322
Instruction	53,739,584	-	7,922,456	61,662,040
Pupil Transportation	5,156,503	-	-	5,156,503
Community Service	36,756	-	-	36,756
Employee Benefits	18,437,691	-	-	18,437,691
Debt Service				
Principal	3,320,000	-	-	3,320,000
Interest	1,800,758	-	-	1,800,758
Cost of Sales	-	-	2,022,656	2,022,656
Capital Outlay	-	6,533,301	-	6,533,301
Total Expenditures	<u>90,777,424</u>	<u>6,533,301</u>	<u>10,095,302</u>	<u>107,406,027</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>526,085</u>	<u>(3,110,690)</u>	<u>60,147</u>	<u>(2,524,458)</u>
Other Financing Sources and (Uses):				
Operating Transfers In	-	100,000	99,788	199,788
Operating Transfers Out	(199,788)	-	-	(199,788)
Premium on Bond Issuance	-	252,526	-	252,526
Proceeds from BANs Redeemed from Appropriations	-	375,000	-	375,000
Total Other Financing Sources (Uses)	<u>(199,788)</u>	<u>727,526</u>	<u>99,788</u>	<u>627,526</u>
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	326,297	(2,383,164)	159,935	(1,896,932)
Fund Balance (Deficit), Beginning of Year	<u>15,612,301</u>	<u>(45,146,473)</u>	<u>1,509,523</u>	<u>(28,024,649)</u>
Fund Balance (Deficit), End of Year	<u>\$ 15,938,598</u>	<u>\$ (47,529,637)</u>	<u>\$ 1,669,458</u>	<u>\$ (29,921,581)</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
*RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014*

Net Changes in Fund Balance - Governmental Funds	\$ (1,896,932)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of assets.	6,843,083
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(3,452,175)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	2,945,000
Certain revenue recognized in the governmental funds were recorded in the prior year as a receivable in the balance sheet do not meet the revenue recognition criteria under the modified accrual basis of accounting and is not recognized in the governmental funds.	(892,974)
Interest is recognized as an expense in governmental funds when paid. For governmental activities interest expense is recognized as it accrues. The increase in accrued interest during 2014 results in more expense.	(185,444)
Certain expenses in the statement of activities related to the long-term compensated absences liability do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental fund. The increase in the liability in 2014 results in more expense.	(1,005,001)
Certain postemployment benefits are recognized as an expense in the statement of activities under full accrual accounting.	<u>(6,020,944)</u>
Change in Net Position of Governmental Activities	<u>\$ (3,665,387)</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	<u>Agency</u>	<u>Private Purpose Trusts</u>
Current Assets:		
Cash - Unrestricted	\$ 63,158	\$ -
Cash - Restricted	59,753	171,510
Due from Other Funds	171,510	-
Total Assets	<u>\$ 294,421</u>	<u>\$ 171,510</u>
Current Liabilities:		
Extraclassroom Activity Balances	\$ 59,753	\$ -
Other Liabilities	234,668	-
Total Liabilities	<u>294,421</u>	<u>-</u>
Net Position:		
Restricted for Scholarships	-	171,510
Total Net Position	<u>-</u>	<u>171,510</u>
Total Liabilities and Net Position	<u>\$ 294,421</u>	<u>\$ 171,510</u>

Statement of Changes in Net Position - Fiduciary Funds
For the Year Ended June 30, 2014

	<u>Private Purpose Trusts</u>
Additions:	
Gifts and Contributions	\$ 3,365
Investment Earnings	174
Total Additions	<u>3,539</u>
Deductions:	
Scholarship and Awards	<u>(5,811)</u>
Change in Net Position	(2,272)
Net Position - Beginning of Year	<u>173,782</u>
Net Position - End of Year	<u>\$ 171,510</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Enlarged City School District of Troy, New York (“the 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 reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity as Amended by GASB Statement 61. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

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

The Extraclassroom Activity Fund

The extraclassroom activity funds of the District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity fund is independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity fund can be found at pages 60-64.

B. Joint Venture

The District is a component district in Questar III - Rensselaer-Columbia-Greene BOCES (“BOCES”). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Joint Venture (Continued)

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 students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law.

During the year ended June 30, 2014, the District was billed \$6,813,618 for BOCES administrative and program costs. General purpose financial statements for the Questar III-Rensselaer-Columbia-Greene BOCES are available from the BOCES administrative offices at 10 Empire State Blvd., Castleton, NY 12033. The District's share of BOCES income amounted to \$1,892,456.

The District is also a member in the Rensselaer-Columbia-Greene Group Health Insurance Trust (the "Trust"). The Trust is considered a public entity risk pool which is defined as a cooperative group of governmental entities joining together to finance an exposure, liability or risk, and is tax-exempt under Section 501(c)(9) of the Internal Revenue Code. The Trust includes New York public school districts located in Rensselaer, Columbia and Greene Counties. The Trust was formed on July 1, 1985 to allow member schools to obtain health insurance and prescription drug benefits at lower cost through a pooled purchasing arrangement. The Trust procures group insurance contracts with insurance carriers for medical, prescription drug and dental benefits, in which the Trust is not liable for any medical, dental or prescription drug claims. However, the Trust also maintains a self-insured prescription drug plan for which the individual Trust members are liable for any claims in excess of the balances maintained by the Trust. As of June 30, 2014, the District's prescription drug plan account balance maintained by the Trust is \$666,404, which approximates the estimated outstanding liability for self-insured prescription drugs. Additionally, the District has distributions receivable from the Trust of \$1,290,898 at June 30, 2014. The District anticipates receiving \$645,667 in 2015, \$322,616 in 2016 and \$322,615 in 2012.

C. Basis of Presentation

District-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operation or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. *Basis of Presentation (Continued)*

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.

I. **Governmental Fund Types**

The District reports the following major governmental fund:

General Fund

The general fund is the principal operating fund and is used to account for all of the District's operations not required to be accounted for in another fund.

