

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

FINANCIAL REPORT

JUNE 30, 2011

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, 2011

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, 2011. 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 assets decreased by \$2,969,627 and \$2,772,093 during the course of 2011 and 2010 primarily due to the recognition of postemployment benefits as required by the implementation of GASB 45.
- District wide revenues were \$93,033,211 and \$95,669,493 for 2011 and 2010, respectively; district wide expenditures were \$96,002,838 and \$98,441,586 for 2011 and 2010, respectively.
- General fund expenditures exceeded general fund revenues by \$437,804 and \$811,461 for the year ended June 30, 2011 and 2010, respectively.
- General fund equity was \$15,358,091 at June 30, 2011 as compared to \$14,920,287 at June 30, 2010.

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.

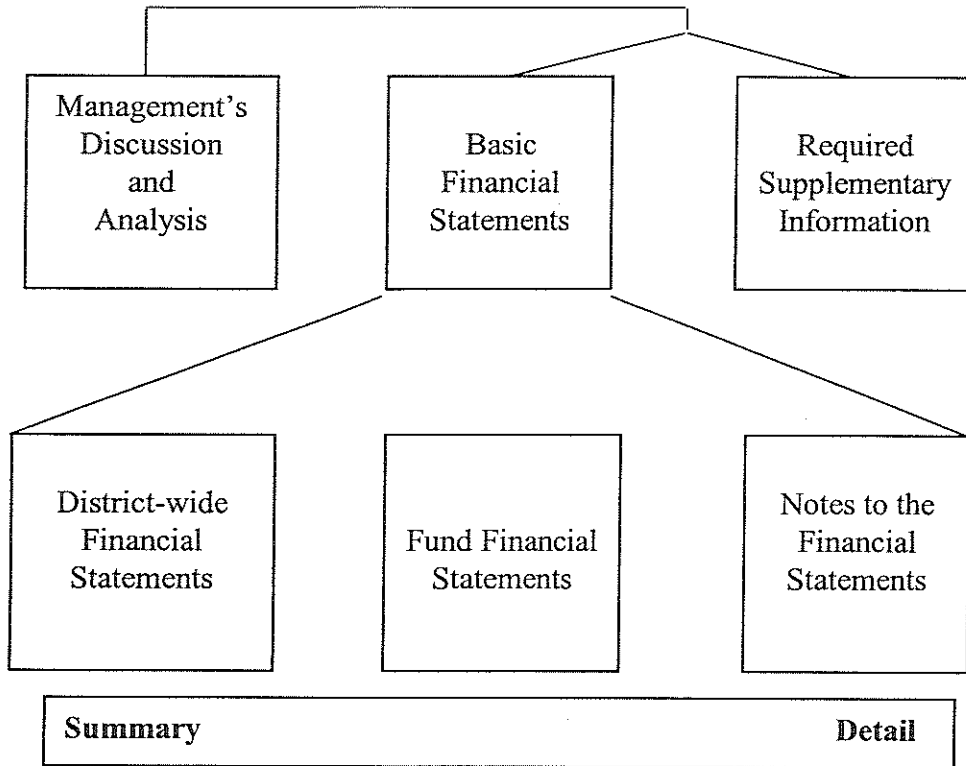
The financial statements also include notes that provide additional information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's 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, 2011

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, 2011

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 Assets• 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 Assets• Statement of Changes in Fiduciary Net Assets
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, 2011

DISTRICT-WIDE STATEMENTS

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

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

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

The district-wide financial statements can be found on pages 13-14 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 15-18 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$19,523,102 at June 30, 2011. 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, 2011

**Table A-3: Condensed Statement of Net Assets (Deficit) - Governmental Activities
(in millions)**

	Fiscal Year 2011	Fiscal Year 2010
Current and Other Assets	\$ 27.0	\$ 28.7
Capital Assets	<u>69.2</u>	<u>67.4</u>
Total Assets	<u>\$ 96.2</u>	<u>\$ 96.1</u>
Current Liabilities	\$ 14.3	\$ 19.7
Long-term Debt Outstanding	<u>62.4</u>	<u>53.8</u>
Total Liabilities	<u>76.7</u>	<u>73.5</u>
Investment in Capital Assets, Net of Related Debt	29.5	26.9
Restricted	3.6	9.4
Unassigned Deficit	<u>(13.6)</u>	<u>(13.7)</u>
Total Net Assets	<u>\$ 19.5</u>	<u>\$ 22.6</u>

CHANGES IN NET ASSETS

A large portion of the District's net assets 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 assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing obligations to students, employees and creditors. The unrestricted net asset amount has been earmarked for the following purposes:

- Designated for Subsequent Year's Expenditures
- Reserve for Encumbrances
- Reserve for Employee Benefit Accrued Liability
- Worker's Compensation Reserve
- Reserve for Unemployment Insurance
- Reserve for Debt

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2011**

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

	Fiscal Year <u>2011</u>	Fiscal Year <u>2010</u>
Changes in Net Assets from Operating Results		
Program Revenues:		
Charges for Services	\$ 1,175,753	\$ 1,246,912
Operating Grants	8,955,766	9,026,034
General Revenues:		
Real Property & Utility Taxes	33,718,582	32,479,262
Use of Money and Property	160,726	214,146
Miscellaneous	1,446,824	1,426,957
State Sources	46,012,513	48,152,275
Federal Sources	<u>1,563,047</u>	<u>3,123,907</u>
Total Revenues	<u>93,033,211</u>	<u>95,669,493</u>
Expenses:		
General Support	9,416,123	9,095,312
Instruction	54,466,701	55,360,705
Pupil Transportation	4,584,476	4,272,367
Employee Benefits	21,873,759	24,041,470
Interest Expense	1,928,928	1,936,252
Other	1,693,926	1,675,057
Depreciation - Unallocated	<u>2,038,925</u>	<u>2,060,423</u>
Total Expenses	<u>96,002,838</u>	<u>98,441,586</u>
Change in Net Assets	<u>\$ (2,969,627)</u>	<u>\$ (2,772,093)</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

