

**Salmon River Central School District
Annual Report
June 30, 2013**

Salmon River Central School District
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Independent Auditors' Report

To the Board of Education
Salmon River Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salmon River Central School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Salmon River Central School District as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17 and the budgetary comparison and the funding progress of the other post employment benefits plan information on pages 53 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salmon River Central School District's basic financial statements. The accompanying information as contained in the Reference Manual for Audits of General Purpose Financial Statements of New York State School Districts and the combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The accompanying information as contained in the Reference Manual for Audits of General Purpose Financial Statements of New York State School Districts, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013 on our consideration of Salmon River Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salmon River Central School District's internal control over financial reporting and compliance.

Seyfarth & Seyfarth CPAs, P.C.
Seyfarth & Seyfarth CPAs, P.C.

November 1, 2013

Management Discussion and Analysis
Financial Statements
For the Year Ended June 30, 2013

**Salmon River Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013**

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

School District Overview and Highlights

The Salmon River Central School District is located in northern New York State on the Canadian Border. Centralized in 1953, the District provides a public education to approximately 1,600 students from the towns of Bangor, Bombay, Fort Covington and Westville in Franklin County, the town of Brasher in St. Lawrence County and the Saint Regis Mohawk Indian Reservation. It encompasses an area of approximately 128 square miles with an estimated population of 6,800. The District is a mixture of residential and agricultural areas, with many of its residents commuting to Malone, Massena and Potsdam for employment.

The District operates two (2) facilities: the Campus School (pre k-12th grade) located in the town of Fort Covington and the St. Regis Mohawk School (pre k - 5th grades) located in the town of Bombay. Approximately 59% of the School District population is comprised of students from families living on the St. Regis Mohawk Reservation and 66% of the student body is of Native American heritage. Salmon River is also unique in that education is provided to both Canadian and New York children from the Reservation via contracts with the State of New York to provide transportation and education for these students.

The St. Regis Mohawk School (SRMS) is owned by the State of New York, but leased to and operated by the District. As per the reservation school contract with the State, all expenses generated by the St. Regis Mohawk School are funded through State formula aid with the balance due billed to and paid for with special State purpose monies. This contract has been renewed through June 30, 2015. The District currently obtains a revenue anticipation note (RAN) to cover the expenditures for the SRMS until the State sends reimbursement. The amount currently due is \$3,913,064.

Native Americans have a choice of School Districts they can attend when the reservation borders more than one district. New York State pays tuition under an approved formula for these students to attend Salmon River Central Schools since they are not residents of the School District. The tuition contract has been renewed through June 30, 2015. The amount currently due is \$1,827,019.

New York State also pays 100% of the transportation costs for Native American students that chose to attend the Campus School. These costs are reimbursed based on the ratio of bus runs used for the Reservation area compared to the total number of bus runs. The ratio is approximately 63.41% for the 2012-2013 year. The transportation contract is an annual contract that renews automatically. The amount currently due the District is \$759,385.

The funds generated from these contracts, in conjunction with New York State Aid to School Districts, the State's School Tax Relief (STAR) program and our local school tax contributions provide the basis for the School District's financial structure. Access to State and Federal grants, along with Native American Aid, has assisted the District in maintaining a very reasonable five (5) year average tax rate per thousand dollars of \$12.02 on full property value.

The State of New York has calculated our combined wealth measure to be 0.186. To put this number into perspective, 1.0 equals the average wealth for a District. This number continues to place us as the *absolute poorest school district in the State of New York* as measured by our income and property wealth. Based on the 2012-13 State Aid Factors data, the State average property value and income behind each pupil was \$587,900 and \$158,300, respectfully. In Salmon River CSD, our corresponding figures were \$86,813 and \$36,006. As these figures clearly express, we are a District burdened with substantial poverty and a lack of wealth.

As a result of the reduction in NY State Aid, Salmon River CSD has eliminated 39 instructional positions in the last 5 years. The children have lost 20.5 teachers, 9.5 teaching assistants and 9 teacher aides. During the budget process for the 2013-14 year, there were no positions eliminated.

The District hopes and trusts that the State will provide Salmon River CSD with the needed funding to maintain our current teaching staff this year. However, current NY State Aid projections show further reductions in aid. More State Aid is needed if we are to meet our Board of Education goal of improving our graduation rate. This year the District saw an increase in State Aid revenue but this is only a small portion of what the District has lost over the last 5 years.

The School District employs approximately 350 full and part time professional and support staff. These employees are organized into three (3) collective bargaining units (teaching staff, support staff and administration). The teaching staffs' 5-year contract agreement was settled during the 2012-2013 school year and will expire on June 30, 2016. The administrators' contract was also settled in 2012-2013 and will expire on June 30, 2014. The support staff contract expired on June 30, 2013 and negotiations began in June 2013.

Student enrollment held relatively steady this school year at 1,547. The reason for this steady enrollment is due in part to the construction of a new casino, hotels and other businesses on the St. Regis Mohawk Reservation. Also, a revitalization of agriculture in the area is increasing our population in the local townships of the district. Enrollment projections based on data from an FEH BOCES study confirm continued steady enrollment for several years to come.

The District recently completed a \$50 million building project in 2012. That project was the beginning of over \$70 million in renovations needed at the District identified in the most recent building condition survey to develop a new long range capital plan. The plan prioritized capital construction needs of the operational systems such as the waste water treatment plant, additional classrooms, new gymnasium, abatement and transportation building needs. A new capital project would bring the infrastructure to a level that will enable the development of a new long range maintenance and replacement plan. In March 2013, the voters voted down another \$36.6 million project to complete the renovations based on the building condition survey. Another vote is being planned for the fall of 2013.

Overview of Financial Statements

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the district-wide statements. The fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column.
- The governmental funds 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 School District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the 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 School District's budget for the year.

The following summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements

Major Features of the District-Wide and Fund Financial Statements			
	Fund Financial Statements		
→	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Assets 6. Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Deferred outflows of resources/liabilities/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements:

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two district-wide statements report the School District's net position and how it has changed. Net position — the difference between the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources — is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional non-financial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the School District's activities are shown as Governmental activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements:

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds — not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on, (1) how cash and other financial assets 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance School District programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship and/or differences between them.

- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School 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 School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of School District as a Whole

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$4 million at the close of the most recent fiscal year.

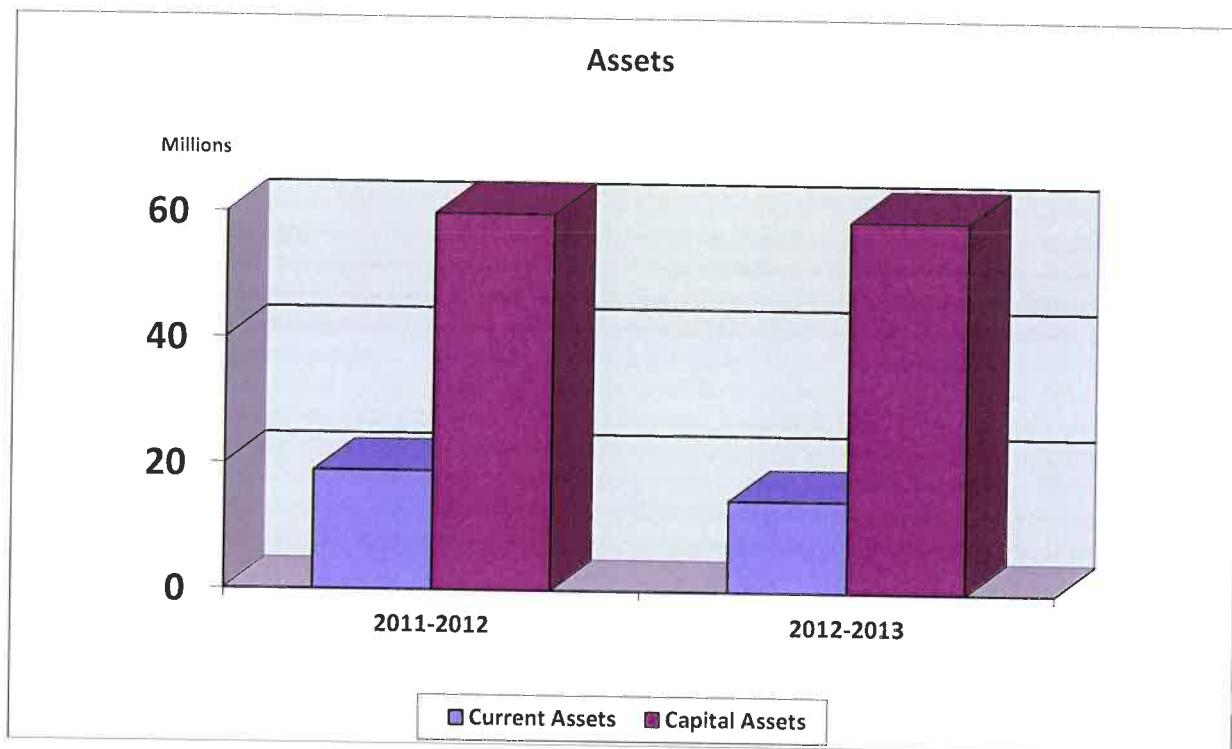
The net assets reflect mainly reserved and unreserved fund balance. The School District's net assets also reflect its investment in capital assets less any related debt used to acquire those assets that is still outstanding. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The debt is paid through the use of state building aid, Native American aid and EXCEL aid. The remaining balance of unrestricted net assets may be used to meet the School District's ongoing activities. The current assets are shifting from cash to capital assets. This reflects the payments made for the capital project in progress.

The following schedule summarizes the School District's net assets. The complete Statement of Net Assets can be found in the School District's basic financial statements.

