

**Salmon River Central School District  
Annual Report  
June 30, 2014**

# Salmon River Central School District

## Table of Contents

June 30, 2014

	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-16
Basic Financial Statements	
Statement of Net Position	17
Statement of Activities and Changes in Net Position	18
Balance Sheet - Governmental Funds	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	21
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	22-23
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to Statement of Activities	24-25
Notes to Basic Financial Statements	26-51
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual - General Fund	52-53
Schedule of Funding Progress - Other Post Employment Benefits Plan	54

# Salmon River Central School District

## Table of Contents

June 30, 2014

	Page
Supplementary Information	
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit-General Fund	55
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources	56
Schedule of Revenues and Expenditures for the Mohawk School - General Fund	57
Combined Balance Sheet - Non-Major Governmental Funds	58
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	59
Investment in Capital Assets, Net of Related Debt	60
Extraclassroom Activity Fund	
Independent Auditors' Report	61-62
Statement of Assets and Liabilities Arising From Cash Transactions	63
Schedule of Cash Receipts, Disbursements and Ending Balances	64
Notes to Financial Statements	65
Federal Award Program Information	
Schedule of Expenditures of Federal Awards	66
Notes to Schedule of Expenditures of Federal Awards	67
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 <i>Government Auditing Standards</i>	68-69
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	70-71
Schedule of Findings and Questioned Costs	72-74

Seyfarth & Seyfarth CPAs, P.C.  
564 East Main St.  
Malone, NY 12953  
(518) 483-0880

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

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2014, 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 16 and the budgetary comparison and the funding progress of the other post employment benefits plan information on pages 52 through 54 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 October 9, 2014 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.

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

October 9, 2014

**Management Discussion and Analysis**  
**Financial Statements**  
**For the Year Ended June 30, 2014**

**Salmon River Central School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2014. 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-12<sup>th</sup> grade) located in the town of Fort Covington and the St. Regis Mohawk School (pre k - 5<sup>th</sup> 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 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 \$4,016,739.

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 \$2,542,910.

New York State also pays 100% of the transportation costs for Native American students that choose 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 2013-2014 year. The transportation contract is an annual contract that renews automatically. The amount currently due the District is \$1,940,509.

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 0.187. 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 2013-14 State Aid Factors data, the State average property value and income behind each pupil was \$563,900 and \$175,400, respectfully. In Salmon River CSD, our corresponding figures were \$92,045 and \$37,439. 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 6 years. The children have lost 20.5 teachers, 9.5 teaching assistants and 9 teacher aides. During the budget process for the 2014-15 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 6 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 will expire on June 30, 2016. The administrators' contract expired on June 30, 2014 and negotiations have not begun. The support staff contract was settled in July 2014 and will be effective until June 30, 2017.

Student enrollment held relatively steady this school year at 1,560. 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 voters approved a \$36.5M capital project set to begin in April 2015. The project is currently at the State Education Department awaiting approval. The project will finish the renovations that were started in the 2009 capital project. The work will include replacement of 147,000 square foot of roofs, renovation to the open classrooms in the elementary and an addition at the bus garage. The project will also allow the District to connect to the Town of Fort Covington's water system and no longer produce and treat our own water. Funding for the project will include approximately \$18,720,000 in bonds and \$16,370,000 in Native American Building Aid.

## **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.

<b>Major Features of the District-Wide and Fund Financial Statements</b>			
	<b>District-Wide</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Required Financial Statements</b>	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 Position 6. Statement of Changes in Fiduciary Net Position
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
<b>Type of Asset/Deferred outflows of resources/liabilities/deferred inflows of resources information</b>	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
<b>Type of Inflow/Outflow Information</b>	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 \$11 million at the close of the most recent fiscal year.

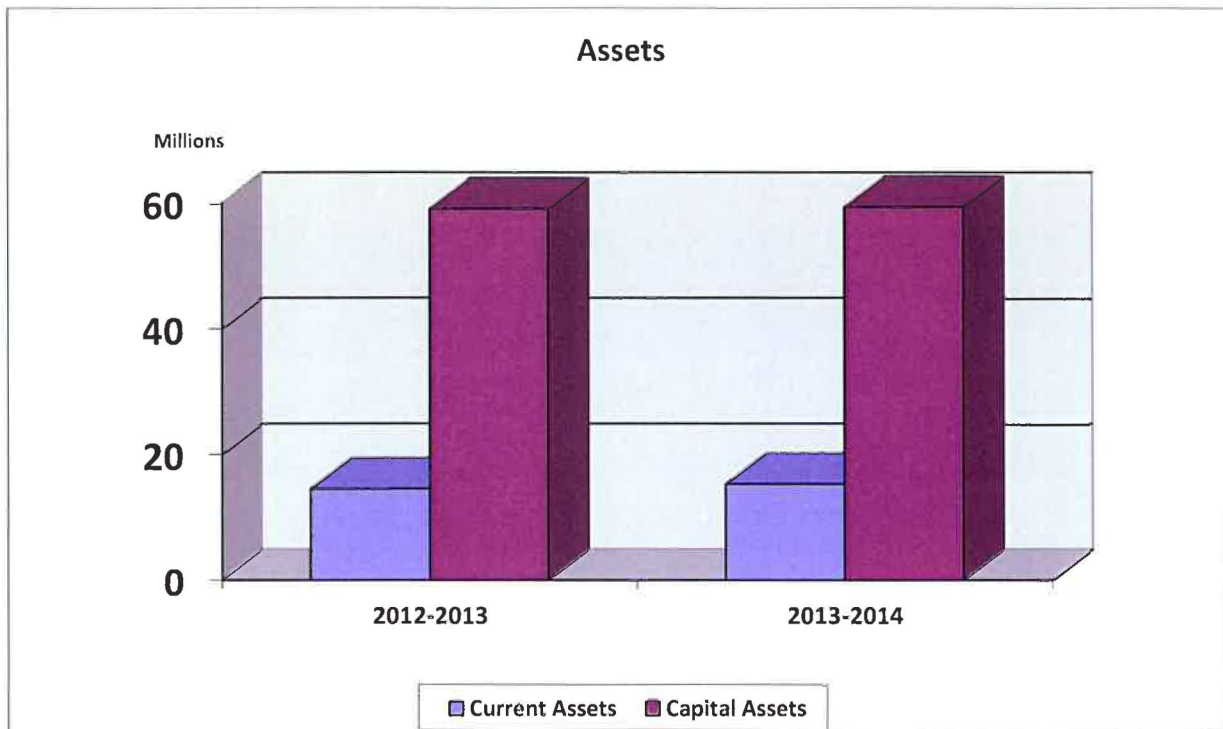
The net assets reflect mainly reserved and unreserved fund balance. The School District's net assets also reflect its investment in capital assets less any related debt used to acquire those assets that is still outstanding. Although the School District's investment in its capital assets is reported 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.