All remaining governmental funds are aggregated and reported as non-major funds:

1. Special Revenue Funds

Used to account for the proceeds of special revenue sources that are legally restricted to expenditure for special purposes. Special revenue funds include the following funds:

a. Special Aid Fund

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

b. School Lunch Fund

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

2. Capital Projects Fund

The capital projects fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

3. Debt Service Fund

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Other fund type:

II. Fiduciary Fund Type

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and agent for resources that belong to others. These activities are not included in the District-wide financial statements because their resources do not belong to the District and are not available to be used.

D. Basis of Accounting/Measurement Focus

General Information

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded at the time obligations are incurred, regardless of when the related cash transactions take place.

Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

E. Unearned Revenue and Deferred Inflows of Resources

Unearned revenue arises when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when the District has legal claim to the resources, the liability is removed and revenue is recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deferred, Unearned Revenue and Deferred Inflows of Resources (Continued)

Deferred inflows of resources arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflows of resources is reduced and revenue is recognized.

Deferred inflows of resources consists of real property taxes receivable which have not been collected within 60 days of year end.

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than July 1. Taxes are collected during the period July 1 through January 31 annually.

II. Enforcement

Uncollected real property taxes are enforced by the City of Troy and the County of Rensselaer. An amount representing all uncollected real property taxes must be transmitted by the City and County to the School District within two years from the return of unpaid taxes to such city and county. Real property taxes receivable expected to be collected within sixty days subsequent to June 30, 2014, less similar amounts collected during this period in the preceding year, are recognized as revenue; otherwise, real property taxes receivable are offset by deferred inflows of resources.

G. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

1. The budget policies are as follows:
 - a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
 - b. The voters within the District approve the proposed appropriation budget for the General Fund.
 - 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 unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgetary Procedures and Budgetary Accounting (Continued)

I. Budget Policies (Continued)

The following supplemental appropriations occurred during the year:

Various Gifts	<u>\$ 92,316</u>
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II. Encumbrances

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

III. Budget Basis of Accounting

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

H. Cash and Investments

The District's investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and School Districts.

I. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

J. Inventories

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

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Transfers

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

L. Equity Classifications

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

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

Restricted net position - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

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

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school food service fund at June 30, 2014.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District Board and contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements such as the award of a bid by the District Board. The District had no committed fund balances at June 30, 2014.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by the District or designated by the District Board for ensuing year's budget.

All encumbrances in the general and school food service fund of \$1,359,237 and \$20,730, respectively at June 30, 2014 are classified as assigned fund balance.

Assigned for Tax Reduction - Portions of fund equity are segregated for future use and are, therefore, not available for appropriation or expenditure. Assignments of unassigned fund balances in governmental funds indicates the use of these resources in the ensuing year's budget or tentative plans for future use.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

The unassigned portion reports remaining fund balance that has not been assigned or restricted. NYS Real Property Tax Law 1318 restricts the unreserved, unassigned fund balance of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

Restricted fund balance includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The following is a description of the restrictions utilized by the District:

I. *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 according to General Municipal Law §6-j.

The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

II. *Reserve for Employee Benefit Accrued Liability*

Authorized by General Municipal Law §6-p, this reserve is used to accumulate funds for the payment of any accrued employee benefit due to an employee upon termination of service. This reserve fund was established by a majority vote of the Board of Education and is funded by budgetary appropriations. This reserve is accounted for in the General Fund.

III. *Reserve for Debt Service*

Authorized by General Municipal Law §6-i, this reserve is used to account for remaining bond proceeds not utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

IV. Unemployment Insurance Reserve

Authorized by General Municipal Law §6-m the unemployment Insurance Reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit retirement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

V. Judgments and Claims Reserve

Authorized by General Municipal Law §6-n, this reserve was established to set aside District monies for uninsured claims.

Deficits

The Capital Project Fund has a deficit fund balance of \$47,529,637. This will be funded when the District obtains permanent financing for its current construction projects.

M. Post-retirement Benefits

In addition to providing the retirement benefits described in Note 2. B., the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the School District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Currently, approximately 423 retirees and their spouses meet those eligibility requirements. The District pays 100% of the cost of premiums to an insurance company which provides health care insurance, and is reimbursed a portion of the cost from certain retiree groups. In the governmental funds, the District recognized the net cost of providing benefits for fiscal year 2014 by recording approximately \$2.9 million, its share of insurance premiums for currently enrolled retirees, as an expenditure.

N. Due to/from Other Funds

The amounts reported on the Statement of Net Assets for due to and due 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 the same fund type.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2008. For assets acquired prior to July 1, 2008, actual or estimated historical costs based on an appraisal conducted by an independent third-party professional were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Lives</u>
Buildings	\$ 5,000	SL	20-40 years
Building improvements	\$ 5,000	SL	20-30 years
Land improvements	\$ 5,000	SL	20 years
Machinery and equipment	\$ 5,000	SL	5-20 years
Infrastructure	\$ 5,000	SL	20 years
Vehicles and trucks	\$ 5,000	SL	8 years

P. 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.

- a. Total fund balances of governmental funds differ from “net assets” of governmental activities reported in the Statement of Net Assets. The difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of governmental fund Balance Sheets.
- b. Statement of Revenues, Expenditures and Changes in Fund Balances 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.

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.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. *Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (Continued)*

- b. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities (Continued):

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.

Long-term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas principal payments are recorded as a reduction of liabilities in the Statement of Net Position. Other long-term debt differences result from the recording of compensated absences and post-employment benefits.

The costs of building and acquiring capital assets (land, buildings and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets \$ 174,435,944

Accumulated depreciation \$ 55,688,162

Long-term receivables which do not meet the available criteria for recording in the governmental funds are considered assets in the statement of net position. These amounts represent health insurance overpayments, rebates and recoveries held by the District's membership in the Rensselaer-Columbia-Greene Group Health Insurance Trust which will be paid to the District in the year ended June 30, 2015. \$ 645,667

Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example receivables) are offset by deferred inflows in the governmental funds, and thus are not included in fund balance. They are, however, included in the net assets of the governmental activities.