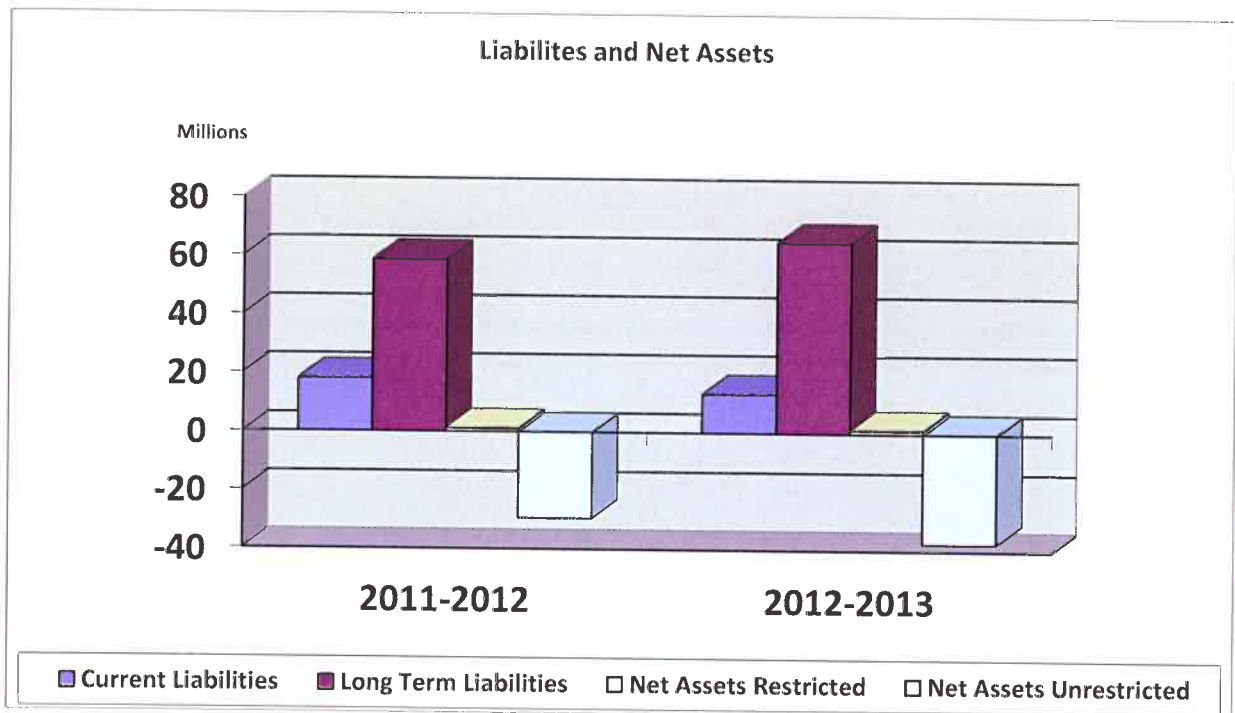
Condensed Statement of Net Position:

ASSETS:	<u>2011-2012</u>	<u>2012-2013</u>
Current and other assets	\$18,922,179	\$14,605,266
Capital assets, net	<u>59,910,103</u>	<u>59,104,910</u>
Total Assets:	78,832,282	73,678,072
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows of Resources	<u>78,832,282</u>	<u>73,710,176</u>
 LIABILITIES:		
Current liabilities	18,055,722	13,389,715
Long-term debt outstanding	<u>58,679,968</u>	<u>65,230,936</u>
Total Liabilities:	76,735,690	78,620,651
DEFERRED INFLOWS AND RESOURCES	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources	<u>76,735,690</u>	<u>78,620,651</u>
 NET POSITION:		
Invested in capital assets, net of related debt	30,060,982	31,004,980
Restricted	1,250,901	1,386,456
Unrestricted	(29,215,291)	(36,668,604)
Prior period adjustment	<u>0</u>	<u>(633,307)</u>
Total Net Position	<u>\$ 2,096,592</u>	<u>\$ (4,910,475)</u>

In general, current assets are those assets that are available to satisfy current obligations and current liabilities are those liabilities that will be paid within one year. Current assets consist primarily of cash equivalents of \$5.9 million, and state and federal aid receivable of \$7.2 million. The major differences in the assets are the cash increases of \$2.7 million and the state and federal receivable decrease of \$7 million.



The change in net liabilities is due largely to the implementation of new GASB 45 rules requiring Districts to show long-term employment benefits as a liability. This is the fifth year we were required to record GASB 45. This represents mainly the long term health insurance benefit for our retired and active employees. The impact to the statements this year was over \$9 million for GASB 45 and caused the unrestricted net assets to become negative as there are not enough assets available to cover the \$39 million in other post employment benefits liabilities. This is not uncommon given that the liability is not required to be fully funded.



Liabilities consist primarily of long-term debt of \$25.6 million, short-term payables of \$8 million, short-term bonds payable of \$2.9 million, and post-employment benefits of \$39 million. The major difference in short-term liabilities is the decrease in short term payables. Short-term payables decreased this year by \$4 million due to the receipt of the past due Native American Aid used to pay down the Revenue Anticipation Note.

The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues, including tax revenue, investment earnings, and unrestricted state and federal aid, must support the net cost of the School District's programs.

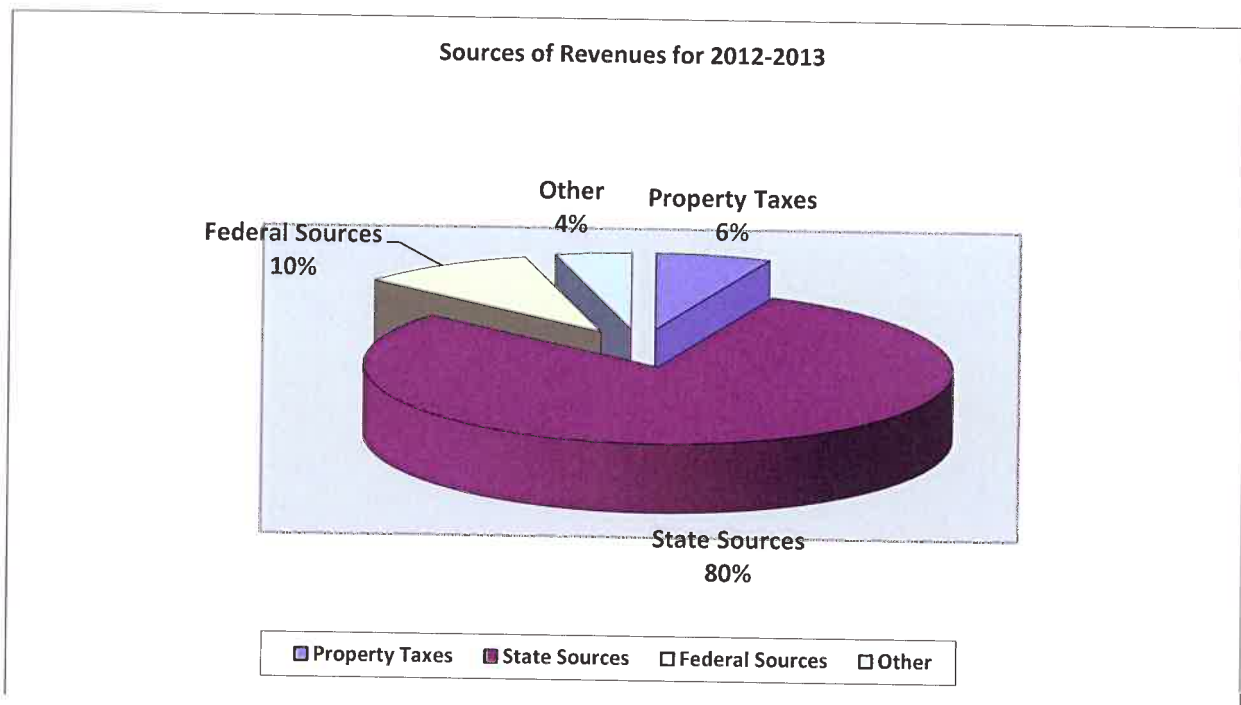
The following schedule summarizes the School District's activities. The complete Statement of Activities can be found in the School District's basic financial statements.

	2011-2012	2012-2013
Revenues		
Property and other tax items	\$1,888,974	\$1,859,665
Use of money and property	7,015	8,389
Sale of property and compensation for loss	80,939	639
Miscellaneous	562,430	1,109,300
State sources	22,856,982	23,562,380
Federal sources	3,314,055	2,896,335
Total Revenues	\$28,710,395	\$29,436,708
Expenses		
General Support	\$ 6,045,481	\$7,207,388
Instruction	23,451,494	23,553,084
Pupil transportation	3,516,816	3,591,292

Debt Service	1,122,625	1,098,041
Other Expenses	44,107	84,683
Community Service	35,161	47,451
Capital Outlay – Mohawk School	0	0
School lunch program - cost of food sales	251,826	228,529
Total Expenses	<u>\$34,467,510</u>	<u>\$35,810,468</u>
Change in Net Assets	<u>\$(5,757,115)</u>	<u>\$(6,373,760)</u>

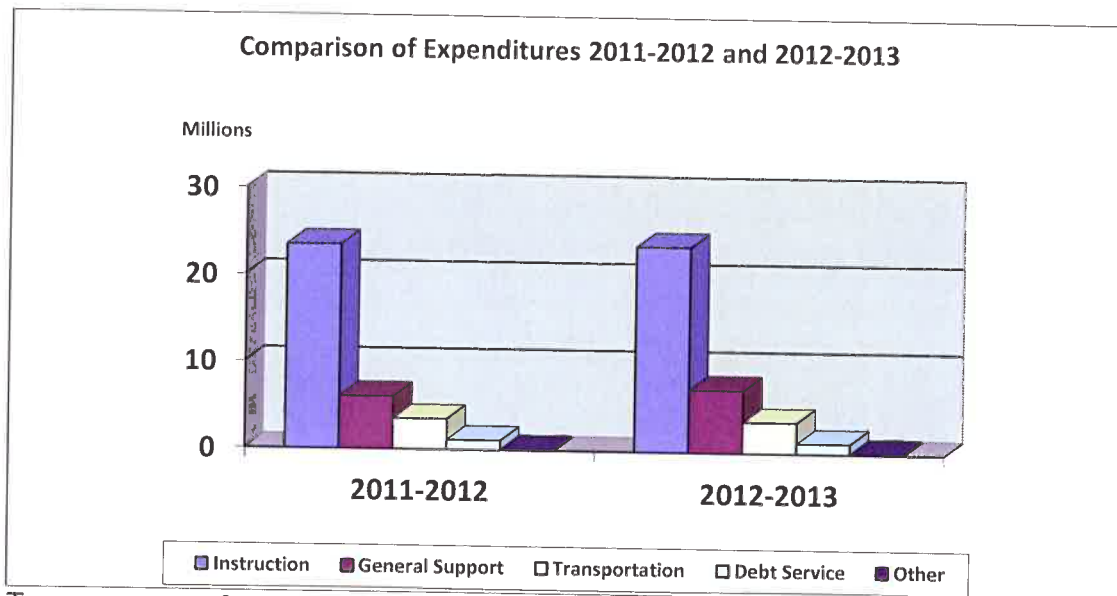
The School District is heavily dependent on State, Federal and Native American aid for its funding. Together they account for 89% of our total revenue dollar.