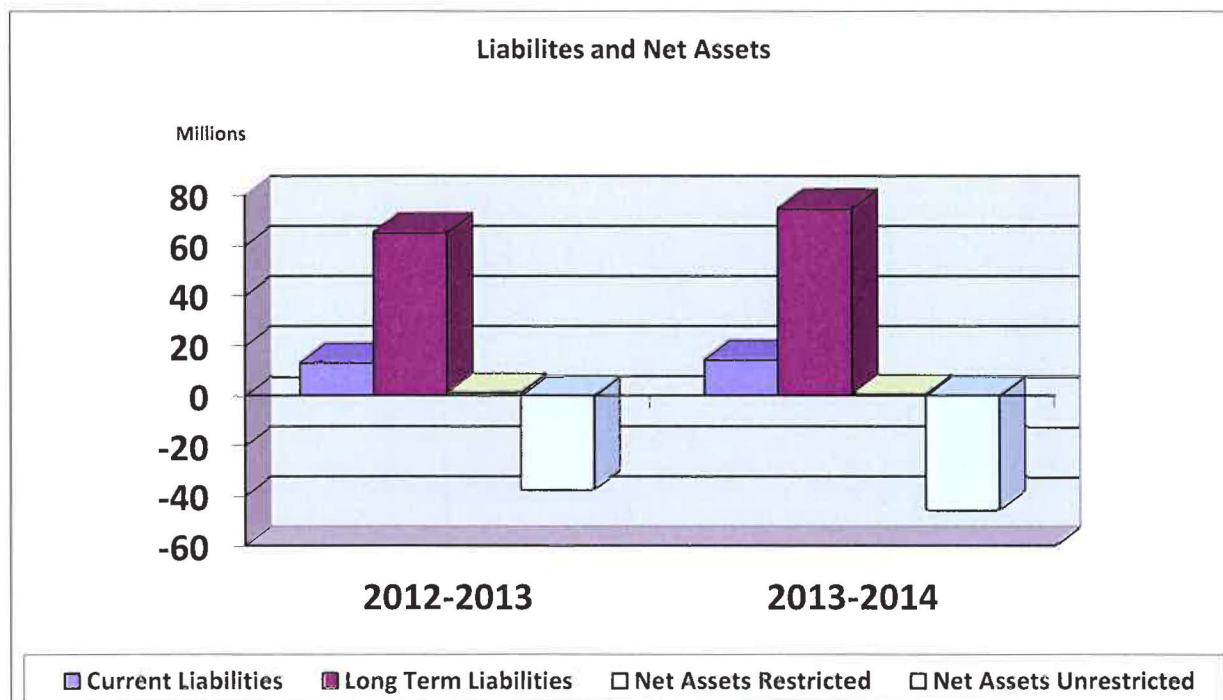
### Condensed Statement of Net Position:

<b>ASSETS:</b>	<u>2012-2013</u>	<u>2013-2014</u>
Current and other assets	\$14,605,266	\$15,243,140
Capital assets, net	<u>59,104,910</u>	<u>59,385,142</u>
<b>Total Assets:</b>	73,710,176	74,628,282
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>	<u>79,884</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>73,710,176</u>	<u>74,708,166</u>
 <b>LIABILITIES:</b>		
Current liabilities	13,389,715	14,533,928
Long-term debt outstanding	<u>65,230,936</u>	<u>71,759,399</u>
<b>Total Liabilities:</b>	78,620,651	86,293,327
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>0</u>	<u>13,569</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>78,620,651</u>	<u>86,306,896</u>
 <b>NET POSITION:</b>		
Invested in capital assets, net of related debt	31,004,980	33,590,771
Restricted	1,386,456	814,260
Unrestricted	<u>(37,301,911)</u>	<u>(46,003,761)</u>
 <b>Total Net Position</b>	<u><b>\$( 4,910,475)</b></u>	<u><b>\$(11,598,730)</b></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 \$4 million, and state and federal aid receivable of \$11.1 million. The major differences in the assets are the cash decrease of \$2 million and the state and federal receivable increase of \$3 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 sixth 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 \$48 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 \$22.9 million, short-term payables of \$9 million, short-term bonds payable of \$2.9 million, and post-employment benefits of \$48 million.

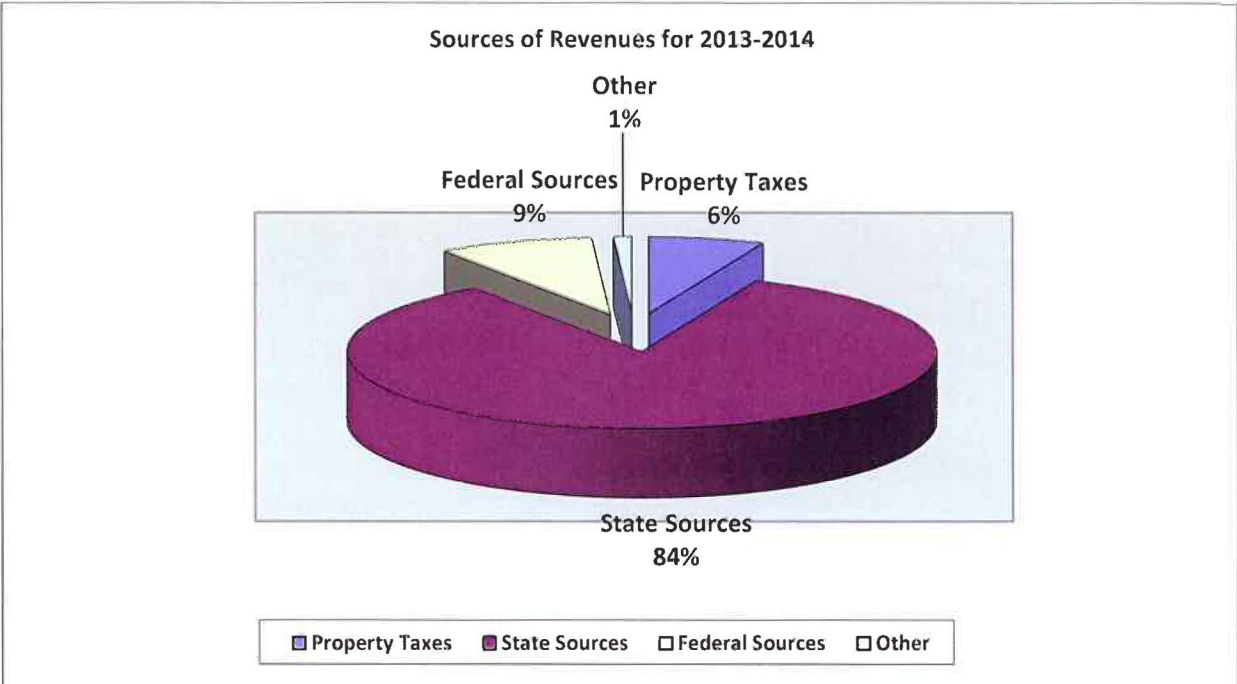
The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues, including tax revenue, investment earnings, and unrestricted state and federal aid, must support the net cost of the School District's programs.

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.