Adjustment of deferred inflows \$ 3,214,727

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (Continued)

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds and notes payable	<u>\$ 31,155,000</u>
Compensated absences payable	<u>\$ 3,587,020</u>
Post-retirement benefits payable	<u>\$ 45,495,270</u>

In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (usually, the amounts actually paid). This year, post-retirement benefits paid of \$2,902,035 were less than the amounts incurred of \$8,922,979. Also, compensated absences (vacations used) were less than the amounts incurred by \$1,005,001.

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$3,452,175 was less than capital expenditures of \$6,843,083 in the current year.

Repayment of bond principal of \$2,945,000 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires 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. The lower interest reported in the Statement of Activities is the result of an increase in accrued interest on bonds and the bond anticipation notes of \$185,444.

Q. Workers' Compensation Self-Insurance Plan

The District participates in a self-insurance plan for worker's compensation called The Rensselaer Columbia-Greene (RCG) Counties Worker's Compensation Consortium ("Consortium"). The Plan is a claims-servicing public entity risk pool which began operations in July, 1985. The Consortium was formed by participating school districts and Questar III. The purpose of the Consortium is to operate a plan to provide the employees of the participants with worker's compensation benefits and the participants with centralized administration and insurance covering job-connected disabilities and including the cost of medical treatment. The Consortium was accepted as a self-insurer by the State of New York Worker's Compensation Board effective July 1, 1985. The Consortium has a stop loss policy to protect participants from usually high claims.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Workers' Compensation Self-Insurance Plan (Continued)

The Consortium is governed by a Plan Agreement administered by a Board of Directors, consisting of one Director for each member. As of June 30, 2014 there were 19 participating members from Rensselaer, Columbia and Greene Counties in New York State. The amount owed to the Plan on behalf of the District at June 30, 2014 approximated \$125,000. Payments made to the Consortium for the year ended June 30, 2014 were \$385,846.

R. Use of Estimates

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

S. Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first out (LIFO) basis.

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

Consistent with GASB Statement 16, Accounting for Compensated Absences, an accrual for accumulated leave is included in the compensated absences liability at year-end in the District-wide financials. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

T. New Accounting Standards

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

GASB has issued Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for the year ended June 30, 2014.

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

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Future Changes in Accounting Standards

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

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

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

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

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

V. Subsequent Events

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through October 7, 2014, the date the financial statements were available to be issued. No such events or transactions were noted.

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash

1. Deposits

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

2. Restricted Cash

General

Restricted Cash of \$2,166,820 consists of amounts set aside by the District to fund the District's restricted reserves.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

I. Cash (Continued)

\$64.9 Million Capital Project

Restricted Cash of \$471,451 consists of unexpended BAN borrowings restricted to be spent on the capital project.

Fiduciary

Restricted Cash of \$231,263 consists of \$59,753 for Extraclassroom Activity funds and \$171,510 is restricted for scholarships.

II. Interfund Receivables and Payables

Interfund transactions and balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General	\$ 2,440,200	\$ 279,097	\$ -	\$ 199,788
Special Aid Fund	100,870	2,021,153	99,788	-
School Lunch	-	35,545	-	-
School Dinner	7,752	30,000	-	-
Debt Service	-	-	-	-
Capital Project Fund	-	354,537	100,000	-
Total Government	<u>2,548,822</u>	<u>2,720,332</u>	199,788	199,788
Activities				
Fiduciary Fund	171,510	-	-	-
Totals	<u>\$ 2,720,332</u>	<u>\$ 2,720,332</u>	<u>\$ 199,788</u>	<u>\$ 199,788</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

III. Other Receivables

Other 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.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Retirement Health Premiums	\$ 155,599
General Fund	Other	16,200
		<u>\$ 171,799</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

IV. Capital Assets

Capital asset balances for the year ended June 30, 2014 is as follows:

	Balance July 1	Additions	Retirements/ Reclassifications	Balance June 30
Capital assets that are not depreciated:				
Land	\$ 345,316	\$ -	\$ -	\$ 345,316
Construction in Progress	50,181,608	6,533,301	(519,206)	56,195,703
Total nondepreciable historical cost	<u>50,526,924</u>	<u>6,533,301</u>	<u>(519,206)</u>	<u>56,541,019</u>
Capital assets that are depreciated:				
Buildings	101,472,897	-	-	101,472,897
Machinery and equipment	11,184,604	979,280	(145,131)	12,018,753
Land improvements	3,995,886	-	(5,161)	3,990,725
Vehicles	412,550	-	-	412,550
Total depreciable historical cost	<u>117,065,937</u>	<u>979,280</u>	<u>(150,292)</u>	<u>117,894,925</u>
Less accumulated depreciation:				
Buildings	41,184,726	3,001,363	-	44,186,089
Machinery and equipment	9,991,805	398,076	(139,626)	10,250,255
Land improvements	679,018	185,149	(4,765)	859,402
Vehicles	380,438	11,978	-	392,416
Total accumulated depreciation	<u>52,235,987</u>	<u>3,596,566</u>	<u>(144,391)</u>	<u>55,688,162</u>
Total capital assets, net	<u>\$ 115,356,874</u>	<u>\$ 3,916,015</u>	<u>\$ (525,107)</u>	<u>\$ 118,747,782</u>

B. Liabilities

I. Pension Plans

General Information

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

Plan Descriptions

Teachers' Retirement System (TRS)

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

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

Plan Descriptions (Continued)

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 Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policies

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

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

	<u>ERS</u>	<u>TRS</u>
2013-2014	\$ 1,332,650	\$ 3,623,958
2012-2013	\$ 1,217,054	\$ 3,448,644
2011-2012	\$ 1,167,148	\$ 3,254,966

The District's contributions made to the Systems were equal to 100 percent of the contributions required for each year. The approximate rates paid in the three years from 2012-2014 for ERS were, 15.9%, 18.7% and 21.1% for the largest employee group, respectively, and the rates for TRS from 2012-2014 were 11.11%, 11.84% and 16.25%, respectively.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

II. Post-retirement Benefits

The District provides postemployment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The District has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This required the District to calculate and record a net other postemployment benefit obligation ("OPEB") at year end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund level financial statements as payments are made. For the year ended June 30, 2014, the District recognized \$2,902,035 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2012 which indicates that the total liability for other postemployment benefits is \$45,495,270, which is reflected in the Statement of Net Assets.