It should be noted that the district's tax levy contributes only 6% of our total revenues or \$1,859,665 with the STAR program. We held the tax levy amount to 0% to help our community during these tough economic times in the previous years. Our District has always made a strong effort to keep taxes at a reasonable level. In the 2013-14 year the tax levy will increase 2% to try and maintain an elementary summer school program.



Our District's expenses are predominantly related to instruction, which represents 65% of our total costs. Also, like most districts, our rising employee benefits fees, increasing energy costs and under-funded school lunch program continue to be financial challenges to our budget. The District currently pays \$21,696 for a family health insurance plan and this is expected to continue to rise 10% per year. Within 5 years, the plan will cost over \$30,000 per family plan if there is no change in riders or employee contributions. Currently health insurance is 100% funded by the District for 95% of the staff. In 2012-13, CSEA employees, management confidential, and supervisors began contributing to health insurance based on a percentage of salary. In 2013-14, the teachers will begin to contribute 3% of the classic premium and 1.5% of

the PPO-J premium. This will help reduce the overall cost of employee health insurance but more is needed to help with the burden health insurance is placing on an already tight budget.



To manage our future energy costs, the District included a geo thermal heating/cooling system in our building project. This system has allowed the District to add 100,000 square feet to the building without increasing the gallons of fuel used.

Our transportation department is looking at ways to curb our bus miles. However, in a rural district, distance driving is necessary.

The District has a locked-in bid price for fuel oil and purchases electricity through cooperative purchasing, but prices for these commodities fluctuate every year. The price of fuel is expected to rise over \$75,000 next year.

The financial statements also include the activity of the Special Aid funds, which are comprised of a number of State and Federal grant programs and the school lunch fund, also known as the cafeteria fund. The cafeteria fund is designed to be self-supporting, with revenues matching expenditures. However, for the past three years, the cafeteria fund has been operating at a smaller loss each year. This is more fully addressed later in the report.

General Fund Budget Overview

It should be explained that the District's general fund is comprised of two (2) individual budgets. The first is approved by the voters in May and totals \$27,688,195. It covers the operation of the main campus school in pre-K–12th grade.

Traditionally, the District under expends its overall budget. In essence, we plan for the worst and hope for the best. When the budget was developed, the administration factored in teaching staff positions that we did not fill due to shortfalls in revenue. When additional revenues are provided from the State, our District plans to hire additional staff in areas that will benefit student achievement. Creating a budget that is larger than our conservative revenue estimates gives us the flexibility to benefit when we have more funds.

The second budget is for the operation of the St. Regis Mohawk Elementary School. This is a

pre-K–5th grade building educating only Native American children living on the St. Regis Mohawk Reservation. This budget is negotiated annually with the State of New York and totaled \$10,433,805. The revenues to support this building/ program are totally funded with state aid. Unfortunately, the formula aid that is attributable to the attendance of students at the St. Regis Mohawk School is very difficult to compute in a timely manner, causing local cash flow problems and making it difficult to accurately report fund balance. Each year we take out a RAN to cover our spending in anticipation of the Native American aid for the Mohawk School.

This administration is challenged in its ability to accurately predict state aid. This is directly associated with estimating state tuition payments on eligible Native American students educated at the campus school. The District and State representatives are scheduled to review the tuition formula and pertinent data in an attempt to better identify a just and realistic amount for this service. As our percentage of Native American students increase, so will our difficulty to predict revenues from this source. We must also remain vigilant in our effort to make sure educational funding for Salmon River is both adequate and equitable for our unique District.

As the District completed the year, its governmental funds reported a General fund balance of \$3,244,092. This amount is near the 4% limit specified by Real Property Tax Law. However, as our salary and operating expenses increase, we find it increasingly difficult to maintain a strong fund balance. The District has a long range plan to use limited amounts from our reserves in the coming years to offset the loss of the Foundation Aid increases promised by the State. To date, we have kept true to our plan by cutting staff and limiting our purchases.

Analysis of the School District's Other Funds

Capital Projects Fund

The Elementary, High School and Junior High renovations are complete from the 2008 project that cost \$49.8 million. This District still has approximately another \$36.6 million in capital work that needs to be addressed based on a recent building conditions survey. The District expects to bring another vote to the voters in the fall 2013 after a failed vote in March 2013.

An emergency water project was authorized by the Board of Education on March 25, 2013 in the amount of \$500,000. The project was needed after an issue with acetone in the District's water well was detected during routine water testing. The project is currently being funded by a general fund transfer and is expected to be completed prior to school starting in 2013.

A \$100,000 project was completed at the Waste Water Treatment Plant to satisfy Phase I of a DEC consent order in 2012-13. Another \$100,000 project will be performed in 2013-14 to complete the Phase II work per DEC.

School Lunch (Cafeteria) Fund

The school lunch program continues to be supported by funds from the general fund. Revenues generated from the National School Lunch Program and the District's lunch program is stable with healthy student participation, but does not meet expenses. It should be noted that labor, employees' retirement and health insurance costs continue to increase each year. The lack of financial resources in the community and our District's commitment to preparing quality food, has limited this program's ability to be self-sustaining, but we are making several changes to bring the program close to self-sufficiency.

During the year, the cafeteria deficit reduced from \$86,185 in the previous year to \$58,898 this school year. These reductions are attributed to several food purchasing strategies that have achieved nutritious meals at less cost. The District also shares our cafeteria management expense with a neighboring District through a BOCES shared service. This not only reduced the cost of managing the cafeteria, it also generated BOCES aid. Our aid ratio for BOCES services is 90%. Moving in this direction will be very beneficial to the Cafeteria Program's financial bottom-line. We have a long range goal of moving our Cafeteria Program into the black.

The District has remained in the Universal Free Breakfast Program to help promote more children to eat breakfast in the morning when it is offered free of charge.

Special Aid Funds

The special aid fund provides the district with a variety of instructional programs supported by State and Federal grants. Title I and Title VII provides significant revenue for the district. These grants allow us to create programs that complement the district's educational objectives while allowing it to be sensitive to our culturally diverse student population.

The revenues for our Native American transportation contract are included in this fund as well. This contract with the State provides revenue to the District to cover the cost of transporting Native American students to and from the reservation. The amount of funds provided is meant to cover all expenses related to this service.

The special aid funds will continue to decline. When this happens, the general fund must pick up the differences because these programs cannot be cut. With the No Child Left Behind initiative, remediation programs are more important than ever. Federal and State Aid budgets are personnel driven like all of our budgets. With the record increases in fringe benefits, decreases will compound the general fund impact. Any decrease in grants equates to a much larger loss when contractual increases are figured in. Please note that the grant fiscal year generally runs from September to August, while the school's fiscal year runs from July to June.

Capital Assets

By the end of June 2013, the District had invested approximately \$59,104,910 in a broad range of capital assets including school buildings, the bus garage, school buses, computers, audio-visual and classroom equipment. The District purchased 3 buses in the 2012-2013 school year. For this coming year, we will be purchasing 2 new buses based on voter approval in May 2013. In 2012-13 we received seven buses through the Native American Transportation contract with the State. This will replenish that portion of our bus fleet that services the Indian Reservation exclusively. We are looking at creating a long-range bus replacement plan to bring the District fleet more up-to-date.

Long-Term Debt

The District's outstanding debt as of June 30, 2013 was \$28.6 million. This represents a series of borrowings for the \$50 million capital project that started in 2009. In 2009 and 2011, the District was able to secure Quality Zone Academy Bonds (QZABs) that offered the District refundable interest over the life of the bond. In essence, the District will pay approximately 1.25% interest on these bonds. In 2011, the District also secured a Quality School Construction

Bond (QSCB) that offered the District with another low interest bond with a rate of .8%. These low interest bonds have helped minimize any local tax share for the capital project.

Factors Bearing on the District's Future

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

- As mentioned above, this District is very heavily dependent on State Aid. During state budget preparations for next year, most formula aids were frozen, including Foundation Aid. With the State continually decreasing aid and the property tax cap in place the District will have an extremely difficult time to maintain staffing and programming at the levels needed to educate our children properly. The District is currently supporting our programs by committing approximately 20% of our fund balance to support our current level of staffing. In previous years we have reduced our staff by not replacing retired staff and cutting teaching positions. Providing quality education with a shrinking staff and growing student population is posing challenges to our ability to provide a sound basic education to our Native American students and/or students living in poverty. Their graduation rates are drastically lower than the State Average.

- The CSEA contract expired on June 30, 2013. These negotiations have just begun. However, even without these contracts in place, the District will have to budget for any anticipated raises. Once negotiated, the long-term contract will bring stability and predictability to our budgetary process.
- The District is currently planning another capital project vote for the Fall 2013. The project is expected to be approximately \$36.5 million and the vote will be held in the fall 2013 with an anticipated start date of summer 2014. This project will finish the upgrades required by the building condition survey and the plan from the 2008 capital project. Capital financing will be structured so that there will be no local tax impact using the different financing and aid options available to the District.