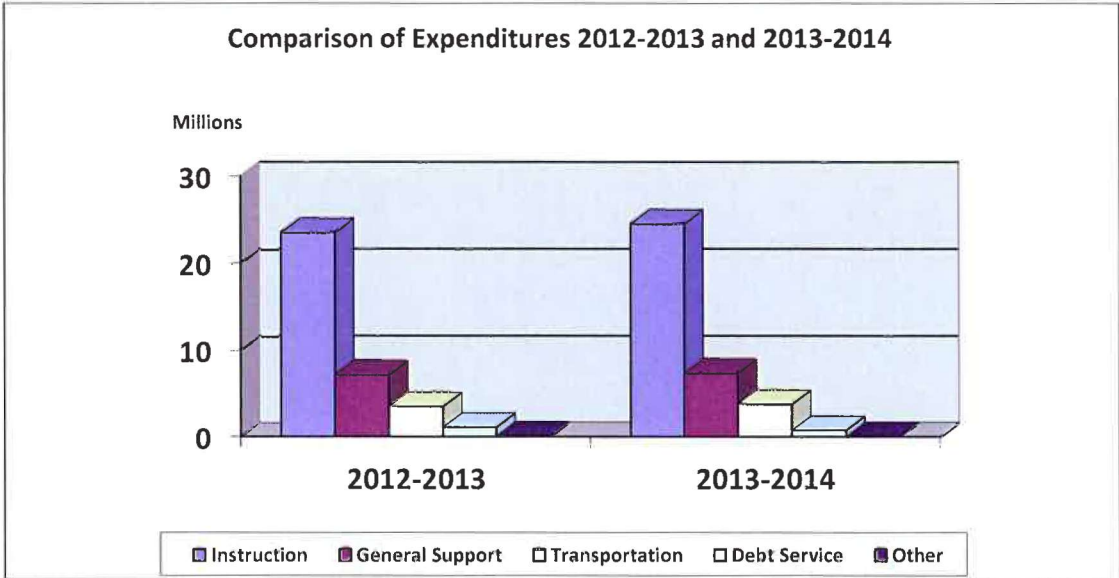
	<u>2012-2013</u>	<u>2013-2014</u>
<b>Revenues</b>		
Property and other tax items	\$1,859,665	\$1,966,758
Use of money and property	8,389	5,226
Sale of property and compensation for loss	639	0
Miscellaneous	1,109,300	280,888
State sources	23,562,380	25,898,658
Federal sources	2,896,335	2,662,070
Total Revenues	<u>\$29,436,708</u>	<u>\$30,813,600</u>
<b>Expenses</b>		
General support	\$ 7,207,388	\$7,396,418
Instruction	23,553,084	24,564,946
Pupil transportation	3,591,292	3,849,453
Debt service	1,098,041	897,171
Other expenses	84,683	0
Community service	47,451	33,595
Capital outlay – Mohawk School	0	0
School lunch program - cost of food sales	228,529	349,695
Total Expenses	<u>\$35,810,468</u>	<u>\$37,091,278</u>
<b>Change in Net Assets</b>	<u><b>\$(6,373,760)</b></u>	<u><b>\$(6,277,678)</b></u>

The School District is heavily dependent on State, Federal and Native American aid for its funding. Together they account for 93% of our total revenue dollar.

It should be noted that the district's tax levy contributes only 6% of our total revenues or \$1,966,758 with the STAR program. Our District has always made a strong effort to keep taxes at a reasonable level. In the 2014-15 year the tax levy will increase 2% to try and maintain an elementary summer school program. The District remained within the 2% tax cap and residents will be eligible for the tax freeze incentives issued by NYS.



Our District's expenses are predominantly related to instruction, which represents 66% 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 all employees are contributing to their health insurance plans. 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 has created a 10 year bus replacement plan to ensure that the District has a safe fleet of buses and utilizes the 90% transportation aid that is received. Each year between 2 and 3 buses are replaced. Bonds are issued for the replacement of the buses and aid flows on a similar schedule to the debt payments.

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.

### **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 \$29,076,511. It covers the operation of the main campus school in preK–12<sup>th</sup> grade.

Traditionally, the District underexpends 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 preK–5<sup>th</sup> 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 \$10,693,114. 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 \$3,957,038. This amount is above the 4% limit specified by Real Property Tax Law. However, as our salary and operating expenses increase along with the unpredictability of State Aid, the District feels it is necessary to continue to maintain string reserves. 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.

## **Analysis of the School District's Other Funds**

### **Capital Projects Fund**

This District still has a voter approved \$36.5 million in capital work. This work is expected to begin in the spring of 2015. The work will finish the renovations not done in the first project. This will include the bus garage, water treatment upgrades, renovations to the elementary, middle school and high school. There will also be additional geo-thermal wells installed and work done on the baseball and lacrosse field.

An emergency water project was authorized by the Board of Education on March 25, 2013 in the amount of \$500,000. The project was increased to \$1,400,000 after extensive work was needed. 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 water testing is still being done weekly by the District.

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 was 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.

The cafeteria increased its deficit from \$58,898 in the previous year to \$131,745 this school year. These increases are attributed to the rising cost of food purchases and rising employee benefit costs.

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 2014, the District had invested approximately \$59,385,142 in a broad range of capital assets including school buildings, the bus garage, school buses, computers, audio-visual and classroom equipment. The District purchased 2 buses in the 2013-2014 school year. For this coming year, we will be purchasing 3 new buses based on voter approval in May 2014. 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, 2014 was \$25.9 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 7% 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 was settled in July 2014. The contract was settled for 4 years and

will be in effect through June 30, 2017. This will add to the stability of the District.

- The voters approved a \$36.5 million capital project in October 2013. This project has been designed and submitted to SED. Once approved, construction is expected to start in April 2015 and run through September 2016. Project financing is expected to begin in April 2015 with bond anticipation notes to begin until long-term financing is needed in 2016.

### **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](mailto:njock@mail.fehb.org)



**Salmon River Central School District**

## Statement of Net Position

June 30, 2014

**ASSETS**

Cash	
Unrestricted	\$ 3,978,310
Restricted	53,649
Receivables	
Taxes	-
Other	1,055,439
Due from fiduciary funds	-
State and Federal aid	10,117,258
Inventories	38,484
Prepaid expenditures	-
Capital assets, net	59,385,142
Total Assets	<u>74,628,282</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred gain on advance refunding of debt	<u>79,884</u>
Total Deferred Outflows of Resources	<u>79,884</u>

**LIABILITIES**

Payables	
Accounts payable	403,002
Accrued expenses	94,066
Due to other governments	809
Accrued interest	36,590
Unearned revenues	-
Retainage payable	-
Notes payable	
Revenue anticipation	9,000,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	2,953,453
Compensated absences payable	32,410
Due to Teachers' Retirement System	1,838,716
Due to Employees' Retirement System	174,882
Due and payable after one year	
Bonds payable	22,907,233
Compensated absences payable	802,422
Other post employment benefits	48,049,744
Total Liabilities	<u>86,293,327</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred premium on debt issuance	<u>13,569</u>
Total Deferred Inflows of Resources	<u>13,569</u>

**NET POSITION**

Net investment in capital assets	33,590,771
Restricted	814,260
Unrestricted (deficit)	(46,003,761)
Total Net Position	<u><u>\$(11,598,730)</u></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, 2014**

		Program Revenues		Net
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$7,574,453	\$ 178,035	\$ -	\$ 7,396,418
Instruction	32,497,513	7,932,567	-	24,564,946
Pupil transportation	3,894,887	45,434	-	3,849,453
Community service	33,595	-	-	33,595
Debt service - interest	897,171	-	-	897,171
Capital outlay - Mohawk School	-	-	-	-
Other expenditures	-	-	-	-
School lunch program	574,925	157,503	67,727	349,695
Total Functions and Programs	<u>45,472,544</u>	<u>8,313,539</u>	<u>67,727</u>	<u>37,091,278</u>
<b>GENERAL REVENUES</b>				
Real property taxes				1,465,136
Other tax items				501,622
Use of money and property				5,226
Sale of property and compensation for loss				-
Miscellaneous				280,888
State sources				25,898,658
Federal sources				2,634,453
Medicaid reimbursement				27,617
Total General Revenues				<u>30,813,600</u>
Change in Net Position				(6,277,678)
Net Position-Beginning of year as previously stated				(4,910,475)
Net Position-Beginning of year restatement due to GASB 65				<u>(410,577)</u>
Total Net Position-End of year				<u>\$ (11,598,730)</u>