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

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC presents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 10,563,159
Interest on net OPEB obligation	1,537,358
Correction to prior OPEB obligation	(1,040,385)
Adjustment to annual required contribution	<u>(2,137,153)</u>
Annual OPEB cost	8,922,979
Contributions made	<u>(2,902,035)</u>
Increase in net OPEB obligations	6,020,944
Net OPEB obligation - beginning of year	<u>39,474,326</u>
Net OPEB obligation - end of year	<u>\$ 45,495,270</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

II. Post-retirement Benefits (Continued)

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 is as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 9,963,364	29.1%	\$ 45,495,270
6/30/13	\$ 9,866,165	29.0%	\$ 38,433,941
6/30/12	\$ 9,592,292	28.0%	\$ 31,431,095

Funded Status and Funding Progress: As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$116,338,094 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$116,338,094. The covered payroll (annual payroll of active employees covered by the plan was \$34,767,885 and the ratio of the UAAL to the covered payroll was 335%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the July 1, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5% after 5 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 24 years.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

III. Indebtedness

1. Short-Term Debt

Transactions in short-term debt related to bond anticipation notes for the year ended June 30, 2014:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
11/21/13	1.5%	\$ 47,939,622	\$ -	\$ 47,939,622	\$ -
07/15/14	1.0%	-	15,000,000	-	15,000,000
07/15/14	1.25%	-	32,564,622	-	32,564,622
		<u>\$ 47,939,622</u>	<u>\$ 47,564,622</u>	<u>\$ 47,939,622</u>	<u>\$ 47,564,622</u>

Interest on short-term debt in the government-wide statement of activities for the year was composed of :

Interest paid	\$ 479,396
Less interest accrued in the prior year	(292,964)
Plus interest accrued in the current year	<u>522,242</u>
Total Expense	<u>\$ 708,674</u>

2. Long-term Debt

a. Serial Bonds

The District borrows money in order to acquire or construct building and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. During the current year, the District recognized \$1,321,362 of expenditures for serial and statutory bond debt interest in the governmental funds statement of revenues, expenditures and changes in fund balances.

Interest on long-term debt in the government-wide statement of activities for the year was composed of:

Interest paid	\$ 1,321,362
Less interest accrued in the prior year	(472,655)
Plus interest accrued in the current year	<u>428,821</u>
Total Expense	<u>\$ 1,277,528</u>

b. Other Long-term Debt

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

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

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

III. Indebtedness (Continued)

b. Other Long-term Debt (Continued)

Other Postemployment Benefits - represents the District's obligation for postemployment benefits provided to retirees and current employees upon their retirement.

3. Changes

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

	<u>Serial Bonds</u>	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>	<u>Total</u>
Balance July 1	\$ 34,100,000	\$ 2,582,019	\$ 38,433,941	\$ 75,115,960
Additions	-	1,005,001	9,963,364	10,968,365
Deletions	<u>(2,945,000)</u>	<u>-</u>	<u>(2,902,035)</u>	<u>(5,847,035)</u>
Balance, June 30	<u>\$ 31,155,000</u>	<u>\$ 3,587,020</u>	<u>\$ 45,495,270</u>	<u>\$ 80,237,290</u>

Additions and deletions to compensated absences are shown net as it is impracticable to determine these amounts separately.

4. Maturity

The following is a summary of the District's indebtedness:

<u>Description of Issue</u>	<u>Type</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest</u>	<u>Outstanding June 30, 2014</u>
District-wide Reconstruction Series 2008	Serial Bond	07/01/08	07/01/29	4.00%	\$ 14,450,000
District-Wide Renovations, Bonds, 2010	Serial Bond	07/01/10	06/15/25	3.881%	5,190,000
School District Refunding Bonds, 2011	Serial Bond	05/25/11	07/15/21	2.00- 3.125%	7,065,000
School Construction Bonds 2012	Serial Bond	06/14/12	06/15/27	1.30- 4.35%	<u>4,450,000</u>
Total					<u>\$ 31,155,000</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

2. **DETAIL NOTES ON ALL FUNDS**

B. Liabilities (Continued)

III. Indebtedness (Continued)

4. Maturity (Continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,380,000	\$ 1,168,766	\$ 3,548,766
2016	2,465,000	1,099,696	3,564,697
2017	2,555,000	1,018,433	3,573,433
2018	2,650,000	936,624	3,586,625
2019	2,740,000	848,311	3,588,311
2020-2024	10,650,000	2,885,689	13,535,689
2025-2029	<u>7,715,000</u>	<u>819,840</u>	<u>8,534,840</u>
Total	<u>\$ 31,155,000</u>	<u>\$ 8,777,359</u>	<u>\$ 39,932,361</u>

IV. Constitutional Debt Limit

The constitution of the State of New York limits the amounts of indebtedness which may be issued by the School District. The School District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 5% on the average full valuation of taxable real estate within the District. At June 30, 2014, the District has exhausted 88.9% of its constitutional debt limit.

3. **CONTINGENCIES AND COMMITMENTS**

A. Litigation

The District is a party of various legal proceedings and other claims incidental to the ordinary course of its operations. The District is also regularly involved with certiorari actions brought by real property owners to have their assessments reduced. Liabilities, if any, are recorded when they become fixed or determinable in amount.

B. Federal and State Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, District management believes such disallowances, if any, would not be material.

3. CONTINGENCIES AND COMMITMENTS (CONTINUED)

C. Risk Financing and Related Insurance

General Information

The Enlarged City School District of Troy, New York is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters.