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

JUNE 30, 2011

Table A-5: Sources of Revenue for Fiscal Year 2011

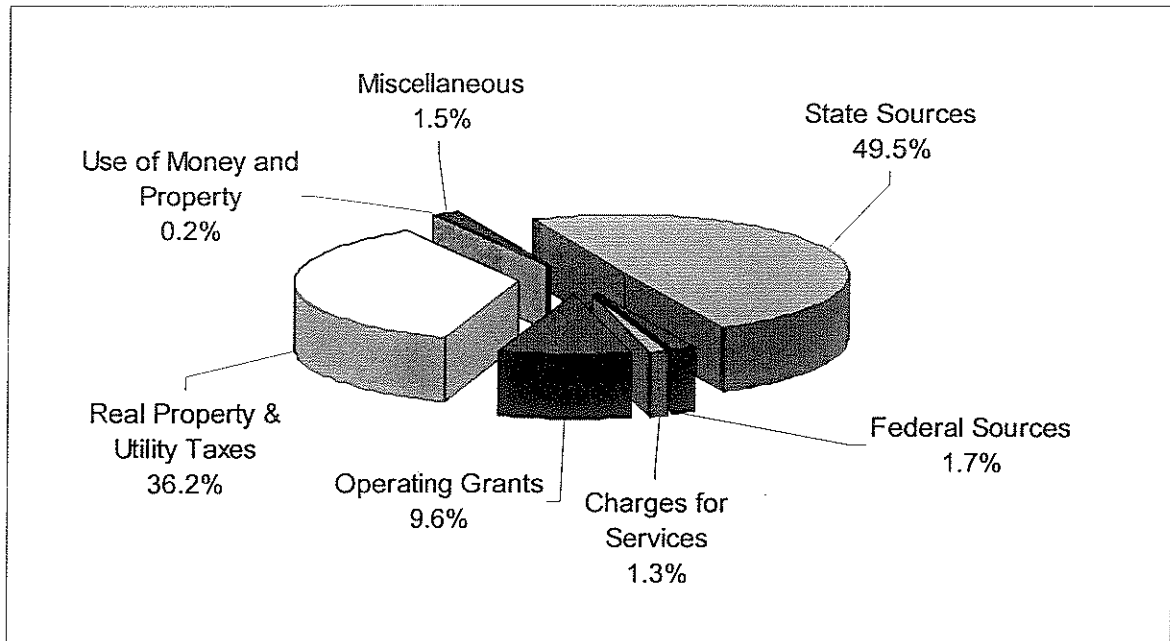
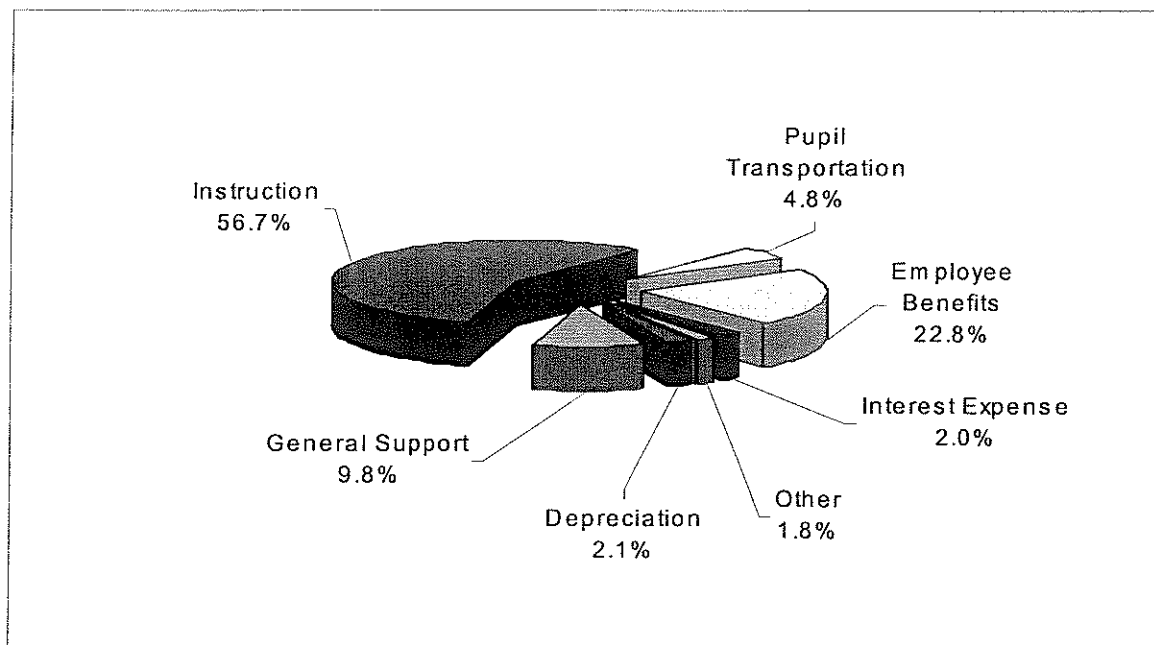


Table A-6: Expenses for Fiscal Year 2011



ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2011**

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 2010-2011 were \$83,513,512, a decrease of 3.6% from 2009-2010. The key factors in this reduction were a decrease in state and federal aid.

Total General Fund expenditures for 2010-2011 were \$83,075,708, a decrease of 3.2% from 2009-2010. The key factors in this reduction were not replacing several retired positions or other staff departures and overall cost containment measures.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

*MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2011*

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2011, the District had invested \$69,521,129, net of depreciation of \$49,571,023, 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 \$2,119,502 from fiscal year-end 2010 (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 \$2,038,925, while building improvements, construction in process and additions to equipment and furniture amounted to \$4,158,427.

The following table reflects the total net cost of various building renovations and additions, technology and equipment expenditures through the end of fiscal year 2011 and 2010:

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

Category	Fiscal Year-End <u>2011</u>	Fiscal Year-End <u>2010</u>
Land and Land Improvements	\$.5	\$.5
Construction in Progress	42.5	38.4
Buildings	25.7	27.5
Machinery, Equipment and Vehicles	.8	1.0
Total	<u>\$ 69.5</u>	<u>\$ 67.4</u>

Long-Term Debt

At year-end June 30, 2011 the District had \$37.4 million in general obligation and \$29.4 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>2011</u>	Fiscal Year-End <u>2010</u>
Serial and Statutory Installment Bonds	\$ 37,417,000	\$ 35,280,000
Compensated Absences	3,946,014	4,234,221
Other Postemployment Benefits	<u>25,471,729</u>	<u>18,366,230</u>
	<u>\$ 66,834,743</u>	<u>\$ 57,880,451</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

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

JUNE 30, 2011

The District refinanced \$6,842,345 in bond anticipation notes in July 2011 through the issuance of serial bonds.

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 55-60% 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: Superintendent of Schools
2920 5th Avenue
Troy, New York 12180
(518) 271-5200

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CERTIFIED PUBLIC ACCOUNTANTS
AND
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, each major fund, and the aggregate remaining fund information of the Enlarged City School District of Troy, New York, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Enlarged City School District of Troy, New York as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 10 and 42 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Enlarged City School District of Troy, New York's basic financial statements taken as a whole. The supplemental information presented on pages 44-49 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Enlarged City School District of Troy, New York. The accompanying schedule of expenditures of federal awards on page 54 is presented for purposes of additional analyses 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 financial statements. This supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental 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 financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 23, 2011

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF NET ASSETS

JUNE 30, 2011

ASSETS

Current Assets:

Unrestricted Cash	\$ 13,845,185
Restricted Cash	2,470,711
Accounts Receivable	129,632
Taxes Receivable	2,898,162
Due from Fiduciary Funds	451
State and Federal Aid Receivable	6,019,863
Due from Other Governments	1,247,206
Inventories	61,608

Capital Assets, Net

69,521,129

Total Assets

\$ 96,193,947

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 3,356,790
Accrued Liabilities	900,410
Due to Other Governments	982
Retainages Payable	101,294
Bond Interest Accrued	589,553
Deferred Revenue	5,663
Due to Teachers' Retirement Plan	4,008,338
Due to Employees' Retirement System	
Long-term Liabilities - Due and Payable Within One Year	571,686
Bonds	4,380,000
Overpayments	26,386
Other Liability	275,000

Long-term Liabilities

Bonds	33,037,000
Compensated Absences	3,946,014
Other Postemployment Benefits	25,471,729
Total Liabilities	<u>76,670,845</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt, as Restated	29,512,260
Restricted for:	
Debt	1,233,330
Other Reserves	2,346,752
Unassigned:	
Reduction of Future Property Taxes	8,925,000
Unassigned (Deficit)	(22,494,240)
Total Net Assets	<u>19,523,102</u>

Total Liabilities and Net Assets

\$ 96,193,947

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u> <u>Revenue and</u> <u>Changes in</u> <u>Contributions</u>
Functions/Programs:		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	
General Support	\$ 9,416,123	\$ -	\$ 91,304	\$ 9,324,819
Instruction	54,466,701	821,308	7,202,377	46,443,016
Pupil Transportation	4,584,476	-	91,400	4,493,076
Community Service	39,003	-	-	39,003
Employee Benefits	21,873,759	-	-	21,873,759
Debt Service - Interest	1,928,928	-	-	1,928,928
Depreciation - Unallocated (includes direct expense of various functions and programs)	2,038,925	-	-	2,038,925
School Lunch Program	1,647,881	347,365	1,570,685	(270,169)
School Store Program	7,042	7,080	-	(38)
Total Functions and Programs	<u>\$ 96,002,838</u>	<u>\$ 1,175,753</u>	<u>\$ 8,955,766</u>	<u>\$ 85,871,319</u>
General Revenues:				
Real Property Taxes				27,661,871
Other Tax Items				4,796,442
Nonproperty Taxes				1,260,269
Use of Money and Property				160,726
Sale of Property and Compensation for Loss				52,722
State Sources				46,012,513
Federal Sources				1,563,047
Miscellaneous				<u>1,394,102</u>
Total General Revenues				<u>82,901,692</u>
Change in Net Assets				(2,969,627)
Total Net Assets - Beginning of Year, as Restated				<u>22,492,729</u>
Total Net Assets - End of Year				<u>\$ 19,523,102</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