Contacting the School District's Financial Management

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

Natascha L. Jock, School Business Executive
Salmon River Central School
Fort Covington, New York 12937
(518) 358-6608
njock@mail.fehb.org

Salmon River Central School District
Statement of Net Position
June 30, 2013

ASSETS

Cash	
Unrestricted	\$ 5,836,419
Restricted	53,599
Receivables	
Taxes	-
Other	925,912
Due from fiduciary funds	-
State and Federal aid	7,236,070
Inventories	36,175
Deferred expenditures	517,091
Capital assets, net	59,104,910
Total Assets	<u>73,710,176</u>

DEFERRED OUTFLOWS OF RESOURCES

Defeasance loss	-
Total Deferred Outflows of Resources	<u>-</u>

LIABILITIES

Payables	
Accounts payable	676,232
Accrued expenses	22,076
Due to other governments	882
Accrued interest	41,557
Deferred revenues	18,092
Retainage payable	-
Notes payable	
Revenue anticipation	8,000,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	2,940,273
Compensated absences payable	184,180
Due to Teachers' Retirement System	1,337,638
Due to Employees' Retirement System	168,785
Due and payable after one year	
Bonds payable	25,658,656
Compensated absences payable	548,038
Other post employment benefits	39,024,242
Total Liabilities	<u>78,620,651</u>

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	-
Sale of future revenues	-
Total Deferred Inflows of Resources	<u>-</u>

NET POSITION

Net investment in capital assets, net of related debt	31,004,980
Restricted	1,386,456
Unrestricted (deficit)	(37,301,911)
Total Net Position	<u>\$ (4,910,475)</u>

See notes to financial statements.

Salmon River Central School District
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
General support	\$7,505,999	\$ 298,611	\$ -	\$ 7,207,388
Instruction	31,184,642	7,631,558	-	23,553,084
Pupil transportation	3,641,604	50,312	-	3,591,292
Community service	47,451	-	-	47,451
Debt service - interest	1,098,041	-	-	1,098,041
Capital outlay - Mohawk School	-	-	-	-
Other expenditures	84,683	-	-	84,683
School lunch program	496,783	206,284	61,970	228,529
Total Functions and Programs	<u>44,059,203</u>	<u>8,186,765</u>	<u>61,970</u>	<u>35,810,468</u>
GENERAL REVENUES				
Real property taxes				1,377,374
Other tax items				482,291
Use of money and property				8,389
Sale of property and compensation for loss				639
Miscellaneous				1,109,300
State sources				23,562,380
Federal sources				2,896,335
Medicaid reimbursement				-
Total General Revenues				<u>29,436,708</u>
Change in Net Position				(6,373,760)
Prior Period Adjustment				(633,307)
Total Net Position-Beginning of year				<u>2,096,592</u>
Total Net Position-End of year				<u>\$ (4,910,475)</u>

See notes to financial statements.

Salmon River Central School District
Balance Sheet - Governmental Funds
June 30, 2013

	General	Special Aid	Non-Major	Total Governmental Funds
ASSETS				
Cash				
Unrestricted	\$ 4,791,663	\$ 1,332	\$ 1,043,424	\$ 5,836,419
Restricted	53,599	-	-	53,599
Receivables				
Taxes	-	-	-	-
Other	868,963	28	56,921	925,912
Due from other funds	942,951	-	368,168	1,311,119
State and Federal aid	6,294,939	932,504	8,627	7,236,070
Inventories	-	-	36,175	36,175
Deferred expenditures	-	-	-	-
Total Assets	<u>\$ 12,952,115</u>	<u>\$ 933,864</u>	<u>\$ 1,513,315</u>	<u>\$ 15,399,294</u>
LIABILITIES				
Payables				
Accounts payable	\$ 182,639	\$ 29,253	\$ 464,340	\$ 676,232
Accrued liabilities	16,996	5,080	-	22,076
Accrued interest	1,965	-	-	1,965
Due to other funds	-	899,531	411,588	1,311,119
Due to other governments	-	-	882	882
Retainage payable	-	-	-	-
Due to Teachers' Retirement System	1,337,638	-	-	1,337,638
Due to Employees' Retirement System	168,785	-	-	168,785
Notes payable				
Revenue anticipation	8,000,000	-	-	8,000,000
Total Liabilities	<u>9,708,023</u>	<u>933,864</u>	<u>876,810</u>	<u>11,518,697</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	-	-	-
Sale of future revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	36,175	36,175
Restricted				
Workers' compensation reserve	45,638	-	-	45,638
Reserve for tax certiorari	7,961	-	-	7,961
Reserve for employee benefits and accrued liabilities	760,140	-	-	760,140
Capital reserve	-	-	-	-
Reserve for debt	572,717	-	-	572,717
Assigned				
Assigned appropriated fund balance	678,879	-	5,000	683,879
Assigned unappropriated fund balance				
General support	17,508	-	-	17,508
Instruction	-	-	-	-
Capital project	-	-	578,882	578,882
School lunch	-	-	16,448	16,448
Unassigned fund balance	1,161,249	-	-	1,161,249
Total Fund Balances	<u>3,244,092</u>	<u>-</u>	<u>636,505</u>	<u>3,880,597</u>
Total Liabilities and Fund Balances	<u>\$ 12,952,115</u>	<u>\$ 933,864</u>	<u>\$ 1,513,315</u>	<u>\$ 15,399,294</u>

See notes to financial statements.

Salmon River Central School District
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2013

	General	Special Aid	Non-Major	Total Governmental Funds
REVENUES				
Real property taxes	\$ 1,377,374	\$ -	\$ -	\$ 1,377,374
Other tax items	482,291	-	-	482,291
Charges for services	2,865,361	-	-	2,865,361
Use of money and property	128,906	-	1	128,907
Sale of property and compensation for loss	225,849	-	-	225,849
Miscellaneous	1,078,775	18,387	20,354	1,117,516
State sources	26,364,962	1,946,329	30,357	28,341,648
Medicaid reimbursement	-	-	-	-
Federal sources	411,357	1,714,784	770,194	2,896,335
Surplus food	-	-	61,970	61,970
Sales - school lunch	-	-	206,284	206,284
Total Revenues	<u>32,934,875</u>	<u>3,679,500</u>	<u>1,089,160</u>	<u>37,703,535</u>
EXPENDITURES				
General support	4,298,427	-	991,086	5,289,513
Instruction	13,917,302	2,011,622	-	15,928,924
Pupil transportation	533,005	1,660,869	303,509	2,497,383
Community service	31,242	-	-	31,242
Employee benefits	9,076,333	-	361,581	9,437,914
Debt service				
Principal	2,791,752	-	-	2,791,752
Interest	1,068,702	-	-	1,068,702
Cost of sales	-	-	496,783	496,783
Capital outlay	-	-	526,282	526,282
Total Expenditures	<u>31,716,763</u>	<u>3,672,491</u>	<u>2,679,241</u>	<u>38,068,495</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,218,112</u>	<u>7,009</u>	<u>(1,590,081)</u>	<u>(364,960)</u>
OTHER FINANCING SOURCES AND USES				
Operating transfers in	109,639	14,655	854,187	978,481
Operating transfers out	(868,842)	(21,664)	(87,975)	(978,481)
Proceeds from debt	-	-	3,057,984	3,057,984
Payment to escrow agent	-	-	(1,920,000)	(1,920,000)
Total Other Sources and Uses	<u>(759,203)</u>	<u>(7,009)</u>	<u>1,904,196</u>	<u>1,137,984</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	458,909	-	314,115	773,024
Prior Period Adjustment	(613,971)	-	613,971	-
Fund Balances - Beginning of year	3,399,154	-	(291,581)	3,107,573
Fund Balances - End of year	<u>\$ 3,244,092</u>	<u>\$ -</u>	<u>\$ 636,505</u>	<u>\$ 3,880,597</u>

See notes to financial statements.

Salmon River Central School District
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2013

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 112,671	\$ 82,002
Due from other governments	-	2,201
Total Assets	<u>\$ 112,671</u>	<u>\$ 84,203</u>
LIABILITIES		
Due to governmental funds	\$ -	\$ -
Extraclassroom activity balances	-	74,029
Other liabilities	-	10,174
Total Liabilities	<u>-</u>	<u>\$ 84,203</u>
NET POSITION		
Restricted for other purposes	<u>\$ 112,671</u>	

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2013

	Private Purpose Trusts
ADDITIONS	
Investment earnings	\$ 14
Gifts and contributions	-
DEDUCTIONS	
Scholarships and awards	<u>175</u>
Change in Net Position	(161)
Net Position - Beginning of year	<u>112,832</u>
Net Position - End of year	<u>\$ 112,671</u>

See notes to financial statements.

Salmon River Central School District
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position
June 30, 2013

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash	\$ 5,890,018	\$ -	\$ -	\$ 5,890,018
Taxes receivable	-	-	-	-
Other receivables	925,912	-	-	925,912
Due from other funds	1,311,119	-	(1,311,119)	-
State and Federal aid	7,236,070	-	-	7,236,070
Inventories	36,175	-	-	36,175
Deferred expenditures	-	517,091	-	517,091
Capital assets, net	-	59,104,910	-	59,104,910
Total Assets	<u>\$ 15,399,294</u>	<u>\$ 59,622,001</u>	<u>\$ (1,311,119)</u>	<u>\$ 73,710,176</u>
LIABILITIES				
Accounts payable	\$ 676,232	\$ -	\$ -	\$ 676,232
Accrued liabilities	22,076	-	-	22,076
Due to other funds	1,311,119	-	(1,311,119)	-
Due to other governments	882	-	-	882
Accrued interest	1,965	39,592	-	41,557
Deferred revenues	-	18,092	-	18,092
Retainage payable	-	-	-	-
Due to Teachers' Retirement System	1,337,638	-	-	1,337,638
Due to Employees' Retirement System	168,785	-	-	168,785
Revenue anticipation note	8,000,000	-	-	8,000,000
Compensated absences payable	-	732,218	-	732,218
Bonds payable	-	28,598,929	-	28,598,929
Other post employment benefits	-	39,024,242	-	39,024,242
Total Liabilities	<u>11,518,697</u>	<u>68,413,073</u>	<u>(1,311,119)</u>	<u>78,620,651</u>
FUND EQUITY/NET POSITION	<u>3,880,597</u>	<u>(8,791,072)</u>	<u>-</u>	<u>(4,910,475)</u>
Total Liabilities, Equity and Other Credits	<u>\$ 15,399,294</u>	<u>\$ 59,622,001</u>	<u>\$ (1,311,119)</u>	<u>\$ 73,710,176</u>

See notes to financial statements.