D. Collective Bargaining Units

The Enlarged City School District of Troy, New York employees are represented by collective bargaining agents. Those agents which represent them and the dates of expiration of their agreements are as follows:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
Troy Administrators' Association	June 30, 2015
CSEA, LOCA 1000 AFSCME, AFL - C10	June 30, 2013
Troy Teachers' Association	June 30, 2012

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
STATEMENT OF REVENUES, OTHER SOURCES, EXPENDITURES AND OTHER USES COMPARED TO BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
Revenues:				
Local Sources:				
Real property taxes	\$ 30,519,402	\$ 30,519,402	\$ 30,685,903	\$ 166,501
Other tax items	4,648,684	4,648,684	4,667,352	18,668
Nonproperty taxes	1,300,000	1,300,000	1,571,600	271,600
Charges for service	939,100	939,100	889,737	(49,363)
Use of money and property	147,000	147,000	52,073	(94,927)
Sale of property and compensation for loss	45,600	45,600	95,814	50,214
Miscellaneous	1,350,978	1,443,297	2,996,443	1,553,146
Interfund revenues	<u>120,000</u>	<u>120,000</u>	<u>149,836</u>	<u>29,836</u>
Total Local Sources	39,070,764	39,163,083	41,108,758	1,945,675
State sources	48,532,790	48,532,790	49,658,577	1,125,787
Medicaid Reimbursement	<u>300,000</u>	<u>300,000</u>	<u>536,174</u>	<u>236,174</u>
Total Revenues	87,903,554	87,995,873	<u>\$ 91,303,509</u>	<u>\$ 3,307,636</u>
Other Financing Sources:				
Appropriated fund balance	<u>8,925,000</u>	<u>8,925,000</u>		
Total Revenues and Other Financing Sources	<u>\$ 96,828,554</u>	<u>\$ 96,920,873</u>		

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF REVENUES, OTHER SOURCES, EXPENDITURES AND OTHER USES COMPARED TO BUDGET - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Year-end Encumbrances</u>	<u>Budget Variance</u>
Expenditures:					
General Support:					
Board of education	\$ 93,744	\$ 96,018	\$ 89,557	\$ 3,960	\$ 2,501
Central administration	225,477	235,775	232,539	-	3,236
Finance	755,253	829,203	741,393	29,704	58,106
Staff	618,296	935,166	567,188	279,151	88,827
Central services	6,995,352	7,214,692	5,545,983	680,250	988,459
Special items	<u>1,230,708</u>	<u>1,171,708</u>	<u>1,109,472</u>	<u>-</u>	<u>62,236</u>
Total General Support	<u>9,918,830</u>	<u>10,482,562</u>	<u>8,286,132</u>	<u>993,065</u>	<u>1,203,365</u>
Instruction:					
Instruction, administration and improvement	3,525,286	3,640,140	3,539,765	-	100,375
Teaching - regular school	30,841,894	31,375,249	30,781,864	320,087	273,298
Programs for children with handicapping conditions	14,288,660	13,651,388	13,543,927	300	107,161
Occupational education	863,910	848,959	789,303	-	59,656
Teaching - special school	520,350	491,830	428,609	-	63,221
Instructional media	968,249	1,227,855	1,159,319	-	68,536
Pupil services	<u>3,504,790</u>	<u>3,687,236</u>	<u>3,496,797</u>	<u>30,784</u>	<u>159,655</u>
Total Instruction	<u>54,513,139</u>	<u>54,922,657</u>	<u>53,739,584</u>	<u>351,171</u>	<u>831,902</u>
Other:					
Pupil transportation	5,843,469	5,857,319	5,156,503	15,000	685,816
Community service	50,000	38,027	36,756	-	1,271
Employee benefits	21,543,754	21,644,656	18,437,691	-	3,206,965
Debt service	<u>5,341,362</u>	<u>5,341,362</u>	<u>5,120,758</u>	<u>-</u>	<u>220,604</u>
Total Other	<u>32,778,585</u>	<u>32,881,364</u>	<u>28,751,708</u>	<u>15,000</u>	<u>4,114,656</u>
Total Expenditures	97,210,554	98,286,583	90,777,424	1,359,236	6,149,923
Other Financing Uses:					
Transfers to other funds	<u>218,000</u>	<u>218,000</u>	<u>199,788</u>	<u>-</u>	<u>18,212</u>
Total Expenditures and Other Uses	<u>\$ 97,428,554</u>	<u>\$ 98,504,583</u>	<u>90,977,212</u>	<u>\$ 1,359,236</u>	<u>\$ 6,168,135</u>
Net Changes in Fund Balances			<u>\$ 326,297</u>		

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLANS
 FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a percentage of covered payroll (b-a)c)
July 1, 2012	\$ -	\$ 116,338,094	\$ 116,338,094	0%	\$ 34,767,885	335%
July 1, 2011	\$ -	\$ 108,364,894	\$ 108,364,894	0%	\$ 33,737,828	321%
July 1, 2010	\$ -	\$ 104,058,921	\$ 104,058,921	0%	\$ 37,058,970	281%
July 1, 2009	\$ -	\$ 113,365,205	\$ 113,365,205	0%	\$ 34,351,578	330%
July 1, 2008	\$ -	\$ 118,687,737	\$ 118,687,737	0%	N/A	N/A

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
*SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET AND
 THE REAL PROPERTY TAX LIMIT
 FOR THE YEAR ENDED JUNE 30, 2014*

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 97,428,554
Add: Prior Year's Encumbrances	<u>983,713</u>
Original Budget	98,412,267
Budget Revision - Gifts and Donations	<u>92,316</u>
Final Budget	<u><u>\$ 98,504,583</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2014-15 expenditure budget	\$ 106,788,863
Maximum allowed 4% of 2014-15 budget	<u><u>\$ 4,271,555</u></u>

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

Unrestricted fund balance:	
Assigned fund balance	\$ 1,359,237
Unassigned fund balance	<u>12,412,541</u>
Total unrestricted fund balance	<u><u>13,771,778</u></u>
Less:	
Appropriated fund balance	8,925,000
Encumbrances included in assigned fund balance	<u>1,359,237</u>
Total adjustments	<u><u>10,284,237</u></u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	<u><u>\$ 3,487,541</u></u>
Actual percentage	<u><u>\$ 3.27%</u></u>

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of General Fund fund balance subject to §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.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