BALANCE SHEET- GOVERNMENTAL FUNDS AND

RECONCILIATION TO THE NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2011

	<u>General</u>	<u>Non-Major</u>	<u>Total Governmental Funds</u>
Assets:			
Cash			
Unrestricted	\$ 13,183,674	\$ 661,511	\$ 13,845,185
Restricted	1,645,711	825,000	2,470,711
Receivables			
Taxes	2,898,162	-	2,898,162
Due from Other Funds	5,462,240	631,002	6,093,242
State and Federal Aid	2,183,324	3,836,539	6,019,863
Due from Other Governments	1,247,206	-	1,247,206
Other	129,632	-	129,632
Inventories	-	61,608	61,608
Total Assets	<u>\$ 26,749,949</u>	<u>\$ 6,015,660</u>	<u>\$ 32,765,609</u>
Liabilities:			
Payables			
Accounts Payable	\$ 2,274,394	\$ 1,082,396	\$ 3,356,790
Accrued Liabilities	900,410	-	900,410
Due to Other Funds	631,002	5,461,789	6,092,791
Due to Other Governments	-	982	982
Retainage Payable	-	101,294	101,294
Due to Teachers' Retirement Systems	4,008,338	-	4,008,338
Due to Employees' Retirement System	571,686	-	571,686
Other Liability	275,000	-	275,000
Deferred Credits			
Overpayments and Collections in Advance	26,386	-	26,386
Deferred Revenues	2,704,642	5,663	2,710,305
Total Liabilities	<u>11,391,858</u>	<u>6,652,124</u>	<u>18,043,982</u>
Fund Equity (Deficit):			
Restricted for:			
Employee Benefits Accrued Liabilities	1,632,896	-	1,632,896
Debt Service	-	1,233,330	1,233,330
Workers Compensation	223,376	-	223,376
Unemployment Insurance	490,480	-	490,480
Nonspendable:			
Inventories	-	61,608	61,608
Assigned for:			
General Support	162,567	-	162,567
Instruction	229,105	56,593	285,698
Capital Outlay	-	7,147,094	7,147,094
Merchandise for Resale	-	3,225	3,225
Unassigned:			
Reserve for Tax Reduction	8,925,000	-	8,925,000
Unassigned (Deficit)	3,694,667	(9,138,314)	(5,443,647)
Total Fund Equity (Deficit)	<u>15,358,091</u>	<u>(636,464)</u>	<u>14,721,627</u>
Total Liability and Fund Equity (Deficit)	<u>\$ 26,749,949</u>	<u>\$ 6,015,660</u>	<u>\$ 32,765,609</u>

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

Total governmental fund balances (deficit) per above	\$ 14,721,627
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	69,521,129
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.	(41,363,014)
Deferral of charges for property taxes and state aid earned in the current are recognized a revenue under full accrual accounting.	2,704,641
Other postemployment benefit liability is recognized as a liability under full accrual accounting.	(25,471,729)
Interest payable in the government-wide statements under full accrual accounting.	(589,552)
Net Assets of Governmental Activities	<u>\$ 19,523,102</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, 2011

	<u>General</u>	<u>Non-Major</u>	<u>Total Governmental Funds</u>
Revenues:			
Real Property Taxes	\$ 27,470,284	\$ -	\$ 27,470,284
Other Tax Items	4,796,442	-	4,796,442
Nonproperty Taxes	1,260,269	-	1,260,269
Charges for Service	821,308	-	821,308
Use of Money and Property	160,170	556	160,726
Sale of Property and Compensation for Loss	52,722	-	52,722
Interfund Revenues	91,074	-	91,074
State Sources	46,012,513	1,725,507	47,738,020
Sales	-	354,445	354,445
Miscellaneous	880,683	19,959	900,642
Federal Sources	1,563,047	7,134,165	8,697,212
Surplus Food	-	76,134	76,134
Total Revenues	<u>83,108,512</u>	<u>9,310,766</u>	<u>92,419,278</u>
Expenditures:			
General Support	9,336,349	91,304	9,427,653
Instruction	47,537,874	7,316,631	54,854,505
Pupil Transportation	4,493,076	91,400	4,584,476
Community Service	39,003	-	39,003
Employee Benefits	14,768,260	-	14,768,260
Debt Service			
Principal	4,676,381	-	4,676,381
Interest	2,108,795	-	2,108,795
Cost of Sales	-	1,654,923	1,654,923
Capital Outlay	-	4,047,300	4,047,300
Total Expenditures	<u>82,959,738</u>	<u>13,201,558</u>	<u>96,161,296</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>148,774</u>	<u>(3,890,792)</u>	<u>(3,742,018)</u>
Other Financing Sources and (Uses):			
Operating Transfers In	65,000	115,970	180,970
Operating Transfers Out	(115,970)	(65,000)	(180,970)
Proceeds from Bond Issuance	340,000	6,420,000	6,760,000
Premium on Bond Issuance	-	422,345	422,345
Total Other Financing Sources	<u>289,030</u>	<u>6,893,315</u>	<u>7,182,345</u>
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	437,804	3,002,523	3,440,327
Fund Equity (Deficit), Beginning of Year, as Restated	<u>14,920,287</u>	<u>(3,638,987)</u>	<u>11,281,300</u>
Fund Equity (Deficit), End of Year	<u>\$ 15,358,091</u>	<u>\$ (636,464)</u>	<u>\$ 14,721,627</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, 2011

Net changes in fund balance - governmental funds	\$ 3,440,327
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of assets.	4,158,427
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(2,038,925)
Proceeds from long-term debt are recorded as a revenue in the governmental funds, but are recorded as a liability in the statement of net assets.	(6,760,000)
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 assets.	4,623,000
Certain revenue recognized in the statement of activities does not meet the revenue recognition criteria under the modified accrual basis of accounting and is not recognized in the governmental funds.	191,587
Interest is recognized as an expense in governmental funds when paid. For governmental activities interest expense is recognized as it accrues. The decrease in accrued interest during 2010 results in less expense.	233,249
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 decrease in the liability in 2010 results in less expense.	288,207
Certain postemployment benefits are recognized as an expense in the statement of activities under full accrual accounting.	(7,105,499)
Change in Net Assets of Governmental Activities	<u>\$ (2,969,627)</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>Agency</u>	<u>Private Purpose Trusts</u>
Assets:		
Cash and Investments - Unrestricted	\$ 242,672	\$ -
Cash and Investments - Restricted	<u>57,039</u>	<u>174,535</u>
Total Assets	<u>\$ 299,711</u>	<u>\$ 174,535</u>
Liabilities:		
Extraclassroom Activity Balances	\$ 57,039	\$ -
Due to Other Funds	451	-
Other Liabilities	<u>242,221</u>	<u>-</u>
Total Liabilities	<u>\$ 299,711</u>	<u>\$ -</u>
Net Assets:		
Reserved for Scholarships	<u>\$ -</u>	<u>\$ -</u>

Statement of Changes in Net Assets - Fiduciary Funds
For the Year Ended June 30, 2011

	<u>Private Purpose Trusts</u>
Additions:	
Gifts and Contributions	\$ 2,091
Investment Earnings	<u>1,343</u>
Total Additions	3,434
Deductions:	
Scholarship and Awards	<u>(5,120)</u>
Change in Net Assets	(1,686)
Net Assets - Beginning of Year	<u>176,221</u>
Net Assets - End of Year	<u>\$ 174,535</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

The decision to include a potential component unit in the 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 59-62.