Salmon River Central School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013

Fund Balances - total governmental funds		\$ 3,880,597
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	72,408,620	
Less: accumulated depreciation	<u>(13,303,710)</u>	59,104,910
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Bond issue costs	1,054,969	
Less: accumulated amortization	<u>(537,878)</u>	517,091
Interest payable used in governmental activities is not payable from current resources and therefore not reported in the governmental funds		(39,592)
Deferred revenue used in governmental activities is not payable from current resources and therefore not reported in the governmental funds		(18,092)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
Long-term debt	(28,598,929)	
Compensated absences	<u>(732,218)</u>	(29,331,147)
Other post employment benefits are not due and payable in the current period and therefore are not reported in the funds		<u>(39,024,242)</u>
Net Position of Governmental Activities		<u><u>\$ (4,910,475)</u></u>

See notes to financial statements.

Salmon River Central School District

Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in Fund Equity to Statement of Activities

For the Year Ended June 30, 2013

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Activities Totals
REVENUES				
Real property taxes	\$ 1,377,374	\$ -	\$ -	\$ 1,377,374
Other tax items	482,291	-	-	482,291
Charges for services	2,865,361	-	-	2,865,361
Use of money and property	128,907	-	-	128,907
Sale of property and compensation for loss	225,849	-	-	225,849
Miscellaneous	1,117,516	(18,092)	-	1,099,424
State sources	28,341,648	-	-	28,341,648
Medicaid reimbursement	-	-	-	-
Federal sources	2,896,335	-	-	2,896,335
Surplus food	61,970	-	-	61,970
Sales - school lunch and store	206,284	-	-	206,284
Total Revenues	<u>37,703,535</u>	<u>(18,092)</u>	<u>-</u>	<u>37,685,443</u>
EXPENDITURES				
General support	5,289,513	755,877	1,460,609	7,505,999
Instruction	15,928,924	(20,342)	15,276,060	31,184,642
Pupil transportation	2,497,383	(112,875)	1,257,096	3,641,604
Community service	31,242	-	16,209	47,451
Employee benefits	9,437,914	8,572,060	(18,009,974)	-
Debt service	3,860,454	(2,762,413)	-	1,098,041
Unallocated depreciation	-	-	-	-
Cost of sales	496,783	-	-	496,783
Other expenditures	-	84,683	-	84,683
Capital outlay	526,282	(526,282)	-	-
Total Expenditures	<u>38,068,495</u>	<u>5,990,708</u>	<u>-</u>	<u>44,059,203</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(364,960)</u>	<u>(6,008,800)</u>	<u>-</u>	<u>(6,373,760)</u>
OTHER SOURCES AND USES				
Proceeds from debt	3,057,984	(3,057,984)	-	-
Payment to escrow agent	(1,920,000)	1,920,000	-	-
Operating transfers in	978,481	-	(978,481)	-
Operating transfers out	(978,481)	-	978,481	-
Total Other Sources and Uses	<u>1,137,984</u>	<u>(1,137,984)</u>	<u>-</u>	<u>-</u>
Net Change for the Year	<u>\$ 773,024</u>	<u>\$ (7,146,784)</u>	<u>\$ -</u>	<u>\$ (6,373,760)</u>

See notes to financial statements.

Salmon River Central School District

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund
Balances to Statement of Activities
For the Year Ended June 30, 2013

Net Change in Fund Balances - total governmental funds		\$ 773,024
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues in the Statement of Activities that do not provide current resources are not reported as revenues in the funds		
Disposal of capital assets		-
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	1,434,081	
Less: current year depreciation	<u>(1,605,967)</u>	(171,886)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Other costs related to debt issuance and retirement are expenditures in the governmental funds, but are deferred and amortized on the Statement of Net Position		
Bond premium	(20,354)	
Bond issuance costs	60,354	
Bond cost amortization	(109,051)	
Bond proceeds	(2,968,509)	
Repayment of bonds	<u>4,622,277</u>	1,584,717
Interest expense reported in the Statement of Activities does not require the use of current financial resources and is therefore not reported as an expenditure in governmental funds		(2,709)
Compensated absences in the Statement of Activities does not require the use of current financial resources and is therefore not reported as an expenditure in governmental funds		15,154
Other post employment benefits in the Statement of Activities does not require the use of current resources and are therefore not reported as expenditures in the governmental funds		<u>(8,572,060)</u>
Change in Net Position of Governmental Funds		<u>\$ (6,373,760)</u>

See notes to financial statements.

Salmon River Central School District

Notes to Financial Statements

June 30, 2013

Note 1 – Summary of certain significant accounting policies:

The financial statements of the Salmon River Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

A) Reporting Entity:

The Salmon River Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District’s reporting entity.

Salmon River Central School District
Notes to Financial Statements
June 30, 2013

i) Extraclassroom Activity Funds:

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are 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 Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

B) Joint Venture:

The Salmon River Central School District is one of 11 component school districts in the Franklin-Essex-Hamilton BOCES. A 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. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards are also considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State 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). In addition, component districts pay tuition or a service fee for programs in which its students participate.

C) Basis of Presentation:

i) District-Wide Statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions.

Salmon River Central School District

Notes to Financial Statements

June 30, 2013

Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

ii) 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. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and school store operations or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Salmon River Central School District
Notes to Financial Statements
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The District reports the following fiduciary funds:

Fiduciary Funds

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

D) Measurement Focus and Basis of Accounting:

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. 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 for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 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.

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E) Cash and Investments:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. 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 Districts.

Investments are stated at fair value.

F) Property Taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 13, 2012. Taxes are collected during the period September 1, 2012 to November 2, 2012.

Uncollected real property taxes are subsequently enforced by the County in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

G) 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.

H) Inventories:

Inventories of food 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 and are considered immaterial in amount.

A reserve for inventories has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

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I) Due to/from Other Funds:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivable and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

J) Capital Assets:

Capital assets are reported at historical cost if actual historical cost is available, or estimated historical cost if actual historical cost is not available. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 15,000	Straight-line	50 years
Building Improvements	15,000	Straight-line	20 years
Furniture and Equipment	5,000	Straight-line	15 years
Vehicles	5,000	Straight-line	8 years

Salmon River Central School District
Notes to Financial Statements
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K) Other Assets:

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements, these same costs are netted against bond proceeds and recognized in the period of issuance.

L) Vested Employee Benefits:

Compensated absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

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

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

M) Other benefits:

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is covered by the District. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

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Notes to Financial Statements

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N) Budgetary Procedures and Budgetary Accounting:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These 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. No supplemental appropriations occurred during the year.

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

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

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O) Deferred Revenue:

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incidence 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 revenues is removed and revenues are recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

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

P) Restricted Resources:

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

Q) Equity classifications:

District-wide statements:

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

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

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

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

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Fund statements:

Beginning with the fiscal year 2011, the District implemented GASB 54 "Fund Balance Reporting and Governmental Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$36,175.

Restricted fund balance – amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

Reserve for Debt Service

Mandatory Reserve for Debt Service (GML §6-1) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the General Fund.

Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

Reserve for Inventory

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

Salmon River Central School District
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Workers' Compensation Reserve

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

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Tax Certiorari Reserve

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

Restricted fund balance includes the following:

General Fund:

Workers' Compensation Reserve	\$ 45,638
Reserve for Tax Certiorari	7,961
Reserve for Employee Benefits and Accrued Liabilities	760,140
Reserve for Debt	<u>572,717</u>
Total Restricted Funds	<u>\$ 1,386,456</u>

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest action to remove or change the constraint

Salmon River Central School District
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Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government delegates authority. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$17,508.

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General Fund.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance for the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Use of Fund Balance:

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

R) Accrued liabilities and long-term obligations:

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

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

S) New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2013, the District implemented

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Notes to Financial Statements
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the following new standard issued by GASB:

GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and amends the net asset reporting provisions of GASB 34 by incorporating deferred inflows and outflows into the definitions of the residual measure and by renaming that measure as net position, rather than net assets.

T) Future Changes in Accounting Standards

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

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

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

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

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

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

Note 2 – Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements:

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

Salmon River Central School District

Notes to Financial Statements

June 30, 2013

A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

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

i) 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.

ii) 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.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Salmon River Central School District
Notes to Financial Statements
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Note 3 – Stewardship, compliance and accountability:

The District's unreserved and undesignated fund balance was not in excess of the New York State Real Property Tax Law limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

Note 4 – Custodial credit and concentration of credit:

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$53,599 within the governmental funds and \$112,671 in the fiduciary funds.

Note 5 – Participation in BOCES:

During the year ended June 30, 2013, the District was billed \$3,229,420 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year ended June 30, 2013, the District did not issue serial bonds on behalf of BOCES.

The District's share of BOCES aid amounted to \$1,751,866.

Financial statements for the BOCES are available from the BOCES administrative office.

Note 6 – Investments:

The District did not hold any investments during the year.