CAPITAL PROJECTS FUND - SCHEDULE OF PROJECT EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2014

<u>Project Title</u>	<u>Project Number</u>	<u>Expenditures</u>					<u>Unexpended Balance</u>
		<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Spring 2013 - Various	(1)	\$ 56,362,233	\$ 56,362,233	\$ 50,181,513	\$ 6,148,751	\$ 56,330,264	\$ 31,969
School 18 PA System	0010.012	100,000	100,000	95	30,689	30,784	69,216
Doyle Middle School Reconstruction (DMS)	0012.015	100,000	100,000	-	61,877	61,877	38,123
District Wide Technology	7999.004	<u>8,400,000</u>	<u>8,400,000</u>	<u>-</u>	<u>291,984</u>	<u>291,984</u>	<u>8,108,016</u>
Total		<u>\$ 64,962,233</u>	<u>\$ 64,962,233</u>	<u>\$ 50,181,608</u>	<u>\$ 6,533,301</u>	<u>\$ 56,714,909</u>	<u>\$ 8,247,324</u>

(1) Various capital project numbers including:

<u>Title</u>	<u>Number</u>
Doyle Middle School Reconstruction (DMS)	0012.014
Troy High School (THS) Athletic Storage Building (THS)	0011.024 2004.002

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT

FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets, Net		\$ 118,747,782
Deduct:		
Short-term portion of bonds and bond anticipation notes payable	\$ 47,564,622	
Long-term portion of bonds payable	31,155,000	
Other current liabilities related to construction in progress		
Less: unspent bond anticipation note proceeds and other assets	<u>(471,451)</u>	<u>(78,248,171)</u>
Investment in Capital Assets, Net of Related Debt		<u>\$ 40,499,611</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>Special Aid</u>	<u>School Food Service</u>	<u>Debt Service</u>	<u>Total Non-Major Funds</u>
Current Assets:				
Cash				
Unrestricted	\$ 1,078,706	\$ 1,236,462	\$ 408,597	\$ 2,723,765
Receivables				
Due from other funds	100,870	7,752	-	108,622
State and federal aid	1,391,483	171,782	-	1,563,265
Other	-	990	-	990
Inventories	-	54,000	-	54,000
Total Assets	<u>\$ 2,571,059</u>	<u>\$ 1,470,986</u>	<u>\$ 408,597</u>	<u>\$ 4,450,642</u>
Current Liabilities:				
Payables				
Accounts payable	\$ 279,609	\$ 143,701	\$ -	\$ 423,310
Due to other funds	2,021,153	65,545	-	2,086,698
Due to other governments	7,335	879	-	8,214
Unearned revenue	262,962	-	-	262,962
Total Liabilities	<u>2,571,059</u>	<u>210,125</u>	<u>-</u>	<u>2,781,184</u>
Fund Balance:				
Restricted for:				
Debt Service	-	-	408,597	408,597
Nonspendable:				
Inventories	-	54,000	-	54,000
Assigned for:				
Food Service	-	1,206,861	-	1,206,861
Total Fund Balance	<u>-</u>	<u>1,260,861</u>	<u>408,597</u>	<u>1,669,458</u>
Total Liabilities and Fund Balance	<u>\$ 2,571,059</u>	<u>\$ 1,470,986</u>	<u>\$ 408,597</u>	<u>\$ 4,450,642</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEARS ENDED JUNE 30, 2014

	<u>Special Aid</u>	<u>School Food Service</u>	<u>Debt Service</u>	<u>Total Non-Major Funds</u>
Revenues:				
Use of money and property	\$ -	\$ 345	\$ 267	\$ 612
State sources	1,781,317	57,559	-	1,838,876
Sales	-	125,973	-	125,973
Miscellaneous	-	1,593	-	1,593
Federal sources	6,191,541	1,877,521	-	8,069,062
Surplus food	-	119,333	-	119,333
Total Revenues	<u>7,972,858</u>	<u>2,182,324</u>	<u>267</u>	<u>10,155,449</u>
Expenditures:				
General support	150,190	-	-	150,190
Instruction	7,922,456	-	-	7,922,456
Cost of sales	-	2,022,656	-	2,022,656
Total Expenditures	<u>8,072,646</u>	<u>2,022,656</u>	<u>-</u>	<u>10,095,302</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(99,788)</u>	<u>159,668</u>	<u>267</u>	<u>60,147</u>
Other Financing Sources:				
Operating transfers in	99,788	-	-	99,788
Total Other Sources	<u>99,788</u>	<u>-</u>	<u>-</u>	<u>99,788</u>
Excess of Revenues and Other Sources Over Expenditures	-	159,668	267	159,935
Fund Equity, Beginning of Year	<u>-</u>	<u>1,101,193</u>	<u>408,330</u>	<u>1,509,523</u>
Fund Equity, End of Year	<u>\$ -</u>	<u>\$ 1,260,861</u>	<u>\$ 408,597</u>	<u>\$ 1,669,458</u>

FEDERAL AWARD PROGRAM INFORMATION

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: INFO@CUSACKCPA.COM
WWW.CUSACKCPA.COM

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**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 Board of Education
Enlarged City School District
of Troy, New York

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Enlarged City School District of Troy, New York (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 7, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 7, 2014

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

To the Board of Education
Enlarged City School District
of Troy, New York

Report on Compliance for Each Major Federal Program

We have audited the Enlarged City School District of Troy, New York's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 7, 2014