**Salmon River Central School District**  
**Balance Sheet - Governmental Funds**  
June 30, 2014

	General	Special Aid	Non-Major	Total Governmental Funds
<b>ASSETS</b>				
Cash				
Unrestricted	\$ 3,978,292	\$ -	\$ 18	\$ 3,978,310
Restricted	53,649	-	-	53,649
Receivables				
Taxes	-	-	-	-
Other	995,503	-	59,936	1,055,439
Due from other funds	2,249,019	-	648,406	2,897,425
State and Federal aid	7,946,414	2,098,044	72,800	10,117,258
Inventories	-	-	38,484	38,484
Prepaid expenditures	-	-	-	-
Total Assets	<u>\$ 15,222,877</u>	<u>\$ 2,098,044</u>	<u>\$ 819,644</u>	<u>\$ 18,140,565</u>
<b>LIABILITIES</b>				
Payables				
Accounts payable	\$ 165,276	\$ 21,059	\$ 216,667	\$ 403,002
Accrued liabilities	86,965	824	6,277	94,066
Accrued interest	-	-	-	-
Due to other funds	-	2,076,161	821,264	2,897,425
Due to other governments	-	-	809	809
Retainage payable	-	-	-	-
Due to Teachers' Retirement System	1,838,716	-	-	1,838,716
Due to Employees' Retirement System	174,882	-	-	174,882
Notes payable				
Revenue anticipation	9,000,000	-	-	9,000,000
Total Liabilities	<u>11,265,839</u>	<u>2,098,044</u>	<u>1,045,017</u>	<u>14,408,900</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	38,484	38,484
Restricted				
Workers' compensation reserve	45,683	-	-	45,683
Reserve for tax certiorari	7,966	-	-	7,966
Reserve for employee benefits and accrued liabilities	760,611	-	-	760,611
Assigned				
Assigned appropriated fund balance	283,651	-	7,716	291,367
Assigned unappropriated fund balance				
General support	16,693	-	-	16,693
Instruction	225	-	-	225
Unassigned fund balance	2,842,209	-	(271,573)	2,570,636
Total Fund Balances	<u>3,957,038</u>	<u>-</u>	<u>(225,373)</u>	<u>3,731,665</u>
Total Liabilities and Fund Balances	<u>\$ 15,222,877</u>	<u>\$ 2,098,044</u>	<u>\$ 819,644</u>	<u>\$ 18,140,565</u>

**Salmon River Central School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds**  
**For the Year Ended June 30, 2014**

	General	Special Aid	Non-Major	Total Governmental Funds
<b>REVENUES</b>				
Real property taxes	\$ 1,465,136	\$ -	\$ -	\$ 1,465,136
Other tax items	501,622	-	-	501,622
Charges for services	3,068,475	-	-	3,068,475
Use of money and property	111,889	-	11	111,900
Sale of property and compensation for loss	108,849	-	-	108,849
Miscellaneous	254,028	15,955	-	269,983
State sources	27,997,322	2,122,163	662,116	30,781,601
Medicaid reimbursement	27,617	-	-	27,617
Federal sources	378,461	1,448,173	807,819	2,634,453
Surplus food	-	-	67,727	67,727
Sales - school lunch	-	-	157,503	157,503
Total Revenues	<u>33,913,399</u>	<u>3,586,291</u>	<u>1,695,176</u>	<u>39,194,866</u>
<b>EXPENDITURES</b>				
General support	4,270,812	-	477,031	4,747,843
Instruction	14,355,564	1,702,828	-	16,058,392
Pupil transportation	545,995	1,763,960	202,030	2,511,985
Community service	18,114	-	-	18,114
Employee benefits	9,931,723	-	394,549	10,326,272
Debt service				
Principal	2,940,273	-	-	2,940,273
Interest	878,065	-	-	878,065
Cost of sales	-	-	574,925	574,925
Capital outlay	-	-	1,489,959	1,489,959
Total Expenditures	<u>32,940,546</u>	<u>3,466,788</u>	<u>3,138,494</u>	<u>39,545,828</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>972,853</u>	<u>119,503</u>	<u>(1,443,318)</u>	<u>(350,962)</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Operating transfers in	168,204	-	428,111	596,315
Operating transfers out	(428,111)	(119,503)	(48,701)	(596,315)
Proceeds from debt	-	-	202,030	202,030
Total Other Sources and Uses	<u>(259,907)</u>	<u>(119,503)</u>	<u>581,440</u>	<u>202,030</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	712,946	-	(861,878)	(148,932)
Fund Balances - Beginning of year	3,244,092	-	636,505	3,880,597
Fund Balances - End of year	<u>\$ 3,957,038</u>	<u>\$ -</u>	<u>\$ (225,373)</u>	<u>\$ 3,731,665</u>

**Salmon River Central School District**  
Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2014

	Private Purpose Trusts	Agency
<b>ASSETS</b>		
Cash	\$ 112,262	\$ 97,799
Due from other governments	-	-
Total Assets	<u>\$ 112,262</u>	<u>\$ 97,799</u>
<b>LIABILITIES</b>		
Due to governmental funds	\$ -	\$ -
Extraclassroom activity balances	-	86,445
Other liabilities	-	11,354
Total Liabilities	<u>-</u>	<u>\$ 97,799</u>
<b>NET POSITION</b>		
Restricted for other purposes	<u>\$ 112,262</u>	

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

	Private Purpose Trusts
<b>ADDITIONS</b>	
Investment earnings	\$ 16
Gifts and contributions	540
Total Additions	<u>556</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>965</u>
Change in Net Position	(409)
Net Position - Beginning of year	<u>112,671</u>
Net Position - End of year	<u>\$ 112,262</u>

**Salmon River Central School District**  
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position  
June 30, 2014

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Cash	\$ 4,031,959	\$ -	\$ -	\$ 4,031,959
Taxes receivable	-	-	-	-
Other receivables	1,055,439	-	-	1,055,439
Due from other funds	2,897,425	-	(2,897,425)	-
State and Federal aid	10,117,258	-	-	10,117,258
Inventories	38,484	-	-	38,484
Prepaid expenditures	-	-	-	-
Capital assets, net	-	59,385,142	-	59,385,142
Total Assets	<u>18,140,565</u>	<u>59,385,142</u>	<u>(2,897,425)</u>	<u>74,628,282</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred gain on advance refunding of debt	-	79,884	-	79,884
Total Deferred Outflows of Resources	<u>-</u>	<u>79,884</u>	<u>-</u>	<u>79,884</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 18,140,565</u>	<u>\$ 59,465,026</u>	<u>\$ (2,897,425)</u>	<u>\$ 74,708,166</u>
<b>LIABILITIES</b>				
Accounts payable	403,002	-	-	403,002
Accrued liabilities	94,066	-	-	94,066
Due to other funds	2,897,425	-	(2,897,425)	-
Due to other governments	809	-	-	809
Accrued interest	-	36,590	-	36,590
Unearned revenues	-	-	-	-
Retainage payable	-	-	-	-
Due to Teachers' Retirement System	1,838,716	-	-	1,838,716
Due to Employees' Retirement System	174,882	-	-	174,882
Revenue anticipation note	9,000,000	-	-	9,000,000
Compensated absences payable	-	834,832	-	834,832
Bonds payable	-	25,860,686	-	25,860,686
Other post employment benefits	-	48,049,744	-	48,049,744
Total Liabilities	<u>14,408,900</u>	<u>74,781,852</u>	<u>(2,897,425)</u>	<u>86,293,327</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred premium on debt issuance	-	13,569	-	13,569
Total Deferred Inflows of Resources	<u>-</u>	<u>13,569</u>	<u>-</u>	<u>13,569</u>
<b>FUND EQUITY/NET POSITION</b>	<u>3,731,665</u>	<u>(15,330,395)</u>	<u>-</u>	<u>(11,598,730)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position	<u>\$ 18,140,565</u>	<u>\$ 59,465,026</u>	<u>\$ (2,897,425)</u>	<u>\$ 74,708,166</u>

