

ONTEORA CENTRAL SCHOOL DISTRICT

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Onteora Central School District
Boiceville, New York

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

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 auditors consider 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 the Onteora Central School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows 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, budgetary comparison information and funding progress – other post-employment benefits plan on pages 3 through 10 and pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is 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 supplementary information on pages 41 through 43, as described in the table of contents 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 supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
September 9, 2013

ONTEORA CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

FINANCIAL HIGHLIGHT

- Net District-wide net position of the School District were \$19,153,916, a decrease of \$120,802 for the year ended June 30, 2013.
- The District taxpayers approved the General Fund Budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (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 *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 basic financial statements also include notes that provide additional information about the basic financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the basic financial statements with a comparison of the School District's budget for the year.

Figure A-1

Summary of the major features of the School District's basic financial statements, including the portion of the School District's activities that they cover and the types of information that they contain is in A-1. The remainder of this overview section highlights the structure and contents of each statement.

Figure A-1

Major Features of the District-wide and Fund Financial Statements

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The daily operating activities of the School District, such as instruction and special education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statements of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All 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 and 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.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

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 – 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 to 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 the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund and the capital project fund. Required financial statements are the balance sheet and the statement of revenues, expenditures and changes in fund balances.
- **Fiduciary Fund:** 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. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Figure A-2 – Condensed Statement of Net position

	Fiscal Year 2013	Fiscal Year 2012	Percentage Change (Incr.;-Decr.)
Assets			
Current and other assets	\$ 25,160,899	\$ 22,972,566	9.5%
Capital assets - net	19,632,591	19,487,995	0.7%
Total Assets	44,793,490	42,460,561	5.5%
Liabilities			
Current liabilities	1,660,646	972,285	70.8%
Long-term liabilities	23,961,610	22,213,558	7.9%
Total Liabilities	25,622,256	23,185,843	10.5%
Deferred Inflows of Resources			
Deferred revenues	17,318	0	100.0%
Total Deferred Inflows of Resources	17,318	0	100.0%
Net Position			
Net investment in capital assets	15,775,791	15,242,795	3.5%
Restricted	14,836,678	13,997,174	6.0%
Unrestricted	(11,458,553)	(9,965,251)	-15.0%
Total Net Position	\$ 19,153,916	\$ 19,274,718	-0.6%

Changes in Net position

The School District's 2013 revenue was \$50,568,704 (see Figure A-3). Property taxes and New York State aid accounted for the majority of revenue by contributing 80% and 14% of the total revenue raised (see Figure A-4). The remainder of revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$49,758,614 for 2013. These expenses (84%) are predominantly for the education, supervision, and transportation of students (see Figure A-5).

Net position decreased during the year by \$120,802 after an other decrease in net position of \$930,892.

Figure A-3 – Changes in Net position from Operating Results

	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2012</u>	<u>Percentage Change (Incr.;-Decr.)</u>
Revenues			
Program Revenues			
Charges for services	\$ 553,127	\$ 594,431	-6.9%
Operating grants and contributions	1,417,494	1,661,917	-14.7%
General Revenues			
Property taxes	40,412,040	40,392,619	0.0%
State formula aid	7,248,899	7,036,779	3.0%
Federal sources	8,490	9,966	-14.8%
Use of money and property	68,505	95,045	-27.9%
Sale of property and compensation for loss	49,411	9,372	427.2%
Miscellaneous	<u>810,738</u>	<u>507,140</u>	59.9%
Total Revenues	50,568,704	50,307,269	0.5%
Expenses			
General support	6,587,881	6,164,607	6.9%
Instruction	36,647,075	38,003,941	-3.6%
Transportation	5,262,944	5,076,973	3.7%
Debt service	166,769	158,288	5.4%
Cost of sales – Lunch Program	<u>1,093,945</u>	<u>1,111,576</u>	-1.6%
Total Expenses	<u>49,758,614</u>	<u>50,515,385</u>	-1.5%
Increase (decrease) In Net Position from Operations	810,090	(208,116)	489.2%
Other changes in Net Position	<u>(930,892)</u>	<u>0</u>	-100.0%
Total decrease in Net Position	<u>\$ (120,802)</u>	<u>\$ (208,116)</u>	42.0%