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.

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 entity, 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.

Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General 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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

1. Special Revenue Funds (Continued)

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.

c. School Store Fund

Used to account for transactions of the school store operated for the sale of textbooks and other school supplies.

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 other than those projects as major funds.

3. Debt Service Fund

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

Other fund type:

Fiduciary Funds

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus

General Information (Continued)

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. Deferred Revenue

Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Many deferred revenues recorded in the governmental funds are not recorded in the District-wide financial statements.

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, 2011 less similar amounts collected during this period in the preceding year, are recognized as revenue; otherwise, real property taxes receivable are offset by deferred revenue.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The following supplemental appropriations occurred during the year:

Various Gifts	<u>\$ 15,969</u>
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II. Encumbrances

Encumbrances 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.

The cost of construction contract commitments generally is recorded as an encumbrance of Capital Funds and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Fund Balance

As of June 30, 2011, the District implemented GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

1. Assigned Fund Balance Policy

The District's Assigned Fund Balance is a fund balance reporting occurring by School Board Administration authority, under the direction of the Assistant Superintendent for Business.

The Administration's accounting software utilizes encumbrance-based accounting. As of June 30, 2011 there was a cumulative \$7,595,359 in non-restricted encumbrances of which \$391,672, \$56,593, \$4,010 and \$7,143,084 are General Fund, Special Aid Fund, School Food Service and Capital Projects Fund Assigned Fund Balance, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance (Continued)

2. *Order of Fund Balance Spending Policy*

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

3. *Categories*

Non-spendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

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.

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.

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.

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.

For projects undertaken by the District that have resources available from multiple sources and categories, resources are first spent for the highest constraint level possible.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance (Continued)

4. *Unassigned Fund Balance*

Unassigned fund balance consists of two classifications. A reserve of unassigned fund balance indicates the planned use of these resources in the subsequent years' budget. 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.

Reserve for Tax Reduction - Portions of fund equity are segregated for future use and are, therefore, not available for appropriation or expenditure. Reserves 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.

5. *Restricted Fund Balance*

Fund balance restrictions are created to satisfy legal restrictions or plan for future expenditures. The following restricted funds are available to school districts within the State of New York. These restricted funds are established through Board action or voter approval and a separate identity must be maintained for each restriction. Earnings on the invested resources become part of the respective restricted funds; however, separate bank accounts are not necessary for each restricted fund. 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.

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*

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance (Continued)

5. *Restricted Fund Balance*

III. *Reserve for Debt*

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. This reserve is accounted for in the General Fund and was returned to unappropriated fund balance at June 30, 2011 since the bond was paid in full.

IV. *Unemployment Insurance Reserve*

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. *Deficits*

The Capital Project Fund has a temporary deficit fund balance of \$2,591,869. 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 380 retirees 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 2011 by recording approximately \$2.5 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, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2007. For assets acquired prior to July 1, 2007, 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. The amounts shown below represent:

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (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 Assets. 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 Assets 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	<u>\$ 119,092,152</u>
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Accumulated depreciation	<u>\$ 49,571,023</u>
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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 revenue 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 revenue	<u>\$ 2,704,641</u>
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Long-term liabilities are reported in the Statement of Net Assets, 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>\$ 37,692,000</u>
Compensated absences payable	<u>\$ 3,946,014</u>
Post-retirement benefits payable	<u>\$ 25,471,729</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 (especially, the amounts actually paid). This year, post-retirement benefits paid of \$2,520,448 were less than the amounts incurred of \$9,625,947. Also, compensated absences (vacations used) were greater than the amounts incurred by \$288,207.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 \$2,038,925 was less than capital expenditures of \$4,158,427 in the current year.

Repayment of bond principal of \$4,623,000 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities. Proceeds from the issuance of bonds of \$6,760,000 is a revenue in the government funds but is treated as an addition to long-term liabilities in the Statement of Net Assets 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 additional interest reported in the Statement of Activities is the result of a decrease in accrued interest on bonds of \$233,249.

Q. Workers' Compensation Plan

The District is a member of the Rensselaer-Columbia-Greene Workers' Compensation Consortium (the "Consortium"). The Consortium is a mechanism to provide funds for the District to meet its responsibility under the Workers' Compensation Law. It is a group self-insurance plan with excess insurance coverage. The Consortium establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. The Consortium has a stop loss policy to protect the District from unusually high claims. To the extent the Consortium funds might be insufficient to pay benefits, the District would assume the liability.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

T. Joint Venture

During the year ended June 30, 2011, the District was billed \$6,780,857 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 \$333,046.

U. New Accounting Standards

The District' has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2011, the District implemented the following new standards issued by GASB:

- GASB Statement 52, *Land and Other Real Estate Held as Investment by Endowments*.
- GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*.
- GASB Statement 54, *Fund Balance Reporting*.

GASB Statement 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities.

GASB Statement 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

U. New Accounting Standards (Continued)

GASB Statement 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

V. Subsequent Events

Management has evaluated subsequent events or transactions occurring through September 23, 2011, the date the financial statements were available to be issued.

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

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, 2011 all deposits were fully insured and collateralized by the District's agent in the District's name.

2. Restricted Cash and Investments

General

Restricted Cash of \$2,470,111 consists of \$223,376 restricted for the Workers' Compensation Reserve, \$490,480 restricted for the Unemployment Insurance Reserve, \$929,860 restricted for the Employee Benefits Accrued Liability Reserve, \$825,000 restricted for the Debt Service Reserve and \$1,395 of monies held with fiscal agent.

3. Fiduciary

Restricted Cash of \$231,574 consists of \$57,039 for Extraclassroom Activity funds and \$174,535 is restricted for scholarships.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

II. Interfund Receivables and Payables

Interfund transactions and balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General	\$ 5,462,240	\$ 631,002	\$ 156,074	\$ 115,970
Special Aid Fund	222,672	3,286,788	115,970	91,074
Debt Service	408,330	-	-	65,000
Capital Project Fund	-	2,175,001	-	-
	<u>6,093,242</u>	<u>6,092,791</u>	<u>272,044</u>	<u>272,044</u>
Total Government Activities				
Fiduciary Fund	-	451	-	-
Totals	<u>\$ 6,093,242</u>	<u>\$ 6,093,242</u>	<u>\$ 272,044</u>	<u>\$ 272,044</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Assets. 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, 2011 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	Taxes receivable, overdue	<u>\$ 2,895,162</u>
General Fund	Other	<u>\$ 129,632</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

IV. Capital Assets

Capital asset balances for the year ended June 30, 2011 is as follows:

	<u>Balance July 1</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance June 30</u>
Government Activities				
Capital assets that are not depreciated:				
Land	\$ 345,316	\$ -	\$ -	\$ 345,316
Construction in Progress	<u>38,515,371</u>	<u>4,031,638</u>	<u>-</u>	<u>42,547,009</u>
Total nondepreciable historical cost	<u>38,860,687</u>	<u>4,031,638</u>	<u>-</u>	<u>42,892,325</u>
Capital assets that are depreciated:				
Buildings	62,684,027	-	-	62,684,027
Machinery and equipment	12,351,149	130,175	64,108	12,417,216
Land improvements	686,034	-	-	686,034
Vehicles	<u>412,550</u>	<u>-</u>	<u>-</u>	<u>412,550</u>
Total depreciable historical cost	<u>76,133,760</u>	<u>130,175</u>	<u>64,108</u>	<u>76,199,827</u>
Less accumulated depreciation:				
Buildings	35,158,955	1,837,145	-	36,996,100
Machinery and equipment	11,551,521	160,479	60,722	11,651,278
Land improvements	549,677	22,163	-	571,840
Vehicles	<u>332,667</u>	<u>19,138</u>	<u>-</u>	<u>351,805</u>
Total accumulated depreciation	<u>47,592,820</u>	<u>2,038,925</u>	<u>60,722</u>	<u>49,571,023</u>
Total capital assets, net	<u>\$ 67,401,627</u>	<u>\$ 2,122,888</u>	<u>\$ 3,386</u>	<u>\$ 69,521,129</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.