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity/Project Number	Federal Expenditures
<u>Passed Through New York State Education Department:</u>			
<u>U.S. Department of Education</u>			
ESEA Title I	84.010	0021-14-2530	\$ 1,385,919
ESEA Title I	84.010	0021-13-2530	272,007
Title I School Improvement	84.010	0011-14-2128	57,534
Title I School Improvement	84.010	0011-13-2128	46,081
Title I School Improvement	84.010	0011-14-2328	31,015
Total CFDA #84.010			<u>1,792,556</u>
IDEA, Part B, Section 611	84.027	0032-14-0760	<u>1,269,589</u>
IDEA, Part B, Section 619	84.173	0033-14-0760	83,523
IDEA, Part B, Section 619	84.173	0033-13-0760	(2,850)
Total CFDA #84.173			<u>80,673</u>
Twenty First Century Community Learning	84.287	0187-14-4094	562,317
Twenty First Century Community Learning	84.287	0187-13-4094	9,900
Total CFDA #84.287			<u>572,217</u>
Title II - Part A - Teaching and Principal Training	84.367	0149-14-2530	17,264
Title II - Part A - Teaching and Principal Training	84.367	0149-13-2530	2,906
Title II - Part A - Teaching and Principal Training	84.367	0147-14-2530	414,038
Total CFDA #84.367			<u>434,208</u>
Title III - Part A, LEP	84.365	0293-14-2530	6,819
Title III - Part A, LEP	84.365	0293-13-2530	2,059
Total CFDA #84.365			<u>8,878</u>
Homeless Children - ARRA Funded	84.387	5212-14-3925	<u>38,937</u>
Title I - School Improvement 1003(G)(ARRA Funded)	84.388	5123-14-4109	1,346,044
Title I - School Improvement 1003(G)(ARRA Funded)	84.388	5123-13-4109	247,587
Total CFDA #84.388			<u>1,593,631</u>
Race-To-The-Top (RTTT ARRA Funded)	84.395	5540-14-0006	72,558
Race-To-The-Top (RTTT ARRA Funded)	84.395	5540-13-0006	(9,448)
Race-To-The-Top (RTTT ARRA Funded)	84.395	5500-14-2530	343,127
Total CFDA #84.395			<u>406,237</u>
Total Passed Through New York State Education Department			<u>6,196,926</u>
<u>U.S. Department of Agriculture</u>			
School Breakfast Program	10.553	-	540,645
School Lunch Program	10.555	-	1,284,561
School Snack Program	10.555	-	25,438
Food Surplus	10.555	-	119,333
Child and Adult Care Food Program	10.558		21,492
Total U.S. Department of Agriculture			<u>1,991,469</u>
Total Federal Assistance			<u>\$ 8,188,395</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards was prepared on the accrual basis of accounting. Grant awards are recorded as revenue when the criteria for earning the revenue is met, generally when the expenditure of grant funds is made. Grant expenditures are recorded when the liability is incurred.

The amounts reported as federal expenditures on the schedule represent expenditures of federal funds as obtained from the appropriate federal financial reports for the applicable programs and periods. The non-federal share of expenditures, if any, is excluded from the schedule.

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

The Enlarged City School District of Troy, New York is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

3. SCHOOLWIDE PROGRAMS

The District expends the following federal awards in school wide programs:

<u>Programs</u>	<u>Amount</u>
CFDA #10.553/10.555 Child Nutrition Program	\$ 1,969,977
CFDA #84.027 Special Education - Grants to States (IDEA, Part B)	1,269,589
CFDA #84.173 Special Education - Preschool Grants (IDEA, Preschool)	80,673
CFDA #84.010 Title I Grants to Local Educational Agencies	<u>1,792,556</u>
Total	<u><u>\$ 5,112,795</u></u>

4. FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2014, the School District received food commodities totaling \$119,333.

5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards revenue is reported in the District's financial statements as follows:

Federal Aid per Financial Statements	\$ 8,605,236
Surplus Food	119,333
Less: Federal Medicaid Receipts	<u>(536,174)</u>
Total Federal Assistance	<u><u>\$ 8,188,395</u></u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

SECTION I — SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- "Going Concern" explanatory paragraph included in audit report? Yes X No
- Significant deficiency disclosed? Yes X No
- Significant deficiency(ies) reported as a material weakness? Yes X None reported
- Material noncompliance disclosed? Yes X No

Federal Awards

Internal Control over major programs:

- Significant deficiency disclosed for any major programs? Yes X No
- Significant deficiency(ies) reported for any major programs as a material weakness? Yes X None reported
- Any known questioned costs reported? Yes X No

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Clusters</u>
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster
84.388	Title I - School Improvements 1003(G)(ARRA Funded)
84.395	Race-To-The-Top (RTTT-ARRA Funded)

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

Auditee qualified as low-risk auditee? X Yes No

SECTION II — FINANCIAL STATEMENT FINDINGS

See page 58. No current year findings or recommendations noted.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

N/A

SECTION IV — RESOLUTION OF PRIOR YEAR AUDIT FINDINGS

See the resolution of prior year findings enclosed on page 59.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

JUNE 30, 2014

No material noncompliance or significant deficiencies were identified.

1. Fixed Asset Accounting

The District did properly reconcile their fixed asset accounts with appropriate corrections made to the supporting records.

2. District Reserves

The District properly corrected this discrepancy in 2013-2014.

EXTRACLASSROOM ACTIVITY FUND

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: INFO@CUSACKCPA.COM
WWW.CUSACKCPA.COM

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Education
Enlarged City School District
of Troy, New York

We have audited the accompanying financial statements of the Enlarged City School District of Troy, New York's Extraclassroom Activity Funds ("Troy's Extraclassroom Activity Funds"), which comprise the statement of assets and fund balance-cash basis as of June 30, 2014, and the related statement of cash receipts and disbursements-cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial 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 these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, and fund balance of Troy's Extraclassroom Activity Fund as of June 30, 2014, and its cash receipts and disbursements for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

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

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 7, 2014

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

*EXTRACLASROOM ACTIVITY FUND
STATEMENT OF ASSETS AND FUND BALANCE
RESULTING FROM CASH TRANSACTIONS
JUNE 30, 2014*

Cash	<u>\$ 59,753</u>
Fund Balance	<u>\$ 59,753</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