Salmon River Central School District
Notes to Financial Statements
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Note 7 - Capital assets:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassific.</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 118,242	\$ -	\$ -	\$ 118,242
Construction in progress	47,599,864	526,282	(47,599,864)	526,282
Total nondepreciable historical cost	<u>47,718,106</u>	<u>526,282</u>	<u>(47,599,864)</u>	<u>644,524</u>
Capital assets that are depreciated:				
Buildings	19,273,602	569,726	47,599,864	67,443,192
Machinery and equipment	3,982,831	338,073	-	4,320,904
Total depreciable historical cost	<u>23,256,433</u>	<u>907,799</u>	<u>47,599,864</u>	<u>71,764,096</u>
Less accumulated depreciation:				
Buildings	9,149,788	1,296,043	-	10,445,831
Machinery and equipment	2,547,955	309,924	-	2,857,879
Total accumulated depreciation	<u>11,697,743</u>	<u>1,605,967</u>	<u>-</u>	<u>13,303,710</u>
Total depreciable historical cost, net	<u>\$ 59,276,796</u>	<u>\$ (171,886)</u>	<u>\$ -</u>	<u>\$ 59,104,910</u>

Depreciation expense was charged to governmental activities as follows:

Administrative services	\$ 1,400,046
Regular instruction	15,287
Pupil transportation	190,634
	<u>\$ 1,605,967</u>

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Note 8 – Short-term debt:

The District may issue Revenue Anticipation Notes and Tax Anticipation Notes, in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

Transactions in short-term debt for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
RAN Maturing 6/21/13 at 1.50%	\$ 12,000,000	\$ -	\$ 12,000,000	\$ -
RAN Maturing 6/18/13 at 1.25%	-	3,000,000	3,000,000	-
RAN Maturing 6/19/14 at 1.00%	-	8,000,000	-	8,000,000
BAN Maturing 11/8/12 at 1.77%	164,475	-	164,475	-

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

Interest paid	\$ 201,660
Less interest accrued in the prior year	5,835
Plus interest accrued in the current year	<u>1,965</u>
Total expense	<u><u>\$ 197,790</u></u>

Salmon River Central School District
Notes to Financial Statements
June 30, 2013

Note 9 – Long-term debt:

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Government activities:					
Serial Bonds 2003	\$ 1,920,000	\$ -	\$ 1,920,000	\$ -	\$ -
Energy Performance	922,696	-	117,276	805,420	121,764
Serial Bonds 2005	2,835,000	-	325,000	2,510,000	340,000
Lease-purchase oblig. 08	1	-	1	-	-
Bus Bond 2008	40,000	-	40,000	-	-
Serial Bonds 2008	1,215,000	-	80,000	1,135,000	85,000
QZABs 2009	11,575,000	-	905,000	10,670,000	920,000
QZABs 2011	9,125,000	-	695,000	8,430,000	710,000
QSCBs 2011	2,620,000	-	180,000	2,440,000	180,000
Serial Bonds 2012	-	630,000	-	630,000	55,000
Bus Bond 2012	-	378,509	-	378,509	138,509
Serial Bonds 2012	-	1,960,000	360,000	1,600,000	390,000
Total bonds payable	30,252,697	2,968,509	4,622,277	28,598,929	2,940,273
Other liabilities					
Compensated absences	747,372	-	15,154	732,218	184,180
Total long-term liabilities	<u>\$31,000,069</u>	<u>\$ 2,968,509</u>	<u>\$ 4,637,431</u>	<u>\$29,331,147</u>	<u>\$ 3,124,453</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

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Existing serial and statutory bond obligations:

Description of issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2013
Serial Bonds	2003	2017	3.80%	-
Energy Performance	2003	2018	3.79%	805,420
Serial Bonds	2005	2020	3.75%	2,510,000
Lease-purchase Obligation	2008	2013	7.77%	-
Bus Bond	2008	2013	3.19%	-
Serial Bonds	2008	2024	4.25%	1,135,000
QZABs	2009	2024	1.25%	10,670,000
QZABs	2011	2023	5.46%	8,430,000
QSCBs	2011	2025	0.80%	2,440,000
Serial Bonds	2012	2024	2.42%	630,000
Bus Bond	2012	2017	2.71%	378,509
Serial Bonds	2012	2017	1.70%	1,600,000
				<u>\$28,598,929</u>

The following is a summary of debt service requirements:

	Serial Bonds		Other Debt	
	Principal	Interest	Principal	Interest
Fiscal year ended June 30,				
2014	2,680,000	758,042	260,273	39,440
2015	2,735,000	695,345	186,423	31,228
2016	2,795,000	630,765	191,260	24,765
2017	2,860,000	562,482	196,282	18,117
2018	2,510,000	488,246	201,496	11,277
2019-2023	12,060,000	1,302,464	148,195	2,808
2024-2028	1,775,000	26,845	-	-
	<u>\$27,415,000</u>	<u>\$ 4,464,189</u>	<u>\$ 1,183,929</u>	<u>\$ 127,635</u>

Other debt consists of the Energy Performance debt, Bus Bond and installment purchase obligation.

On November 27, 2012, the District issued \$1,960,000 in general obligation bonds with an average interest rate of 1.70% to advance refund \$1,920,000 of outstanding bonds with an average interest rate of 3.79%. The net proceeds of \$1,920,020 (after payment of \$60,334 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow

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Notes to Financial Statements
June 30, 2013

agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The district advance refunded the bonds to revise its payment schedules due to changes in New York State's aid payment schedules. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$83,711.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. These bonds were again advance refunded in 2012 as previously described.

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

Interest paid	\$ 870,912
Less: interest accrued in the prior year	(36,883)
Plus: interest accrued in the current year	39,592
amortization of bond costs	<u>26,630</u>
Total expense	<u><u>\$ 900,251</u></u>

Note 10 – Interfund balances and activity:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 942,951	\$ -
Special Aid Fund	-	899,531
School Lunch Fund	-	43,218
Capital Projects Fund	<u>368,168</u>	<u>368,370</u>
Total Government Agencies	1,311,119	1,311,119
 Fiduciary Agency Fund	 <u>-</u>	 <u>-</u>
Totals	<u><u>\$1,311,119</u></u>	<u><u>\$1,311,119</u></u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

Salmon River Central School District
Notes to Financial Statements
June 30, 2013

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.

Note 11 – Post-employment (health insurance) benefits:

The District provides post-employment health insurance 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 Post-employment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, no retired employees have elected to use accumulated sick pay to finance health insurance payments under the District's group plans.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2013, the District recognized \$1,581,072 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2013, which indicates that the total liability for other post employment benefits is \$39,024,242, which is reflected in the Statement of Net Position.

Plan Description

The District participates in the Franklin-Essex-Hamilton BOCES Health Insurance Consortium, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 11 individual governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide unlimited coverage for its members per insured event. The pool obtains independent coverage for insured events, and the District has essentially transferred all related risk to the pool.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents 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.

Salmon River Central School District

Notes to Financial Statements

June 30, 2013

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 to the health insurance plan:

Annual required contribution	\$ 11,487,465
Interest on net OPEB obligation	1,218,087
Adjustment to annual required contribution	<u>(1,832,032)</u>
Annual OPEB cost (expense)	10,873,520
Contributions made	<u>(2,301,460)</u>
Increase in net OPEB obligation	8,572,060
Net OPEB obligation - beginning of year	30,452,182
Net OPEB obligation - end of year	<u><u>\$ 39,024,242</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6/30/2013	\$ 10,873,520	21.2%	\$ 39,024,242
6/30/2012	10,206,343	20.7%	30,452,182
6/30/2011	9,697,662	18.9%	22,362,094

Funded Status and Funding Progress

As of the most recent actuarial valuation date, the plan was unfunded. The status as of June 30, 2013, was as follows:

Actuarial valuation date	7/1/2012
Actuarial accrued liability (AAL)	\$ 105,314,010
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 105,314,010</u></u>
Actuarial Value of Assets as a % of the AAL	-
Covered payroll (active members)	\$ 12,337,212
UAAL as a percentage of covered payroll	854%

Salmon River Central School District
Notes to Financial Statements
June 30, 2013

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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included an annual healthcare cost trend rate of 14% initially and then reduced by decrements to an ultimate rate of 6% after 12 years. Rates included a 4% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 26 years.

Note 12 – Pension plans:

General information:

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

Provisions and administration:

The New York State Teachers' Retirement Board administers NYSTRS. 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Salmon River Central School District

Notes to Financial Statements

June 30, 2013

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 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 NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>TRS</u>	<u>ERS</u>
June 30, 2013	\$1,164,162	\$602,701
June 30, 2012	965,224	516,259
June 30, 2010	757,761	367,780

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The Salmon River Central School District elected to make the full payment.

The State Legislature authorized local governments to make available retirement incentive programs. Nothing was charged to expenditures in the Governmental Funds in the current fiscal year.

Salmon River Central School District
Notes to Financial Statements
June 30, 2013

Note 13 – Risk management:

The Salmon River Central School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

The District participates in the Franklin-Essex-Hamilton BOCES Workers' Compensation Insurance Consortium, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The School District has no liability as of June 30, 2013.

Note 14 – Contingencies and commitments:

The District has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based upon prior audits, the District's administration believes disallowances, if any, will be immaterial.

Note 15 – Fund balances:

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the Governmental Funds Balance Sheet.

Note 16 – 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 statement and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

Note 17 – Prior period adjustment:

The beginning balance for construction in progress was adjusted by a total of \$583,127. The District incurred some costs during the 2011-12 school year that were included in the capital construction in progress figures. However, notice was received during the 2012-13 school year that indicated the revenues and expenditures for these costs should have been recorded through the General Fund. As a result, the 2011-12 construction in progress balance was overstated by

Salmon River Central School District

Notes to Financial Statements

June 30, 2013

\$550,545 for these costs. The balance was also overstated by \$32,582 for project costs incurred during the 2006-07 school year that were double counted in the construction in progress figure. During 2011-12, the ending balance of the buildings was overstated by \$50,180. The arena renovations were listed at \$1,310,821 when they should have been capitalized at \$1,260,641. The beginning balances in the capital assets chart reflect these changes.

Note 18 – Subsequent events:

Subsequent events have been evaluated through November 1, 2013, which is the date the financial statements were available to be issued.