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. *Liabilities (Continued)*

I. *Pension Plans (Continued)*

Plan Descriptions

Teachers' Retirement System (TRS)

The NYS TRS is administered by the New York State Teachers' Retirement Board. The System Provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The New York State TRS issues a public 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.

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 public 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% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. 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>
2011-2010	\$ 741,711	\$ 2,532,179
2009-2010	\$ 512,522	\$ 2,899,901
2008-2009	\$ 473,695	\$ 2,829,574

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

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 implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, in the school year ended June 30, 2011. 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, 2011, the District recognized \$2,520,448 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2010 which indicates that the total liability for other postemployment benefits is \$25,471,729, 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 NYS 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	\$ 9,932,793
Interest on net OPEB obligation	734,649
Adjustment to annual required contribution	<u>(1,041,495)</u>
Annual OPEB cost	9,625,947
Contributions made	<u>2,520,448</u>
Increase in net OPEB obligations	7,105,499
Net OPEB obligation - beginning of year	<u>18,366,230</u>
Net OPEB obligation - end of year	<u>\$ 25,471,729</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 2011 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>
6/30/11	\$ 9,625,947	26.2%	\$ 7,105,499

Funded Status and Funding Progress: As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$104,058,921 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$104,058,921. 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, 2010 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% 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, 2011, was 27 years.

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, 2011:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
07/09/10	1.58%-1.69%	<u>\$ 6,842,345</u>	<u>\$ -</u>	<u>\$ 6,842,345</u>	<u>\$ -</u>

There was no interest on short-term debt during the year ended June 30, 2011.

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 \$1,928,928 of expenditures for serial and statutory bond debt interest.

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

Interest paid	\$ 2,162,175
Less interest accrued in the prior year	(822,800)
Plus interest accrued in the current year	<u>589,553</u>
Total Expense	<u>\$ 1,928,928</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, 2011

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

III. Indebtedness (Continued)

3. Changes

The changes in indebtedness during the year ended June 30, 2011 are summarized as follows:

	<u>Serial Bonds</u>	<u>Compensated Absences</u>	<u>Other Post Employment Benefits</u>	<u>Total</u>
Balance July 1	\$ 35,280,000	\$ 4,234,221	\$ 18,366,230	\$ 57,880,451
Additions	6,760,000	-	9,625,947	16,385,947
Deletions	<u>(4,623,000)</u>	<u>(288,207)</u>	<u>(2,520,448)</u>	<u>(7,431,655)</u>
Balance, June 30	<u>\$ 37,417,000</u>	<u>\$ 3,946,014</u>	<u>\$ 25,471,729</u>	<u>\$ 66,834,743</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 maturity 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, 2011</u>
School District Refunding Bonds - Series 2002	Serial Bond	07/15/02	08/01/12	5.25%	\$ 2,146,000
School District Refunding Bonds - Series 2002	Serial Bond	07/15/02	07/15/13	5.25%	1,791,000
2001 - District Wide Reconciliation/ Settlement Bond	Serial Bond	06/28/01	07/15/19	4.00%	570,000
New York State Municipal Bond Bank Agency, Series 2003	Serial Bond	04/03/03	02/15/13	4.00 - 4.25%	805,000
2000 District-Wide Reconstruction Series 2003	Serial Bond	07/15/03	07/15/20	4.90%	575,000
District-wide Reconstruction Series 2008	Serial Bond	07/01/08	07/01/29	4.00%	16,360,000
School District Refunding Bonds, 2011	Serial Bond	05/25/21	07/15/21	2.00- 3.125%	8,975,000
District-Wide Renovations, Bonds, 2010	Serial Bond	07/01/10	06/15/25	3.881%	<u>6,195,000</u>
Total					<u>\$ 37,417,000</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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>
2012	\$ 4,380,000	\$ 1,581,793	\$ 5,961,793
2013	3,662,000	1,432,948	5,094,948
2014	2,670,000	1,155,278	3,825,278
2015	2,100,000	1,070,865	3,170,865
2016	2,175,000	997,532	3,172,532
2017-2021	11,350,000	3,686,275	15,036,275
2022-2026	7,385,000	1,703,027	9,088,027
2027-2029	3,695,000	254,138	3,949,138
Total	<u>\$ 37,417,000</u>	<u>\$ 11,881,856</u>	<u>\$ 49,298,856</u>

5. Other Liability

The 2003 New York State Municipal Bond Bank Agency serial bond financing included a provision for special mandatory redemptions effective in 2008, based on excess available resources as defined in the agreement. During the year ended June 30, 2011, a mandatory advance principal payment of \$1,035,000 was made by the District. At June 30, 2011, based on the District's calculation of excess available resources, the District has estimated an additional mandatory redemption payment of \$275,000 will be required to be paid in the Fall 2011. This amount has been reflected as an other liability in the General Fund at June 30, 2011.

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, 2011, the District has exhausted 37.3% 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.

3. CONTINGENCIES AND COMMITMENTS (CONTINUED)

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.

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.

Workers' Compensation

The District participates in a risk sharing pool, the Rensselaer-Columbia-Greene Workers' Compensation Consortium, (the Consortium) to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Worker's Compensation Law, to finance liability and risk related to Workers' Compensation claims. Workers' compensation benefits are provided by the Consortium and administered under contract with the Consortium's consultant. Under the policies, limits have been established for workers' compensation coverage.

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, 2011

Revenues:	Original Budget	Revised Budget	Actual	(Over) Under Revised Budget
Local Sources:				
Real property taxes	\$ 27,679,599	\$ 27,677,861	\$ 27,470,284	\$ 207,577
Other tax items	4,556,238	4,557,976	4,796,442	(238,466)
Nonproperty taxes	1,500,000	1,500,000	1,260,269	239,731
Charges for service	956,315	956,315	821,308	135,007
Use of money and property	419,000	419,000	160,170	258,830
Sale of property and compensation for loss	19,000	19,000	52,722	(33,722)
Miscellaneous	591,000	606,969	1,220,683	(613,714)
Interfund revenues	135,000	135,000	91,074	43,926
Total Local Sources	35,856,152	35,872,121	35,872,952	(831)
State sources				
Medicaid Reimbursement	47,771,056	47,771,056	46,012,513	1,758,543
Federal sources	400,000	400,000	-	400,000
	1,563,047	1,563,047	1,563,047	-
Total Revenues	85,590,255	85,606,224	83,448,512	2,157,712
Other Financing Sources:				
Transfers from other funds	-	-	65,000	(65,000)
Appropriated fund balance	8,925,000	8,925,000	-	8,925,000
Total Revenues and Other Financing Sources	\$ 94,515,255	\$ 94,531,224	\$ 83,513,512	\$ 11,017,712