**Salmon River Central School District**  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2014

Fund Balances - total governmental funds		\$ 3,731,665
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	74,298,265	
Less: accumulated depreciation	<u>(14,913,123)</u>	59,385,142
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Deferred gain on advance refunding of debt	372,814	
Less: accumulated amortization	<u>292,930</u>	79,884
Interest payable used in governmental activities is not payable from current resources and therefore not reported in the governmental funds		(36,590)
Deferred inflows of resources used in governmental activities are not payable from current resources and therefore not reported in the governmental funds		(13,569)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
Long-term debt	(25,860,686)	
Compensated absences	<u>(834,832)</u>	(26,695,518)
Other post employment benefits are not due and payable in the current period and therefore are not reported in the funds		<u>(48,049,744)</u>
Net Position of Governmental Activities		<u><u>\$ (11,598,730)</u></u>

**Salmon River Central School District**

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance  
to Statement of Activities  
For the Year Ended June 30, 2014

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Activities Totals
<b>REVENUES</b>				
Real property taxes	\$ 1,465,136	\$ -	\$ -	\$ 1,465,136
Other tax items	501,622	-	-	501,622
Charges for services	3,068,475	-	-	3,068,475
Use of money and property	111,900	-	-	111,900
Sale of property and compensation for loss	108,849	-	-	108,849
Miscellaneous	269,983	-	-	269,983
State sources	30,781,601	-	-	30,781,601
Medicaid reimbursement	27,617	-	-	27,617
Federal sources	2,634,453	-	-	2,634,453
Surplus food	67,727	-	-	67,727
Sales - school lunch and store	157,503	-	-	157,503
Total Revenues	<u>39,194,866</u>	<u>-</u>	<u>-</u>	<u>39,194,866</u>
<b>EXPENDITURES</b>				
General support	4,747,843	1,214,607	1,612,003	7,574,453
Instruction	16,058,392	102,353	16,336,768	32,497,513
Pupil transportation	2,511,985	(4,620)	1,387,522	3,894,887
Community service	18,114	-	15,481	33,595
Employee benefits	10,326,272	9,025,502	(19,351,774)	-
Debt service	3,818,338	(2,921,167)	-	897,171
Unallocated depreciation	-	-	-	-
Cost of sales	574,925	-	-	574,925
Other expenditures	-	-	-	-
Capital outlay	1,489,959	(1,489,959)	-	-
Total Expenditures	<u>39,545,828</u>	<u>5,926,716</u>	<u>-</u>	<u>45,472,544</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(350,962)</u>	<u>(5,926,716)</u>	<u>-</u>	<u>(6,277,678)</u>
<b>OTHER SOURCES AND USES</b>				
Proceeds from debt	202,030	(202,030)	-	-
Operating transfers in	596,315	-	(596,315)	-
Operating transfers out	(596,315)	-	596,315	-
Total Other Sources and Uses	<u>202,030</u>	<u>(202,030)</u>	<u>-</u>	<u>-</u>
Net Change for the Year	<u>\$ (148,932)</u>	<u>\$ (6,128,746)</u>	<u>\$ -</u>	<u>\$ (6,277,678)</u>



# Salmon River Central School District

## Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to Statement of Activities For the Year Ended June 30, 2014

Net Change in Fund Balances - total governmental funds \$ (148,932)

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

1,889,645

Less: current year depreciation

(1,609,413)

280,232

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 amortization

4,523

Bond proceeds

(202,030)

Deferred refunding interest

(26,630)

Repayment of bonds

2,940,273

2,716,137

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

3,001

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

(102,614)

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

(9,025,502)

Change in Net Position of Governmental Funds

\$ (6,277,678)

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

**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, 2014

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, 2014

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  
June 30, 2014

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.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

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 12, 2013. Taxes are collected during the period September 9, 2013 to November 1, 2013.

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 inventorable 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.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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  
June 30, 2014

**K) 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.

**L) 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.



**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

M) 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.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

N) Unearned Revenue:

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned 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 unearned revenues is removed and revenues are recorded.

O) Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

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.

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 \$38,484.

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 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 Funds.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

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 in the general fund includes the following:

Workers' Compensation Reserve	\$ 45,683
Reserve for Tax Certiorari	7,966
Reserve for Employee Benefits and Accrued Liabilities	760,611
Total Restricted Funds	<u>\$ 814,260</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**  
Notes to Financial Statements  
June 30, 2014

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 \$16,918.

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.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

S) New Accounting Standards

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

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement 66, *GASB Technical Corrections –2012 –an Amendment of Statements 10 and 62*.

T) Future Changes in Accounting Standards

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

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

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

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

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

**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, 2014

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  
June 30, 2014

**Note 3 – Stewardship, compliance and accountability:**

The District's unreserved and undesignated fund balance was 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 \$53,649 within the governmental funds and \$112,262 in the fiduciary funds.

The District's aggregate bank balances included approximately \$4.1 million not covered by depository insurance at year end. These were collateralized with securities held by the pledging financial institution, but not in the District's name.

**Note 5 – Participation in BOCES:**

During the year ended June 30, 2014, the District was billed \$3,419,716 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year ended June 30, 2014, the District did not issue serial bonds on behalf of BOCES.

The District's share of BOCES aid amounted to \$2,146,105.

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  
June 30, 2014

**Note 7 - Capital assets:**

Capital asset balances and activity for the year ended June 30, 2014 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	<u>526,282</u>	<u>1,489,959</u>	<u>-</u>	<u>2,016,241</u>
Total nondepreciable historical cost	<u>644,524</u>	<u>1,489,959</u>	<u>-</u>	<u>2,134,483</u>
Capital assets that are depreciated:				
Buildings	67,443,192	122,011	-	67,565,203
Machinery and equipment	<u>4,320,904</u>	<u>277,675</u>	<u>-</u>	<u>4,598,579</u>
Total depreciable historical cost	<u>71,764,096</u>	<u>399,686</u>	<u>-</u>	<u>72,163,782</u>
Less accumulated depreciation:				
Buildings	10,445,831	1,287,856	-	11,733,687
Machinery and equipment	<u>2,857,879</u>	<u>321,557</u>	<u>-</u>	<u>3,179,436</u>
Total accumulated depreciation	<u>13,303,710</u>	<u>1,609,413</u>	<u>-</u>	<u>14,913,123</u>
Total depreciable historical cost, net	<u>\$ 59,104,910</u>	<u>\$ 280,232</u>	<u>\$ -</u>	<u>\$ 59,385,142</u>

Depreciation expense was charged to governmental activities as follows:

Administrative services	\$ 1,395,579
Regular instruction	16,424
Pupil transportation	<u>197,410</u>
	<u>\$ 1,609,413</u>