Salmon River Central School District
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
REVENUES				
Local Sources				
Real property taxes	\$ 1,435,994	\$ 1,435,994	\$ 1,377,374	\$ (58,620)
Other tax items	491,634	491,634	482,291	(9,343)
Charges for services	1,615,000	1,615,000	2,865,361	1,250,361
Use of money and property	93,500	93,500	128,906	35,406
Sale of property and compensation for loss	12,000	12,000	325,849	313,849
Miscellaneous	349,847	349,847	1,078,775	728,928
Interfund revenues	-	-	-	-
Total Local Sources	<u>3,997,975</u>	<u>3,997,975</u>	<u>6,258,556</u>	<u>2,260,581</u>
State Sources	33,051,808	33,051,808	26,364,962	(6,686,846)
Federal Sources	430,064	430,064	411,357	(18,707)
Total Revenues	<u>37,479,847</u>	<u>37,479,847</u>	<u>33,034,875</u>	<u>(4,444,972)</u>
OTHER FINANCING SOURCES				
Transfers from other funds	-	-	109,639	109,639
Total Revenues and Other Financing Sources	<u>37,479,847</u>	<u>37,479,847</u>	<u>33,144,514</u>	<u>(4,335,333)</u>

See paragraph on required supplementary information included in auditors' report.

Salmon River Central School District
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual And Encumbrances
EXPENDITURES					
Board of education	10,070	12,028	5,488	-	6,540
Central administration	183,650	185,345	166,308	-	19,037
Finance	362,939	381,733	339,033	15,189	27,511
Staff	161,870	640,990	627,024	-	13,966
Central services	3,348,520	4,181,644	3,437,285	2,319	742,040
Special items	451,777	453,425	437,260	-	16,165
Total General Support	<u>4,518,826</u>	<u>5,855,165</u>	<u>5,012,398</u>	<u>17,508</u>	<u>825,259</u>
 Instruction, administration and improvement	 899,224	 1,016,381	 851,025	 -	 165,356
Teaching - regular school	7,010,706	7,077,208	6,548,586	-	528,622
Programs for children with handicapping conditions	3,346,400	3,137,900	2,929,769	-	208,131
Occupational education	1,068,250	1,075,172	1,063,168	-	12,004
Teaching - special school	203,270	292,237	248,493	-	43,744
Instructional media	838,555	1,013,340	993,156	-	20,184
Pupil services	1,442,457	1,504,883	1,283,105	-	221,778
Total Instruction	<u>14,808,862</u>	<u>15,117,121</u>	<u>13,917,302</u>	<u>-</u>	<u>1,199,819</u>
 Pupil transportation	 1,565,005	 1,623,808	 533,005	 -	 1,090,803
Community services	20,500	31,242	31,242	-	-
Employee benefits	12,834,234	10,521,991	9,076,333	-	1,445,658
Debt service	3,942,493	3,996,888	3,860,454	-	136,434
Total Expenditures	<u>37,689,920</u>	<u>37,146,215</u>	<u>32,430,734</u>	<u>17,508</u>	<u>4,697,973</u>
 OTHER FINANCING USES					
Transfers to other funds	720,000	1,280,427	868,842	-	411,585
Total Expenditures and Other Uses	<u>38,409,920</u>	<u>38,426,642</u>	<u>33,299,576</u>	<u>\$ 17,508</u>	<u>\$ 5,109,558</u>
 Net change in fund balances	<u>\$ (930,073)</u>	<u>\$ (946,795)</u>	(155,062)		
Fund balance - beginning			<u>3,399,154</u>		
Fund balance - ending			<u>\$ 3,244,092</u>		

See paragraph on required supplementary information included in auditors' report.

Salmon River Central School District
Required Supplementary Information
Schedule of Funding Progress - Other Post Employment Benefits Plan
For the Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
July 1, 2012	\$ -	\$ 105,314	\$ 105,314	0%	\$ 12,337	854%
July 1, 2010	-	92,081	92,081	0%	12,810	719%
July 1, 2008	-	80,178	80,178	0%	13,862	578%

See paragraph on required supplementary information included in auditors' report.

Salmon River Central School District
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit
For the Year Ended June 30, 2013

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 27,688,195
Add: Prior year's encumbrances	16,722
Original budget	<u>27,704,917</u>
Budget revision	<u>-</u>
Final budget	<u><u>\$ 27,704,917</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2013-14 voter-approved expenditure budget	\$ 29,076,511
Maximum allowed (4% of 2013-14 budget)	1,163,060

General Fund fund balance subject to Section 1318 of Real Property Tax Law:

Unrestricted fund balance:	
Committed fund balance	-
Assigned fund balance	696,387
Unassigned fund balance	1,161,249
Total unrestricted fund balance	<u>\$ 1,857,636</u>

Less:

Appropriated fund balance	678,879
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	17,508
Total adjustments	<u>\$ 696,387</u>

General Fund fund balance subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,161,249</u></u>
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Actual percentage	3.99%
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Salmon River Central School District
Schedule of Project Expenditures - Capital Projects Fund
For the Year Ended June 30, 2013

Project Title	Original Appropriation	Revised Appropriation	Prior Years' Expenditures	Current Year Expenditures	Total Expenditures	Available Balance	Proceeds of Obligations	State Aid	Local Sources	Total	Fund Balance June 30, 2013
Ice Rink	\$ 1,440,000	\$ 1,286,178	\$ 1,286,178	\$ -	\$ 1,286,178	\$ -	\$ 638,178	\$ 648,000	\$ -	\$ 1,286,178	\$ -
Main Campus Phase 2	48,411,232	48,565,054	47,829,772	651,128	48,480,900	84,154	27,025,946	21,539,108	5,400	48,570,454	89,554
Remedial Work	600,000	600,000	-	526,282	526,282	73,718	-	-	600,000	600,000	73,718
Mohawk Addition	308,843	308,843	283,245	-	283,245	25,598	-	308,843	-	308,843	25,598
Mohawk Addition #2	457,771	758,181	468,169	-	468,169	290,012	-	758,181	-	758,181	290,012
Buses	310,000	373,508	-	373,508	373,508	-	373,508	-	-	373,508	-
WWTP	100,000	100,000	-	100,000	100,000	-	-	-	200,000	200,000	100,000
	<u>\$ 51,627,846</u>	<u>\$ 51,991,764</u>	<u>\$ 49,867,364</u>	<u>\$ 1,650,918</u>	<u>\$ 51,518,282</u>	<u>\$ 473,482</u>	<u>\$ 28,037,632</u>	<u>\$ 23,254,132</u>	<u>\$ 805,400</u>	<u>\$ 52,097,164</u>	<u>\$ 578,882</u>

See paragraph on supplementary schedules included in auditors' report.

Salmon River Central School District
Schedule of Revenues and Expenditures for the Mohawk School - General Fund
For the Year Ended June 30, 2013

REVENUES

Charges for services	\$ 6,055
Use of money and property	2,214
Sale of property and compensation for loss	-
Miscellaneous	90,132
State sources	8,369,307
Federal sources	-
Total Revenues	<u>8,467,708</u>

EXPENDITURES

General support	1,081,462
Instruction	4,341,811
Employee benefits	2,714,259
Debt service	234,537
Total Expenditures	<u>8,372,069</u>

Excess of Revenues Over Expenditures	<u>95,639</u>
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OTHER FINANCING SOURCES AND USES

Operating transfer out	(95,289)
Total Other Sources and Uses	<u>(95,289)</u>

Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 350</u>
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Salmon River Central School District
Combined Balance Sheet-Non-Major Governmental Funds
June 30, 2013

	School Lunch	Debt Service	Capital Projects	Total Non-Major Funds
ASSETS				
Cash				
Unrestricted	\$ -	\$ -	\$ 1,043,424	\$ 1,043,424
Restricted	-	-	-	-
Receivables				
Other	56,921	-	-	56,921
Due from other funds	-	-	368,168	368,168
State and Federal aid	8,627	-	-	8,627
Inventories	36,175	-	-	36,175
Total Assets	<u>\$ 101,723</u>	<u>\$ -</u>	<u>\$ 1,411,592</u>	<u>\$ 1,513,315</u>
LIABILITIES				
Payables				
Accounts payable	\$ -	\$ -	\$ 464,340	\$ 464,340
Accrued liabilities	-	-	-	-
Accrued interest	-	-	-	-
Due to other funds	43,218	-	368,370	411,588
Due to other governments	882	-	-	882
Notes payable				
Bond anticipation notes	-	-	-	-
Total Liabilities	<u>44,100</u>	<u>-</u>	<u>832,710</u>	<u>876,810</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	-	-	-
Sale of future revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	36,175	-	-	36,175
Restricted				
Capital reserve	-	-	-	-
Assigned				
Assigned appropriated fund balance	5,000	-	-	5,000
Assigned unappropriated fund balance	16,448	-	578,882	595,330
Unassigned fund balance	-	-	-	-
Total Fund Balances	<u>57,623</u>	<u>-</u>	<u>578,882</u>	<u>636,505</u>
Total Liabilities and Fund Balances	<u>\$ 101,723</u>	<u>\$ -</u>	<u>\$ 1,411,592</u>	<u>\$ 1,513,315</u>

See paragraph on supplementary schedules included in auditors' report.