EXTRACLASROOM ACTIVITY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Extracurricular Accounts	Balance June 30, 2013	Receipts 2013-2014	Disbursements 2013-2014	Balance June 30, 2014
Art Club	\$ 1	\$ 350	\$ 335	\$ 16
Drama	9,865	7,423	8,709	8,579
Music	2,170	18,196	18,752	1,614
Performing Arts	128	-	-	128
Key Club	204	140	302	42
S.A.D.D.	215	-	-	215
Environmental Action	2,232	502	1,007	1,727
French	1,035	350	500	885
Italian	1,052	4,203	4,738	517
Spanish	59	2,518	2,430	147
Challenger (THS paper)	102	-	-	102
Dardanian (THS Yearbook)	9,887	7,309	14,487	2,709
DMS Yearbook	1,092	6,838	7,806	124
Math Honor Society	198	600	292	506
THS Ski Club	512	7,160	7,273	399
DMS Ski Club	572	2,888	3,072	388
National Honor Society	4,428	3,640	4,123	3,945
Junior National Honor Society	1,013	2,377	2,316	1,074
DMS Student Council	875	-	61	814
THS Student Council	8,555	7,423	5,563	10,415
School #1 Student Association	69	-	-	69
Junior/Senior Class	21,259	34,569	31,289	24,539
NYS Sales Tax	376	1,500	1,202	674
Unallocated Bank Interest	<u>125</u>	<u>-</u>	<u>-</u>	<u>125</u>
Total	<u>\$ 66,024</u>	<u>\$ 107,986</u>	<u>\$ 114,257</u>	<u>\$ 59,753</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

EXTRAClassroom Activity Fund

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds are used to account for those organizations within the Enlarged City School District of Troy, New York whose activities are conducted by students and whose financial support is raised other than by taxation, fees or through charges of the Enlarged City School District of Troy, New York.

Reporting Entity

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Enlarged City School District of Troy, New York. Consequently, such transactions are included in the Trust and Agency Fund of the general purpose financial statements.

Basis of Accounting

The books and records of the Enlarged City School District of Troy, New York's Extraclassroom Activity Funds are maintained on the cash basis of accounting in accordance with New York State guidelines. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

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To the Board of Education and Management
of the Enlarged City School District of Troy, New York
Troy, New York

We have audited the financial statements of the Enlarged City School District of Troy, New York for the year ended June 30, 2014 and have issued our report thereon dated October 7, 2014. As part of our audit, we made a study and evaluation of the District's system of internal control, to the extent we considered necessary, solely to determine the nature, timing and extent of our auditing procedures. Accordingly, we do not express an opinion on the system of internal control taken as a whole.

The management of the District is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. During our audit, we did not become aware of any conditions that we believe to be material weaknesses, but we did note some items that we believe should be communicated to you. These items, and our suggested corrective action, are detailed in the attached schedules of findings and recommendations.

This report is intended solely for the information and use of the Board of Education, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

CURRENT YEAR RECOMMENDATIONS

1. Deferred State Aid Revenue

The District was notified a number of years ago that there were relatively small state aid claims payable to the District, the timing of which was based on available state funds. Over the past few years some of these older claims were paid to the District.

Due to the lack of guaranteed timing of receipt of these claims, the District decided to eliminate the receivables from their records, however the deferred revenue account A691S is still maintained at \$119,820 at June 30, 2014.

We recommend that the District eliminate this deferral in the 2014-2015 year by increasing state aid revenues.

2. Sales Tax

As part of our audit of the District's petty cash disbursements, on occasion those responsible for their petty cash occasionally paid sales tax for office or school supplies purchased.

We recommend that on an annual basis the District notify these custodians of petty cash to avoid the payment of sales tax when purchasing supplies.

3. Extraclassroom Cash Receipts

As part of our sample testing of the extraclassroom receipts for 2013-2014, it was generally observed that while the cash receipt form was completed properly, with proper signatures, supporting documentation was lacking in many cases.

We recommend that additional details be included with the cash receipt form such as copies of the checks received, a listing of the checks or alternate support for the deposit.

RESOLUTION OF PRIOR YEAR RECOMMENDATIONS

1. Compensated Absences

Annually the District calculates its liability for accrued and vested vacation and sick time for its various employee groups based on their allowed benefits according to their respective contracts. In auditing these calculations, we noted errors in the allowed maximum carryover allowances for certain employer groups. Additionally, we noted a small number of employees who had exceeded their allowed time off balances and had overdrawn their allowed compensated absence bank.

We recommend that the District assign an individual to be responsible for initially identifying and establishing a digest of the allowed time off amounts by employer group and then periodically analyze the time off requested and taken to that as allowed by employer group to provide a more accurate annual calculation and to avoid individual employees from taking more time off than they are allowed.

Status: This comment has been adequately addressed in the current year.

2. Constitutional Debt Limit

The District must adhere to a constitutional debt limit that is based on a percentage of the District's five year average full valuation of taxable real property. At present, based on the latest District borrowing, the District has exhausted approximately 91.4% of its borrowing power, leaving the District with limited borrowing capability going forward.

We recommend that management provide the finance committee with an analysis that identifies the plan for paying down the District's debt in conjunction with identifying future capital needs in conjunction with a plan for their financing given the limitations that may be caused by the limited borrowing capability.

Status: This comment continues to be of concern with the limit at 88.9% this year.

3. School Food Service

During our audit of the District's year-end inventory and accounts payable balances, we noted errors both in the calculation of surplus food inventory and amounts received throughout the year and an invoice which was not properly included in the District's accounts payable at June 30, 2014.

The District recently changed its management company that operates the school food service program and it appears the errors relate to the transition and are isolated.

We recommend the District perform a thorough review of its invoices received shortly after year-end to determine the proper cutoff of outstanding invoices in future year-end closings.

Status: This comment has been adequately addressed in the current year.

4. Municipal Bond Bank Agency (MBBA)

In the past, the District has refunded certain bonds with an escrow established at the MBBA for retirement of the prior serial bonds, and that repayment is now complete. The District maintains a balance in its general fund account number A 440 B which we recommend be closed out and recorded as a refund of prior year expense in the District's year ended June 30, 2014 general fund.

Status: This comment has been adequately addressed in the current year.

We would like to express our appreciation for the cooperation and efforts of the District's financial personnel who were instrumental in the timely completion of this year's audit. We look forward to being of continued service to your District.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 7, 2014