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

**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 6/19/14 at 1.00%	\$ 8,000,000	\$ -	\$ 8,000,000	\$ -
RAN Maturing 6/18/15 at 1.00%	-	9,000,000	-	9,000,000

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

Interest paid	\$ 79,555
Less interest accrued in the prior year	1,965
Plus interest accrued in the current year	<u>3,001</u>
Total expense	<u><u>\$ 80,591</u></u>

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

**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:					
Energy Performance	805,420	-	121,764	683,656	126,423
Serial Bonds 2005	2,510,000	-	340,000	2,170,000	355,000
Serial Bonds 2008	1,135,000	-	85,000	1,050,000	85,000
QZABs 2009	10,670,000	-	920,000	9,750,000	930,000
QZABs 2011	8,430,000	-	710,000	7,720,000	735,000
QSCBs 2011	2,440,000	-	180,000	2,260,000	180,000
Serial Bonds 2012	630,000	-	55,000	575,000	55,000
Bus Bond 2012	378,509	-	138,509	240,000	60,000
Serial Bonds 2012	1,600,000	-	390,000	1,210,000	395,000
Bus Bond 2013	-	202,030	-	202,030	32,030
Total bonds payable	28,598,929	202,030	2,940,273	25,860,686	2,953,453
Other liabilities					
Compensated absences	732,218	102,614	-	834,832	32,410
Total long-term liabilities	<u>\$29,331,147</u>	<u>\$ 304,644</u>	<u>\$ 2,940,273</u>	<u>\$26,695,518</u>	<u>\$ 2,985,863</u>

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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

Existing serial and statutory bond obligations:

Description of issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2014
Energy Performance	2003	2018	3.79%	683,656
Serial Bonds	2005	2020	3.75%	2,170,000
Serial Bonds	2008	2024	4.25%	1,050,000
QZABs	2009	2024	1.25%	9,750,000
QZABs	2011	2023	5.46%	7,720,000
QSCBs	2011	2025	0.80%	2,260,000
Serial Bonds	2012	2024	2.42%	575,000
Bus Bond	2012	2017	2.71%	240,000
Serial Bonds	2012	2017	1.70%	1,210,000
Bus Bond	2013	2018	2.06%	202,030
				<u>\$25,860,686</u>

The following is a summary of debt service requirements:

	Serial Bonds		Other Debt	
	Principal	Interest	Principal	Interest
Fiscal year ended June 30,				
2015	2,735,000	695,345	218,454	36,793
2016	2,795,000	630,765	231,260	27,895
2017	2,860,000	562,482	236,283	20,427
2018	2,510,000	488,246	246,495	12,694
2019	2,575,000	415,687	193,194	3,281
2020-2024	10,870,000	910,503	-	-
2025-2029	390,000	3,120	-	-
	<u>\$24,735,000</u>	<u>\$ 3,706,148</u>	<u>\$ 1,125,686</u>	<u>\$ 101,090</u>

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

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. \$1,210,000 of bonds outstanding are considered defeased.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

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

Interest paid	\$ 797,474
Amortized bond premium	(4,523)
Less interest accrued in the prior year	(39,591)
Plus interest accrued in the current year	36,590
amortization of gain on advance refunding	<u>26,630</u>
Total expense	<u><u>\$ 816,580</u></u>

**Note 10 – Interfund balances and activity:**

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$2,249,019	\$ -
Special Aid Fund	-	2,076,161
School Lunch Fund	-	155,808
Capital Projects Fund	<u>648,406</u>	<u>665,456</u>
Total Government Agencies	2,897,425	2,897,425
 Fiduciary Agency Fund	 <u>-</u>	 <u>-</u>
Totals	<u><u>\$2,897,425</u></u>	<u><u>\$2,897,425</u></u>

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

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

**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, 2014, the District recognized \$1,749,744 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2014, which indicates that the total liability for other post employment benefits is \$48,049,744, 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, 2014

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	\$ 12,271,409
Interest on net OPEB obligation	1,560,970
Adjustment to annual required contribution	<u>(2,401,941)</u>
Annual OPEB cost (expense)	11,430,438
Contributions made	<u>(2,404,936)</u>
Increase in net OPEB obligation	9,025,502
Net OPEB obligation - beginning of year	<u>39,024,242</u>
Net OPEB obligation - end of year	<u><u>\$ 48,049,744</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows (dollar amounts in thousands):

Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2014	\$ 11,430,438	21.0%	\$ 48,049,744
6/30/2013	10,873,520	21.2%	39,024,242
6/30/2012	10,206,343	20.7%	30,452,182

**Funded Status and Funding Progress**

As of the most recent actuarial valuation date, the plan was unfunded. The status as of June 30, 2014, was as follows:

Actuarial valuation date	7/1/2012
Actuarial accrued liability (AAL)	\$ 112,123,353
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 112,123,353</u></u>
Actuarial Value of Assets as a % of the AAL	-
Covered payroll (active members)	\$ 14,132,967
UAAL as a percentage of covered payroll	793%

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

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, 2014, 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, 2014

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 for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of ERS Tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For 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, 2014	\$1,298,713	\$ 701,024
June 30, 2013	1,164,162	602,701
June 30, 2012	965,224	516,259

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, 2014

**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, 2014.

**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.

The main campus capital project fund had a deficit fund balance. This will be funded when the District obtains permanent financing for its current construction project.

**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 restatement:**

The District restated beginning net position due to the adoption of GASB Statement No. 65. The result is a decrease in net position at July 1, 2013 of \$410,577 to remove debt issuance costs that had previously been reported as assets. Under GASB 65, debt issuance costs are recognized as expense in the period incurred.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2014

**Note 18 – Subsequent events:**

Subsequent events have been evaluated through October 9, 2014, 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, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 1,464,714	\$ 1,464,714	\$ 1,465,136	\$ 422
Other tax items	501,167	501,167	501,622	455
Charges for services	2,423,020	2,423,020	3,068,475	645,455
Use of money and property	90,000	90,000	111,889	21,889
Sale of property and compensation for loss	12,000	12,000	108,849	96,849
Miscellaneous	348,689	347,000	254,028	(92,972)
Interfund revenues	-	-	-	-
Total Local Sources	<u>4,839,590</u>	<u>4,837,901</u>	<u>5,509,999</u>	<u>672,098</u>
State Sources	34,167,083	34,168,772	27,997,322	(6,171,450)
Federal Sources	<u>372,343</u>	<u>372,343</u>	<u>406,078</u>	<u>33,735</u>
Total Revenues	<u>39,379,016</u>	<u>39,379,016</u>	<u>33,913,399</u>	<u>(5,465,617)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	-	-	168,204	168,204
Total Revenues and Other Financing Sources	<u>39,379,016</u>	<u>39,379,016</u>	<u>34,081,603</u>	<u>(5,297,413)</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, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual And Encumbrances
<b>EXPENDITURES</b>					
Board of education	16,100	17,370	7,064	-	10,306
Central administration	207,050	209,419	183,201	-	26,218
Finance	435,917	463,236	321,964	11,005	130,267
Staff	224,115	424,285	342,951	5,688	75,646
Central services	3,731,827	3,818,992	2,911,691	-	907,301
Special items	504,854	511,471	503,940	-	7,531
Total General Support	<u>5,119,863</u>	<u>5,444,773</u>	<u>4,270,811</u>	<u>16,693</u>	<u>1,157,269</u>
 Instruction, administration and improvement	 975,626	 1,100,873	 925,967	 -	 174,906
Teaching - regular school	7,580,957	7,639,546	6,838,114	-	801,432
Programs for children with handicapping conditions	3,377,600	3,213,340	3,019,843	-	193,497
Occupational education	1,181,900	1,155,746	1,083,024	-	72,722
Teaching - special school	260,550	277,358	201,809	-	75,549
Instructional media	1,275,130	1,316,482	1,011,126	125	305,231
Pupil services	1,548,390	1,609,811	1,275,681	100	334,030
Total Instruction	<u>16,200,153</u>	<u>16,313,156</u>	<u>14,355,564</u>	<u>225</u>	<u>1,957,367</u>
 Pupil transportation	 1,740,545	 1,804,052	 545,995	 -	 1,258,057
Community services	28,960	38,241	18,114	-	20,127
Employee benefits	12,552,896	11,279,345	9,931,725	-	1,347,620
Debt service	3,895,128	3,895,128	3,818,337	-	76,791
Total Expenditures	<u>39,537,545</u>	<u>38,774,695</u>	<u>32,940,546</u>	<u>16,918</u>	<u>5,817,231</u>
 <b>OTHER FINANCING USES</b>					
Transfers to other funds	520,000	1,300,358	428,111	-	872,247
Total Expenditures and Other Uses	<u>40,057,545</u>	<u>40,075,053</u>	<u>33,368,657</u>	<u>\$ 16,918</u>	<u>\$ 6,689,478</u>
 Net change in fund balances	 <u>\$ (678,529)</u>	 <u>\$ (696,037)</u>	 712,946		
Fund balance - beginning			<u>3,244,092</u>		
Fund balance - ending			<u>\$ 3,957,038</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, 2014**