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, 2011

	Original Budget	Revised Budget	Actual	Year-end Encumbrances	Revised Budget Variance with Actual and Encumbrances
Expenditures:					
General Support:					
Board of education	\$ 102,565	\$ 103,778	\$ 87,410	\$ -	\$ 16,368
Central administration	266,445	466,603	461,741	-	4,862
Finance	765,544	887,403	816,993	24,426	45,984
Staff	583,982	795,442	598,799	-	196,643
Central services	7,357,431	7,438,547	6,238,059	138,142	1,062,346
Special items	1,238,777	1,242,052	1,133,347	-	108,705
Total General Support	10,314,744	10,933,825	9,336,349	162,568	1,434,908
Instruction:					
Instruction, administration and improvement	3,722,201	3,738,456	3,380,620	295	357,541
Teaching - regular school	27,712,425	27,553,337	25,158,243	210,440	2,184,654
Programs for children with handicapping conditions	14,223,301	14,402,358	13,285,985	-	1,116,373
Occupational education	1,390,828	1,196,035	1,178,029	-	18,006
Teaching - special school	637,000	626,000	319,632	-	306,368
Instructional media	1,011,808	1,049,048	817,205	-	231,843
Pupil services	3,575,875	3,810,408	3,398,160	18,369	393,879
Total Instruction	52,273,438	52,375,642	47,537,874	229,104	4,608,664
Other:					
Pupil transportation	4,686,675	4,690,475	4,493,076	-	197,399
Community service	45,765	53,165	39,003	-	14,162
Employee benefits	19,736,172	19,238,978	14,768,260	-	4,470,718
Debt service	7,358,461	7,358,461	6,785,176	-	573,285
Total Expenditures	94,415,255	94,650,546	82,959,738	391,672	11,299,136
Other Financing Uses:					
Transfers to other funds	100,000	115,971	115,970	-	1
Total Expenditures and Other Uses	94,515,255	94,766,517	83,075,708	391,672	11,299,137
Net Changes in Fund Balances			\$ 437,804		

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
*GENERAL FUND - ANALYSIS OF CHANGES FROM ORIGINAL BUDGET TO REVISED BUDGET
AND USE OF UNRESERVED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011*

Change from Original Budget to Revised Budget

Adopted Budget	\$ 94,515,255
Add: Prior year's encumbrances	235,293
Budget revision	<u>15,969</u>
Final Budget	<u>\$ 94,766,517</u>

Use of Unreserved Fund Balance

Unreserved Fund Balance - As of the Beginning of the Year	\$ 12,705,610
Less: Designated fund balance used for the levy of taxes - Adopted Budget	<u>(8,925,000)</u>
Undesignated Fund Balance - as of the Beginning of the Year	<u>\$ 3,780,610</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
CAPITAL PROJECTS FUND - STATEMENT OF PROJECT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

Expenditures

<u>Project Title</u>	<u>Project Number</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Unexpended Balance</u>
Troy High School- Roof, Flooring	0011018	\$ 4,127,500	\$ 4,520,604	\$ 4,519,731	\$ -	\$ 4,519,731	\$ 873
Doyle Middle School - Pool	0012011	1,182,000	1,167,171	1,156,218	-	1,156,218	10,953
Troy High School - Summer 2007	0011020	9,326,644	9,266,664	9,018,045	-	9,018,045	248,619
Troy High School - Server	0011021	100,000	160,000	147,305	-	147,305	12,695
Summer 2009 - Various	(1)	443,581	7,137,566	5,075,531	2,077,674	7,153,205	(15,639)
PS 14 - Controls	0006006	484,575	484,575	348,853	-	348,853	135,722
Doyle Middle School - Lockers, HVAC	0012012	100,000	200,000	156,580	-	156,580	43,420
Doyle Middle School - Excel	N/A	56,378,305	56,296,764	201,862	1,369,436	1,571,298	54,725,466
Spring 2011 - Various	(2)	56,362,233	56,362,233	-	584,528	584,528	55,777,705
Totals		\$ 128,504,838	\$ 135,595,577	\$ 20,624,125	\$ 4,031,638	\$ 24,655,763	\$ 110,939,814

(1) Various capital project numbers including:

<u>Title</u>	<u>Number</u>
PS1	0001.005
PS2	0002.007
PS12	0005.010
PS14	0006.007
PS16	0008.009
PS18	0010.010
Troy High School	0011.022
Doyle Middle School	0012.013
Carroll Hill School	0016.007

(2) Various capital project numbers including:

<u>Title</u>	<u>Number</u>
Doyle Middle School Reconstruction	Unassigned
Troy High School	0011.024
Athletic Storage Building	2004.002

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
SCHEDULE OF CERTAIN REVENUE AND EXPENDITURES COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>	
REVENUES				
Property Taxes	A-1001	\$ 27,470,284	\$ 27,470,284	
Non-Property Taxes	AT-1199	\$ 1,260,269	\$ 1,260,269	
State Aid	AT-3999	\$ 46,012,517	\$ 46,012,513	(2)
Federal Aid	AT-4999	\$ 1,563,047	\$ 1,563,047	
Total Revenues	AT-5999	\$ 83,513,512	\$ 83,513,512	
EXPENDITURES				
General Support	AT-1999	\$ 9,336,350	\$ 9,336,349	(2)
Pupil Transportation	AT-5599	\$ 4,493,077	\$ 4,493,076	(2)
Debt Service - Principal	AT-9798.6	\$ 4,676,382	\$ 4,676,381	(2)
Debt Service - Interest	AT-9798.7	\$ 2,108,795	\$ 2,108,795	
Total Expenditures	AT-9999	\$ 82,740,644	\$ 83,075,708	(1)

(1) Difference of \$335,064 represents adjustments to reserve funds reflected as an expenditure increase to employee benefits in the audited financial statements.