Salmon River Central School District

Combined Statement of Revenues, Expenditures and Changes in Fund Equity-Non-Major Governmental Funds
For the Year Ended June 30, 2013

	School Lunch	Debt Service	Non-Major Capital Projects	Total Non-Major Funds
REVENUES				
Use of money and property	\$ 1	\$ -	\$ -	\$ 1
Sale of property and compensation for loss	-	-	-	-
Miscellaneous	-	20,354	-	20,354
State sources	30,357	-	-	30,357
Federal sources	770,194	-	-	770,194
Surplus food	61,970	-	-	61,970
Sales - school lunch	206,284	-	-	206,284
Total Revenues	<u>1,068,806</u>	<u>20,354</u>	<u>-</u>	<u>1,089,160</u>
EXPENDITURES				
General support	361,006	60,354	569,726	991,086
Instruction	-	-	-	-
Pupil transportation	-	-	303,509	303,509
Employee benefits	361,581	-	-	361,581
Cost of sales	496,783	-	-	496,783
Capital outlay	-	-	526,282	526,282
Total Expenditures	<u>1,219,370</u>	<u>60,354</u>	<u>1,399,517</u>	<u>2,679,241</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(150,564)</u>	<u>(40,000)</u>	<u>(1,399,517)</u>	<u>(1,590,081)</u>
OTHER FINANCING SOURCES AND USES				
Operating transfers in	154,187	-	700,000	854,187
Operating transfers out	-	-	(87,975)	(87,975)
Proceeds from debt	-	1,960,000	1,097,984	3,057,984
Payment to escrow agent	-	(1,920,000)	-	(1,920,000)
Total Other Sources and Uses	<u>154,187</u>	<u>40,000</u>	<u>1,710,009</u>	<u>3,824,196</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,623	-	310,492	314,115
Prior Period Adjustment	-	-	613,971	613,971
Fund Balances - Beginning of year	54,000	-	(345,581)	(291,581)
Fund Balances - End of year	<u>\$ 57,623</u>	<u>\$ -</u>	<u>\$ 578,882</u>	<u>\$ 636,505</u>

See paragraph on supplementary schedules included in auditors' report.

Salmon River Central School District
Investment in Capital Assets, Net of Related Debt
June 30, 2013

Capital assets, net		\$ 59,104,910
Add:		
Unamortized bond issuance costs		517,091
Deduct:		
Short-term portion of bonds payable	2,940,273	
Long-term portion of bonds payable	25,658,656	
Unamortized bond premium	<u>18,092</u>	<u>28,617,021</u>
Investment in capital assets, net of related debt		<u>\$ 31,004,980</u>

See paragraph on supplementary schedules included in auditors' report.

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Carl A. Seyfarth Jr. CPA
Ann E. Seyfarth CPA

**Independent Auditors' Report on the
Extraclassroom Activity Fund**

To the Board of Education
Salmon River Central School District

We have audited the accompanying Statement of Assets and Liabilities Arising From Cash Transactions of the Extraclassroom Activity Fund of Salmon River Central School District as of June 30, 2013 and the related notes.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Minimum Program for Audits of Financial Records of New York State School Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the assets and liabilities of the Extraclassroom Activity Fund of Salmon River Central School District as of June 30, 2013 in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Statement of Assets and Liabilities Arising From Cash Transactions. The accompanying Schedule of Extraclassroom Activity Fund Cash Receipts, Disbursements and Ending Balances is presented for purposes of additional analysis and is not a required part of the Statement of Assets and Liabilities Arising From Cash Transactions. 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 Statement of Assets and Liabilities Arising From Cash Transactions. The information has been subjected to the auditing procedures applied in the audit of the Statement of Assets and Liabilities Arising From Cash Transactions and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Statement of Assets and Liabilities Arising From Cash Transactions or to the Statement of Assets and Liabilities Arising From Cash Transactions itself, and other additional procedures in accordance with the cash basis of accounting as described in Note 1. In our opinion, the information is fairly stated in all material respects in relation to the Statement of Assets and Liabilities Arising From Cash Transactions.

Seyfarth & Seyfarth CPAs, P.C.
Seyfarth & Seyfarth CPAs, P.C.

November 1, 2013

Salmon River Central School District
Statement of Assets and Liabilities Arising from Cash Transactions -
Extraclassroom Activity Fund -
June 30, 2013

Assets	
Cash	<u>\$ 74,029</u>
Liabilities	
Extraclassroom Activity Balances	<u>\$ 74,029</u>

See notes to financial statements - extraclassroom activity fund.

Salmon River Central School District
Schedule of Cash Receipts, Disbursements and Ending Balances- Extraclassroom Activity Fund
For the Year Ended June 30, 2013

<u>Activity</u>	<u>Beginning Balance July 1, 2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance June 30, 2013</u>
Band Club	\$ 648	\$ 2,446	\$ 2,647	\$ 447
CBWEP	-	1,991	-	1,991
Chorus	1	6,572	6,372	201
Drama Club	1,404	2,656	2,073	1,987
Class of 2012	34	-	34	-
Class of 2013	11,738	51,238	62,365	611
Class of 2014	5,282	9,810	6,225	8,867
Class of 2015	2,963	1,452	1,118	3,297
Class of 2016	6,127	-	970	5,157
Class of 2017	2,602	31,323	34,331	(406)
Class of 2018	-	1,693	483	1,210
FFA	7,406	4,696	3,811	8,291
French Club	1,286	48	163	1,171
Health Club	504	-	-	504
Mohawk Club	157	1,114	10	1,261
Jr National Honor Society	743	2,655	2,769	629
National Honor Society	298	3,972	4,171	99
Newspaper Club	878	-	-	878
Spanish Club	1,295	656	1,031	920
Student Council	3,424	11,679	9,215	5,888
Student Council Mohawk School	6,891	13,322	11,766	8,447
Yearbook Club	4,113	10,485	13,963	635
Students Who Care	1,397	6,641	7,470	568
Varsity Club	18,806	47,560	44,990	21,376
Total	<u>\$ 77,997</u>	<u>\$ 212,009</u>	<u>\$ 215,977</u>	<u>\$ 74,029</u>

Salmon River Central School District
Notes to Financial Statements – Extraclassroom Activity Fund
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Salmon River Central School District. Consequently, such transactions are not included in the combined financial statements of the School District.

The books and records of the Salmon River Central School District's Extraclassroom Activities Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

Salmon River Central School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
US Department of Education			
Passed-through NYS Education Department:			
Title I Cluster:			
Title I A&D	84.010A	0021-13-0925	\$ 546,383
Title I School Improvement	84.010	0011-13-2464	101,405
			<u>647,788</u> *
Title II Part A	84.367A	0147-13-0925	100,130
Race to the Top ARRA	84.395A	5500-13-0925	46,796
Special Education Cluster:			
IDEA-Part B Section 619	84.173A	0033-13-0261	12,964
IDEA-Part B Section 611	84.027A	0032-13-0261	405,384
			<u>418,348</u>
Title VI Part B	84.358B	0006-13-0925	31,375
Title VII	84.060A	S060A120399	470,347
Total US Dept. of Education			<u>1,714,784</u>
US Department of Agriculture			
Passed-through NYS Education Department:			
Child Nutrition Cluster:			
Non-Cash Assistance (food distribution)			
National School Lunch Program	10.555	n/a	61,970
Non-Cash Assistance Subtotal			<u>61,970</u>
Cash Assistance			
National School Lunch Program	10.555	n/a	479,354
National School Breakfast Program	10.553	n/a	220,080
Snack Program for Children	10.555	n/a	14,218
Summer Food Service for Children	10.559	n/a	56,542
Cash Assistance Subtotal			<u>770,194</u>
Total US Dept of Agriculture			<u>832,164</u>
Total Federal Awards			<u>\$ 2,546,948</u>

* Major Programs

Salmon River Central School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note 1 – Summary of certain significant accounting policies:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Note 2 – Subrecipients:

No amounts were provided to subrecipients.

Note 3 – Other disclosures:

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

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Carl A. Seyfarth Jr. CPA
Ann E. Seyfarth CPA

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
Salmon River Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salmon River Central School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Salmon River Central School District's basic financial statements and have issued our report thereon dated November 1, 2013.

Internal Control Over Financial Reporting

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

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

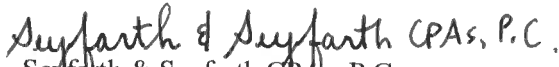
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salmon River Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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


Seyfarth & Seyfarth CPAs, P.C.

November 1, 2013

Seyfarth & Seyfarth CPAs, P.C.
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Carl A. Seyfarth Jr. CPA
Ann E. Seyfarth CPA

Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To The Board of Education
Salmon River Central School District

Report on Compliance for Each Major Federal Program

We have audited Salmon River Central School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Salmon River Central School District's major federal programs for the year ended June 30, 2013. Salmon River Central School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Salmon River Central School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit 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 Salmon River Central School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Salmon River Central School District complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Salmon River Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Salmon River Central School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Salmon River Central School District's internal control over compliance.

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

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

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


Seyfarth & Seyfarth CPAs, P.C.

November 1, 2013

Salmon River Central School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal Control over financial reporting:

Material weakness identified?

_____ Yes x No

Significant deficiencies identified that are
not considered to be material weaknesses?

_____ Yes x None reported

Noncompliance material to financial statements noted?

_____ Yes x No

Federal Awards

Internal control over major programs:

Material weakness identified?

_____ Yes x No

Significant deficiencies identified that are
not considered to be material weaknesses?

_____ Yes x None reported

Type of auditors' report issued on compliance
for major programs

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with Section
510(a) of Circular A-133?

_____ Yes x No

Identification of major programs:
CFDA Numbers

Name of Federal Program or Cluster

84.010

Title I Cluster

Dollar Threshold used to distinguish
between type A and type B programs

\$ 300,000

Auditee qualified as low-risk auditee?

 x Yes _____ No

Salmon River Central School District
Schedule of Findings and Questioned Costs
June 30, 2013

Section II – Financial Statement Findings

None reported

Salmon River Central School District
Schedule of Findings and Questioned Costs
June 30, 2013

Section III – Federal Award Findings and Questioned Costs

None reported

Salmon River Central School District
Summary Schedule of Prior Year Audit Findings
June 30, 2013

12-1 Fund Balance

Status: Corrected in 2013

Condition

The District's unreserved, undesignated fund balance was in excess of the New York State Real Property Law limit, which restricts it to an amount not greater than 4% of the District's legally adopted budget for the upcoming school year.

Recommendation

We recommend that the District keep in mind the 4% rule when preparing next year's budget.

Management's Response

The Administration will continue to work with the Board of Education to prudently bring the District's fund balance into compliance with Real Property Law 1318. Emphasis will focus on assuring the financial integrity of the District to support general educational programs and Board approved school improvement initiatives.