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 thousands)	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%

**Salmon River Central School District**  
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit-General Fund  
For the Year Ended June 30, 2014

**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 29,076,511
Add: Prior year's encumbrances	<u>17,158</u>
Original budget	29,093,669
Budget revision	<u>-</u>
Final budget	<u><u>\$ 29,093,669</u></u>

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

2014-15 voter-approved expenditure budget	\$ 29,469,098
Maximum allowed (4% of 2014-15 budget)	1,178,764

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	300,569
Unassigned fund balance	<u>2,842,209</u>
Total unrestricted fund balance	<u>3,142,778</u>

Less:

Appropriated fund balance	283,651
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>16,918</u>
Total adjustments	<u>300,569</u>

General Fund fund balance subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,842,209</u></u>
--	----------------------------

Actual percentage	9.64%
-------------------	-------

**Salmon River Central School District**  
Schedule of Project Expenditures - Capital Projects Fund  
For the Year Ended June 30, 2014

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Years' Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Expenditures</u>	<u>Unexpended Balance</u>	<u>Proceeds of Obligations</u>	<u>State Aid</u>	<u>Local Sources</u>	<u>Total</u>	<u>Fund Balance June 30, 2014</u>
Main Campus Phase 2	\$ 48,411,232	\$ 48,565,054	\$ 48,480,900	\$ 22,012	\$ 48,502,912	\$ 62,142	\$ 27,025,946	\$ 21,539,108	\$ 5,400	\$ 48,570,454	\$ 67,542
Ice Rink	1,440,000	1,286,178	1,286,178	-	1,286,178	-	638,178	648,000	-	1,286,178	-
Remedial Work	600,000	1,400,000	526,282	834,792	1,361,074	38,926	-	584,400	815,600	1,400,000	38,926
Main Campus Reconstruction	36,500,000	36,500,000	-	655,167	655,167	35,844,833	-	-	-	-	(655,167)
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	210,000	210,000	-	202,030	202,030	7,970	202,030	-	-	202,030	-
WWTP	100,000	200,000	100,000	99,999	199,999	1	-	48,700	151,299	199,999	-
	<u>\$ 88,027,846</u>	<u>\$ 89,228,256</u>	<u>\$ 51,144,774</u>	<u>\$ 1,814,000</u>	<u>\$ 52,958,774</u>	<u>\$ 36,269,482</u>	<u>\$ 27,866,154</u>	<u>\$ 23,887,232</u>	<u>\$ 972,299</u>	<u>\$ 52,725,685</u>	<u>\$ (233,089)</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, 2014

**REVENUES**

Charges for services	\$ 6,783
Use of money and property	758
Sale of property and compensation for loss	-
Miscellaneous	67,925
State sources	8,618,960
Federal sources	-
Total Revenues	<u>8,694,426</u>

**EXPENDITURES**

General support	1,057,409
Instruction	4,501,160
Employee benefits	2,937,064
Debt service	118,377
Total Expenditures	<u>8,614,010</u>

Excess of Revenues Over Expenditures	<u>80,416</u>
--------------------------------------	---------------

**OTHER FINANCING SOURCES AND USES**

Operating transfer out	<u>(80,766)</u>
Total Other Sources and Uses	<u>(80,766)</u>

Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (350)</u>
---	-----------------

**Salmon River Central School District**  
**Combined Balance Sheet-Non-Major Governmental Funds**  
**June 30, 2014**

	School Lunch	Capital Projects	Total Non-Major Funds
<b>ASSETS</b>			
Cash			
Unrestricted	\$ -	\$ 18	\$ 18
Restricted	-	-	-
Receivables			
Other	59,936	-	59,936
Due from other funds	-	648,406	648,406
State and Federal aid	72,800	-	72,800
Inventories	38,484	-	38,484
Total Assets	<u>\$ 171,220</u>	<u>\$ 648,424</u>	<u>\$ 819,644</u>
<b>LIABILITIES</b>			
Payables			
Accounts payable	\$ 610	\$ 216,057	\$ 216,667
Accrued liabilities	6,277	-	6,277
Accrued interest	-	-	-
Due to other funds	155,808	665,456	821,264
Due to other governments	809	-	809
Notes payable			
Bond anticipation notes	-	-	-
Total Liabilities	<u>163,504</u>	<u>881,513</u>	<u>1,045,017</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	-	-	-
Sale of future revenues	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	38,484	-	38,484
Restricted			
Capital reserve	-	-	-
Assigned			
Assigned appropriated fund balance	7,716	-	7,716
Assigned unappropriated fund balance	-	-	-
Unassigned fund balance	(38,484)	(233,089)	(271,573)
Total Fund Balances	<u>7,716</u>	<u>(233,089)</u>	<u>(225,373)</u>
Total Liabilities and Fund Balances	<u>\$ 171,220</u>	<u>\$ 648,424</u>	<u>\$ 819,644</u>

See paragraph on supplementary schedules included in auditors' report.