(2) Rounding

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2011

Capital Assets, Net		\$ 69,521,129
Deduct:		
Short-term portion of bonds payable	4,380,000	
Long-term portion of bonds payable	33,037,000	
Other current liabilities related to construction in progress	2,592,421	
Less: unspent bond anticipation note proceeds and other assets	<u>(552)</u>	<u>(40,008,869)</u>
Investment in Capital Assets, Net of Related Debt		<u>\$ 29,512,260</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Aid	School Food Service	Debt Service	Book Store	Capital Projects	Total Non-Major Funds
Assets:						
Cash						
Unrestricted	\$ 312	\$ 649,115	\$ -	\$ 11,532	\$ 552	\$ 661,511
Restricted	-	-	825,000	-	-	825,000
Receivables						
Due from other funds	222,672	-	408,330	-	-	631,002
State and Federal aid	3,725,047	111,492	-	-	-	3,836,539
Inventories	-	58,513	-	3,095	-	61,608
Total Assets	<u>\$ 3,948,031</u>	<u>\$ 819,120</u>	<u>\$ 1,233,330</u>	<u>\$ 14,627</u>	<u>\$ 552</u>	<u>\$ 6,015,660</u>
Liabilities:						
Payables						
Accounts payable	\$ 655,580	\$ 110,690	\$ -	\$ -	\$ 316,126	\$ 1,082,396
Due to other funds	3,286,788	-	-	-	2,175,001	5,461,789
Due to other governments	-	770	-	212	-	982
Retainage payable	-	-	-	-	101,294	101,294
Notes payable						
Bond anticipation	-	-	-	-	-	-
Deferred credits						
Deferred revenues	5,663	-	-	-	-	5,663
Total Liabilities	<u>3,948,031</u>	<u>111,460</u>	<u>-</u>	<u>212</u>	<u>2,592,421</u>	<u>6,652,124</u>
Fund Equity (Deficit):						
Restricted for:						
Debt Service	-	-	1,233,330	-	-	1,233,330
Non Spendable:						
Inventories	-	58,513	-	3,095	-	61,608
Assigned for:						
Instruction	56,593	-	-	-	-	56,593
Capital Outlay	-	4,010	-	-	7,143,084	7,147,094
Merchandise for Resale	-	-	-	3,225	-	3,225
Unassigned (Deficit)	<u>(56,593)</u>	<u>645,137</u>	<u>-</u>	<u>8,095</u>	<u>(9,734,953)</u>	<u>(9,138,314)</u>
Total Fund Equity (Deficit)	<u>-</u>	<u>707,660</u>	<u>1,233,330</u>	<u>14,415</u>	<u>(2,591,869)</u>	<u>(636,464)</u>
Total Liabilities and Fund Equity (Deficit)	<u>\$ 3,948,031</u>	<u>\$ 819,120</u>	<u>\$ 1,233,330</u>	<u>\$ 14,627</u>	<u>\$ 552</u>	<u>\$ 6,015,660</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY (DEFICIENCY) -
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Aid	School Food Service	Debt Service	Book Store	Capital Projects	Total Non-Major Funds
Revenues:						
Use of money and property	\$ -	\$ 551	\$ -	\$ 5	\$ -	\$ 556
State sources	1,667,782	57,725	-	-	-	1,725,507
Sales	-	347,365	-	7,080	-	354,445
Miscellaneous	18,244	-	-	1,715	-	19,959
Federal sources	5,697,339	1,436,826	-	-	-	7,134,165
Surplus food	-	76,134	-	-	-	76,134
Total Revenues	<u>7,383,365</u>	<u>1,918,601</u>	<u>-</u>	<u>8,800</u>	<u>-</u>	<u>9,310,766</u>
Expenditures:						
General support	91,304	-	-	-	-	91,304
Instruction	7,316,631	-	-	-	-	7,316,631
Transportation	91,400	-	-	-	-	91,400
Cost of sales	-	1,647,881	-	7,042	-	1,654,923
Capital outlay	-	15,662	-	-	4,031,638	4,047,300
Total Expenditures	<u>7,499,335</u>	<u>1,663,543</u>	<u>-</u>	<u>7,042</u>	<u>4,031,638</u>	<u>13,201,558</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(115,970)</u>	<u>255,058</u>	<u>-</u>	<u>1,758</u>	<u>(4,031,638)</u>	<u>(3,890,792)</u>
Other Financing Sources and Uses:						
Operating transfers in (out)	115,970	-	(65,000)	-	-	50,970
Proceeds from Bond Issuance	-	-	-	-	6,420,000	6,420,000
Premium on Bond Issuance	-	-	-	-	422,345	422,345
Total Other Sources	<u>115,970</u>	<u>-</u>	<u>(65,000)</u>	<u>-</u>	<u>6,842,345</u>	<u>6,893,315</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	255,058	(65,000)	1,758	2,810,707	3,002,523
Fund Equity (Deficit) Beginning of Year, as Restated	-	452,602	1,298,330	12,657	(5,402,576)	(3,638,987)
Fund Equity (Deficit) - End of Year	<u>\$ -</u>	<u>\$ 707,660</u>	<u>\$ 1,233,330</u>	<u>\$ 14,415</u>	<u>\$ (2,591,869)</u>	<u>\$ (636,464)</u>

FEDERAL AWARD PROGRAM INFORMATION

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AND
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 the financial statements of the Enlarged City School District of Troy, New York as of and for the year ended June 30, 2011, and have issued our report thereon dated September 23, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Enlarged City School District of Troy, New York's internal control over financial reporting as a basis for designing our auditing procedures 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 Enlarged City School District of Troy, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Enlarged City School District of Troy, New York's internal control over financial reporting.

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

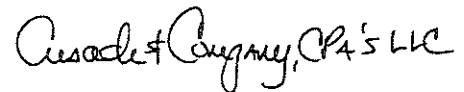
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Enlarged City School District of Troy, New York'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*.

We noted certain matters that we reported to management of the Enlarged City School District of Troy, New York which are located at pages 63-65.

This report is intended for the information of the Enlarged City School District of Troy, New York's, management, others within the District, the District's Board of Education and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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
September 23, 2011

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Compliance

We have audited the compliance of the Enlarged City School District of Troy, New York, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2011. The Enlarged City School District of Troy, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the Enlarged City School District of Troy, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 Enlarged City School District of Troy, New York'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. Our audit does not provide a legal determination of the Enlarged City School District of Troy, New York's compliance with those requirements.

In our opinion, the Enlarged City School District of Troy, New York, complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Enlarged City School District of Troy, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Enlarged City School District of Troy, New York's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Enlarged City School District of Troy, New York's internal control over compliance.

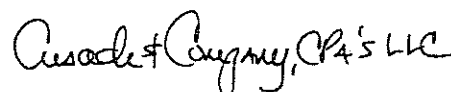
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Enlarged City School District of Troy, New York as of and for the year ended June 30, 2011, and have issued our report thereon dated September 23, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the District's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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



CUSACK & COMPANY, CPA'S LLC

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity/Project Number</u>	<u>Federal Expenditures</u>
<u>Passed Through New York State Education Department:</u>			
<u>U.S. Department of Education</u>			
ESEA Title I	84.010	0021-10-2530	\$ 122,100
ESEA Title I	84.010	0021-11-2530	1,629,002
Title I School Improvement	84.010	0011-10-2172	109,385
Title I School Improvement	84.010	0011-11-2172	42,500
Total CFDA #84.010			<u>1,902,987</u>
IDEA, Part B, Section 611	84.027	0032-11-0760	<u>1,138,309</u>
Total CFDA #84.027			<u>1,138,309</u>
IDEA Part B - Section 619	84.173	0033-11-0760	<u>138,921</u>
Total CFDA #84.173			<u>138,921</u>
ESEA Title IV	84.186	0180-10-2530	384
ESEA Title IV	84.186	0180-11-2530	6,773
Total CFDA #84.186			<u>7,157</u>
Twenty First Century Community Learning	84.287	0187-10-4094	2,975
Twenty First Century Community Learning	84.287	0187-11-4094	584,320
Total CFDA #84.287			<u>587,295</u>
Title II - Part D - Enhancing Education Through Technology	84.318	0291-10-0024	14
Total CFDA#84.318			<u>14</u>
Title II - Part A - Teaching and Principal Training	84.367	0147-11-2530	740,599
Total CFDA #84.367			<u>740,599</u>
Title III - Part A, LEP	84.365	0293-10-2530	2,164
Title III - Part A, LEP	84.365	0293-11-2530	6,208
Total CFDA #84.365			<u>8,372</u>
Homeless Children	84.196	0212-11-3925	<u>32,258</u>
Homeless Children - ARRA Funded	84.387	5212-10-3925	235
Homeless Children - ARRA Funded	84.387	5212-11-3925	53,929
Total CFDA #84.387			<u>54,164</u>
Title I - ARRA Funded	84.389	5021-10-2530	59,872
Title I - ARRA Funded	84-389	5021-11-2530	231,049
Total CFDA #84-389			<u>290,921</u>
IDEA, Part B, Section 611-ARRA Funded	84.391	5032-11-0760	<u>745,691</u>
IDEA, Part B, Section 619-ARRA Funded	84.392	5033-11-0760	<u>50,651</u>
ARRA-Education Stabilization	84.394	5000-11-2530	<u>1,563,047</u>
			<u>7,260,386</u>
<u>U.S. Department of Agriculture</u>			
Food Distribution	10.550	-	86,045
School Breakfast Program	10.553	-	444,397
School Lunch Program	10.555	-	970,731
School Snack Program	10.555	-	11,787
Total U.S. Department of Agriculture			<u>1,512,960</u>
Total Federal Assistance			<u>\$ 8,773,346</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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 in 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 schoolwide programs:

<u>Programs</u>	<u>Amount</u>
CFDA #84.027 Special Education - Grants to States (IDEA, Part B)	\$ 1,138,309
CFDA #84.173 Special Education - Preschool Grants (IDEA, Preschool)	138,921
CFDA #84.010 Title I Grants to Local Educational Agencies	<u>1,902,987</u>
Total	<u>\$ 3,180,217</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, 2011, the School District received food commodities totaling \$76,134.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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>
84.010	ESEA Title I
84.027/84.173	Special Education Cluster (IDEA)
84.389,84.391,84.392,84.394	ARRA Funding
10.550 - 10.555	School Food Program

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 57 for the current year recommendations.

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 58.

1. Financial Statement Estimates

As part of the District's closing entities, estimates based on previous results should be factored into the closing process. As an example, utility and property tax receipts received shortly after year-end were not considered when recording the District's year-end receivable balances. Additionally, other relatively small receivable and liability balances were also not considered when closing the accounting records.

As the financial statements are based on the District's best estimate prior to closing, we recommend that the July - September 2011 transactions which should have been included in the June 30, 2011 accounting records be used as an estimate (if unknown) during the 2012 closing.

2. Fixed Asset Accounting

The work-in-progress balance of the District's fixed assets had previously reconciled to the expenditures to date on the open capital projects. Beginning in 2005 (years in which the District retained other external auditors) the amounts reflected as work-in-progress exceeded that as reflected in the summary schedule of capital project expenditures. That variance has continued to grow in the subsequent years.

Our understanding is that certain capital projects were closed out in the past, but may not have been entered into the fixed assets system for capitalization and depreciation. There may also have been a recent fixed asset appraisal report which may have revalued these assets in the fixed asset records.

We recommend that a study and reconciliation be performed in the current year to resolve this difference so that the fixed asset accounting records will be updated and current for the year-ended June 30, 2012 financial statements.

3. School Lunch Fund Income Verifications

For the School Lunch program we tested 5 income verifications to ensure that, based on the recipient's reported income, they were properly classified as free or reduced and, if necessary, their status was changed accordingly. Of the 5 items we tested we noted that 2 recipients returned supporting documentation showing their income exceeded the limit to qualify their student for free lunch but their eligibility was not changed to the reduced status which they qualified for. We also noted 2 instances of no response by the applicant and 1 item which properly remained unchanged. For our basic audit testing of the School Lunch program we tested 30 applications for accuracy and noted no instances of incorrect information being entered into the accounting system for the program.

We recommend that procedures be implemented to verify that changes in eligibility based on income guidelines are entered in a timely manner and a procedure be put in place to follow up on those who do not respond to the District's verification requests.

1. **Timely Deposits**

We continue to see delays in the depositing of library fund monies in the student bank loan program.

2. **Reserves**

The District did utilize a portion of restricted reserve amounts in 2011.

3. **Bookstore**

The bookstore's results were improved in 2011.

4. **Assets Held in Escrow**

The District was able to obtain an accounting of these funds in 2011.

EXTRACLASSROOM ACTIVITY FUND

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AND
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

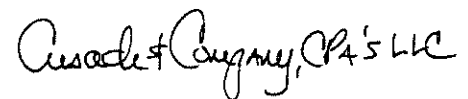
Board of Education
Enlarged City School District of Troy, New York

We have audited the accompanying statement of assets and fund balance resulting from cash transactions of the Enlarged City School District of Troy, New York's (the "District") Extraclassroom Activity Funds as of June 30, 2011, and the related statement of cash receipts and disbursements for the year then ended. These financial statements are the responsibility of the District's management. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the District's policy is to prepare the Extraclassroom Activity Funds' financial statements on the basis of cash receipts and disbursements; consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses and the related liabilities are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and fund balance resulting from cash transactions of the District's Extraclassroom Activity Funds as of June 30, 2011, and the cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 23, 2011

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

EXTRACLASSROOM ACTIVITY FUND

STATEMENT OF ASSETS AND FUND BALANCE

RESULTING FROM CASH TRANSACTIONS

JUNE 30, 2011

Assets

Cash \$ 57,039

Fund Balance \$ 57,039

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK**EXTRACLASROOM ACTIVITY FUND****STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS****FOR THE YEAR ENDED JUNE 30, 2011**

Extraclassroom Accounts	Balance June 30, 2010	Receipts 2010-2011	Disbursements 2010-2011	Balance June 30, 2011
Art Club	\$ 7	\$ -	\$ -	\$ 7
Drama	7,258	9,972	7,336	9,894
Music	1,134	10,959	9,749	2,344
Performing Arts	581	497	950	128
Interact Club	180	-	-	180
Key Club	242	134	150	226
Career Pathways	153	-	153	-
S.A.D.D.	440	-	225	215
Environmental Action	3,785	2,166	2,173	3,778
French	1,120	3,332	2,997	1,455
German	645	330	286	689
German Abroad	16	17,470	17,470	16
Italian	72	2,124	1,940	256
Spanish	267	125	375	17
Challanger (THS paper)	493	364	545	312
Dardanian (THS Yearbook)	4,634	13,570	11,832	6,372
DMS Yearbook	380	3,748	3,555	573
Math Honor Society	157	740	861	36
THS Ski Club	517	7,161	7,401	277
Varsity	52	1	-	53
DMS Ski Club	171	2,157	2,221	107
National Honor Society	2,201	5,756	4,085	3,872
Junior National Honor Society	1,666	1,200	1,236	1,630
DMS Student Council	981	-	-	981
THS Student Council	10,927	7,908	11,609	7,226
School #1 Student Association	38	1,021	1,058	1
Junior/Senior Class	12,802	32,559	30,104	15,257
NYS Sales Tax	877	1,748	1,584	1,041
Unallocated Bank Interest	70	26	-	96
Total	<u>\$ 51,866</u>	<u>\$ 125,068</u>	<u>\$ 119,895</u>	<u>\$ 57,039</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

EXTRAClassroom Activity Fund

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011 and have issued our report thereon dated September 23, 2011. 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

Financial Statement Estimates

As part of the District's closing entities, estimates based on previous results should be factored into the closing process. As an example, utility and property tax receipts received shortly after year-end were not considered when recording the District's year-end receivable balances. Additionally, other relatively small receivable and liability balances were also not considered when closing the accounting records.

As the financial statements are based on the District's best estimate prior to closing, we recommend that the July - September 2011 transactions which should have been included in the June 30, 2011 accounting records be used as an estimate (if unknown) during the 2012 closing.

Fixed Asset Accounting

The work-in-progress balance of the District's fixed assets had previously reconciled to the expenditures to date on the open capital projects. Beginning in 2005 (years in which the District retained other external auditors) the amounts reflected as work-in-progress exceeded that as reflected in the summary schedule of capital project expenditures. That variance has continued to grow in the subsequent years.

Our understanding is that certain capital projects were closed out in the past, but may not have been entered into the fixed assets system for capitalization and depreciation. There may also have been a recent fixed asset appraisal report which may have revalued these assets in the fixed asset records.

We recommend that a study and reconciliation be performed in the current year to resolve this difference so that the fixed asset accounting records will be updated and current for the year-ended June 30, 2012 financial statements.

School Lunch Fund Income Verifications

For the School Lunch program we tested 5 income verifications to ensure that, based on the recipient's reported income, they were properly classified as free or reduced and, if necessary, their status was changed accordingly. Of the 5 items we tested we noted that 2 recipients returned supporting documentation showing their income exceeded the limit to qualify their student for free lunch but their eligibility was not changed to the reduced status which they qualified for. We also noted 2 instances of no response by the applicant and 1 item which properly remained unchanged. For our basic audit testing of the School Lunch program we tested 30 applications for accuracy and noted no instances of incorrect information being entered into the accounting system for the program.

We recommend that procedures be implemented to verify that changes in eligibility based on income guidelines are entered in a timely manner and a procedure be put in place to follow up on those who do not respond to the District's verification requests.

RESOLUTION OF PRIOR YEAR RECOMMENDATIONS

1. Timely Deposits

We continue to see delays in the depositing of library fund monies in the student bank loan program.

2. Reserves

The District did utilize a portion of restricted reserve amounts in 2011.

3. Bookstore

The bookstore's results were improved in 2011.

4. Assets Held in Escrow

The District was able to obtain an accounting of these funds in 2011.

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
September 23, 2011