**Salmon River Central School District**

Combined Statement of Revenues, Expenditures and Changes in Fund Balance-Non-Major Governmental Funds  
For the Year Ended June 30, 2014

	<u>School Lunch</u>	<u>Non-Major Capital Projects</u>	<u>Total Non-Major Funds</u>
<b>REVENUES</b>			
Use of money and property	\$ 11	\$ -	\$ 11
Sale of property and compensation for loss	-	-	-
Miscellaneous	-	-	-
State sources	29,016	633,100	662,116
Federal sources	807,819	-	807,819
Surplus food	67,727	-	67,727
Sales - school lunch	<u>157,503</u>	<u>-</u>	<u>157,503</u>
Total Revenues	<u>1,062,076</u>	<u>633,100</u>	<u>1,695,176</u>
<b>EXPENDITURES</b>			
General support	355,020	122,011	477,031
Instruction	-	-	-
Pupil transportation	-	202,030	202,030
Employee benefits	394,549	-	394,549
Cost of sales	574,925	-	574,925
Capital outlay	<u>-</u>	<u>1,489,959</u>	<u>1,489,959</u>
Total Expenditures	<u>1,324,494</u>	<u>1,814,000</u>	<u>3,138,494</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(262,418)</u>	<u>(1,180,900)</u>	<u>(1,443,318)</u>
<b>OTHER FINANCING SOURCES AND USES</b>			
Operating transfers in	212,511	215,600	428,111
Operating transfers out	-	(48,701)	(48,701)
Proceeds from debt	<u>-</u>	<u>202,030</u>	<u>202,030</u>
Total Other Sources and Uses	<u>212,511</u>	<u>368,929</u>	<u>581,440</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(49,907)</u>	<u>(811,971)</u>	<u>(861,878)</u>
Fund Balances - Beginning of year	<u>57,623</u>	<u>578,882</u>	<u>636,505</u>
Fund Balances - End of year	<u>\$ 7,716</u>	<u>\$ (233,089)</u>	<u>\$ (225,373)</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, 2014**

Capital assets, net		\$ 59,385,142
---------------------	--	---------------

Add:

Unamortized deferred gain on advance refunding of debt		79,884
--	--	--------

Deduct:

Unamortized premium on bond issuance	13,569	
Short-term portion of bonds payable	2,953,453	
Long-term portion of bonds payable	<u>22,907,233</u>	<u>25,874,255</u>

Investment in capital assets, net of related debt		<u><u>\$ 33,590,771</u></u>
---	--	-----------------------------

See paragraph on supplementary schedules included in auditors' report.

Seyfarth & Seyfarth CPAs, P.C.  
564 East Main Street  
Malone, NY 12953  
(518) 483-0880

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, 2014 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, 2014 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.

October 9, 2014

**Salmon River Central School District**  
Statement of Assets and Liabilities Arising from Cash Transactions -  
Extraclassroom Activity Fund  
June 30, 2014

Assets	
Cash	<u>\$ 86,445</u>
Liabilities	
Extraclassroom Activity Balances	<u>\$ 86,445</u>

**Salmon River Central School District**

Schedule of Cash Receipts, Disbursements and Ending Balances- Extraclassroom Activity Fund  
For the Year Ended June 30, 2014

<u>Activity</u>	<u>Beginning Balance July 1, 2013</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance June 30, 2014</u>
Band Club	\$ 447	\$ 5,302	\$ 5,075	\$ 674
CBWEP	1,991	3,377	1,456	3,912
Chorus	201	9,453	8,252	1,402
Drama Club	1,987	3,137	2,002	3,122
Class of 2013	611	-	611	-
Class of 2014	8,867	47,943	56,810	-
Class of 2015	3,297	9,176	5,765	6,708
Class of 2016	5,157	1,412	941	5,628
Class of 2017	(406)	5,080	2,362	2,312
Class of 2018	1,210	37,494	36,921	1,783
Class of 2019	-	484	21	463
FFA	8,291	5,016	3,924	9,383
French Club	1,171	1,133	15	2,289
Health Club	504	-	-	504
Mohawk Club	1,261	616	247	1,630
Jr National Honor Society	629	5,140	5,273	496
National Honor Society	99	2,434	2,420	113
Newspaper Club	878	-	-	878
Spanish Club	920	1,463	576	1,807
STEM	-	6,630	5,965	665
Student Council	5,888	3,445	4,730	4,603
Student Council Mohawk School	8,447	-	4,161	4,286
Yearbook Club	635	8,335	6,361	2,609
Students Who Care	568	7,517	5,652	2,433
Varsity Club	21,376	47,347	39,978	28,745
Total	<u>\$ 74,029</u>	<u>\$ 211,934</u>	<u>\$ 199,518</u>	<u>\$ 86,445</u>



**Salmon River Central School District**  
Notes to Financial Statements – Extraclassroom Activity Fund  
June 30, 2014

**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, 2014**

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>US Department of Education</b>			
Passed-through NYS Education Department:			
Title I Cluster:			
Title I A&D	84.010A	0021-14-0925	\$ 427,841
Title I School Improvement	84.010	0011-14-2318	13,105
Title I School Improvement	84.010	0011-14-2118	31,917
			<u>472,863</u>
Title II Part A	84.367A	0147-14-0925	83,134
Race to the Top ARRA	84.395A	5500-14-0925	49,002
Special Education Cluster:			
IDEA-Part B Section 619	84.173A	0033-14-0261	13,709
IDEA-Part B Section 611	84.027A	0032-14-0261	380,045
			<u>393,754 *</u>
Title VI Part B	84.358B	0006-14-0925	18,961
Title VII	84.060A	S060A130399	430,459
Total US Dept. of Education			<u>1,448,173</u>
<b>US Department of Agriculture</b>			
Passed-through NYS Education Department:			
Child Nutrition Cluster:			
Non-Cash Assistance (food distribution)			
National School Lunch Program	10.555	n/a	67,727
Non-Cash Assistance Subtotal			<u>67,727</u>
Cash Assistance			
National School Lunch Program	10.555	n/a	500,396
National School Breakfast Program	10.553	n/a	225,481
Snack Program for Children	10.555	n/a	15,405
Summer Food Service for Children	10.559	n/a	66,537
Cash Assistance Subtotal			<u>807,819</u>
Total US Dept of Agriculture Child Nutrition Cluster			<u>875,546 *</u>
Total Federal Awards Expended			<u>\$ 2,323,719</u>

\* Major Programs

**Salmon River Central School District**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

**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 basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

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.

Seyfarth & Seyfarth CPAs, P.C.  
564 East Main St.  
Malone, NY 12953  
(518) 483-0880

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, 2014, 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 October 9, 2014.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 14-1.

### **Salmon River Central School District's Response to Findings**

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

### **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.

October 9, 2014

Seyfarth & Seyfarth CPAs, P.C.  
564 East Main St.  
Malone, NY 12953  
(518) 483-0880

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, 2014. 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, 2014.

### **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.

October 9, 2014

**Salmon River Central School District**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal Control over financial reporting:		
Material weakness identified?	_____ Yes	_____ <u>x</u> _____ No
Significant deficiencies identified?	_____ Yes	_____ <u>x</u> _____ None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>x</u> _____ No

Federal Awards

Internal control over major programs:		
Material weakness identified?	_____ Yes	_____ <u>x</u> _____ No
Significant deficiencies identified?	_____ Yes	_____ <u>x</u> _____ 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	_____ <u>x</u> _____ No
--	-----------	-------------------------

Identification of major programs:	Name of Federal Program or Cluster
CFDA Numbers	
84.173, 84.027	Special Education Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar Threshold used to distinguish between type A and type B programs	\$ 300,000
---	------------

Auditee qualified as low-risk auditee?	_____ <u>x</u> _____ Yes	_____ _____ No
--	--------------------------	----------------



**Salmon River Central School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2014**

**Section II – Financial Statement Findings**

**14-1 Fund Balance**

**Condition**

The portion of the District's fund balance subject to the New York State Real Property Law Section 1318 limit has exceeded the amount allowable, which is 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 the Real Property Law 1318. Emphasis will focus on programs and Board approved school improvement initiatives.

**Salmon River Central School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2014**

**Section III – Federal Award Findings and Questioned Costs**

None reported