Figure A-4 – Revenue Sources for 2013 – Total Governmental Activities

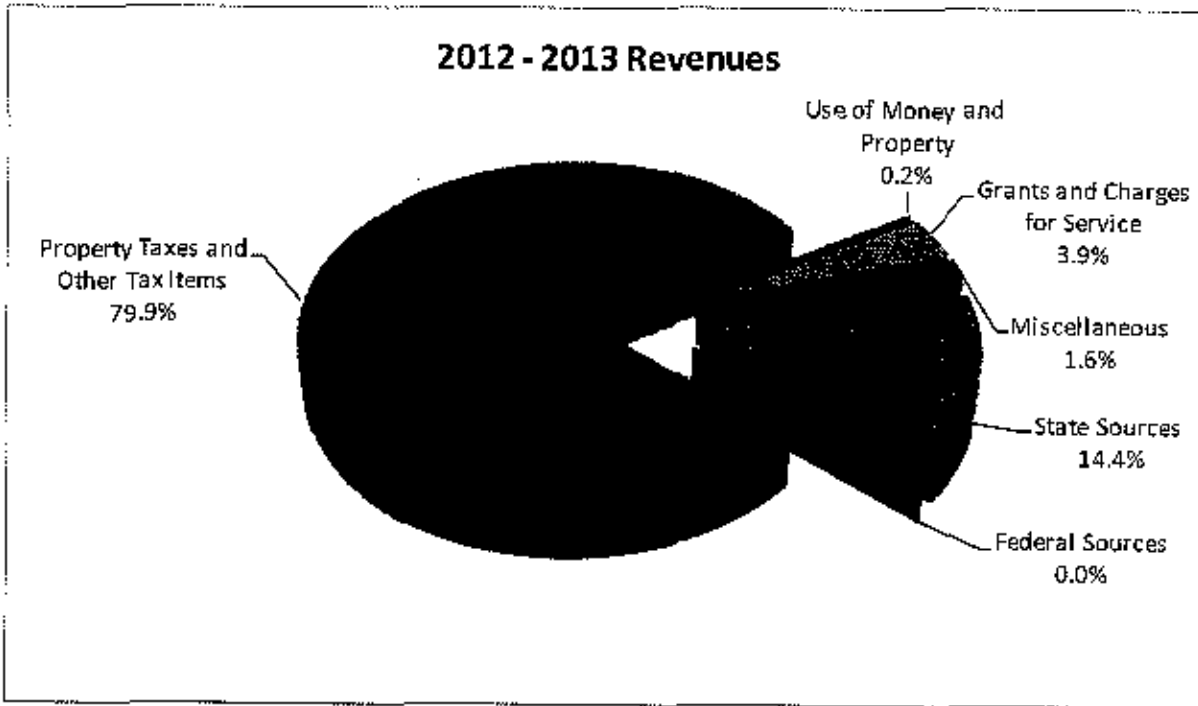
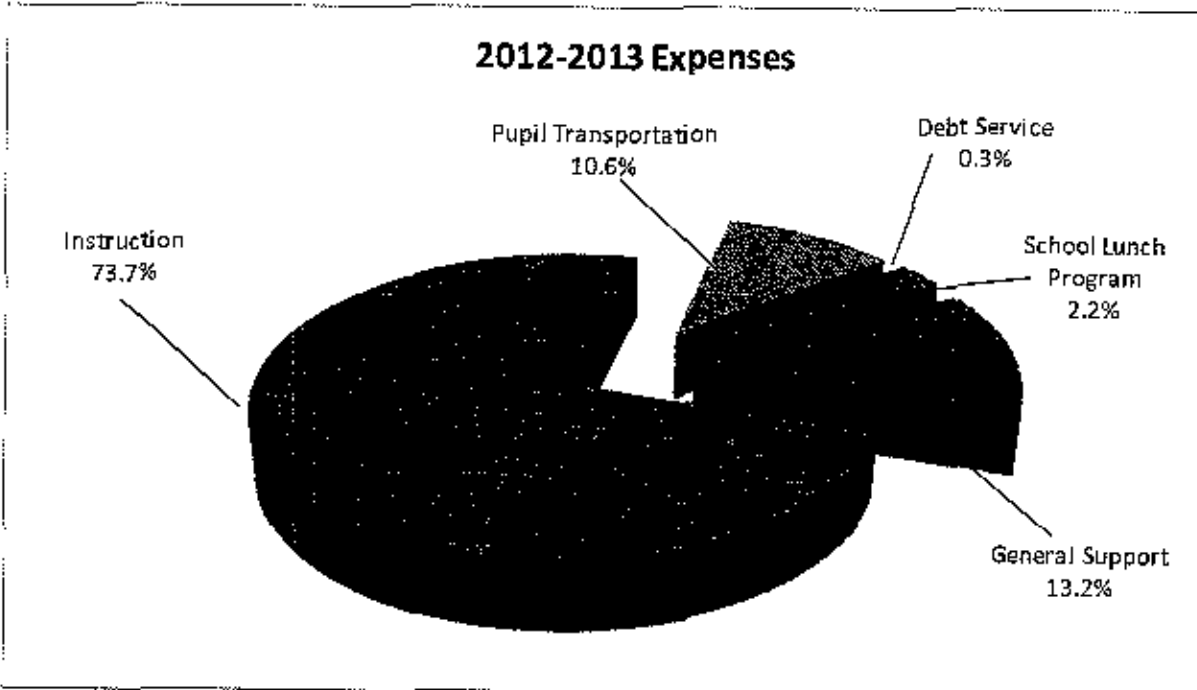


Figure A-5 – Expenses for 2013 – Total Governmental Activities



Governmental Activities

Revenue for the School District's governmental activities totaled \$50,568,704 while total expenses were \$49,758,614. Accordingly, net position decreased by \$120,802 after an other decrease in net position of \$930,892. The continuation of the School District's solid financial condition can be contributed to:

- Effective leadership by the Board of Education.
- Community support for the School District's annual budget.
- Continued State and federal aid.
- Strategic use of services from BOCES.

Figure A-6 presents the cost of several of the School District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Figure A-6 – Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change (Incr.; -Decr.)	Net Cost of Services		Percentage Change (Incr.; -Decr.)
	2013	2012		2013	2012	
General support	\$ 6,587,881	\$ 6,164,607	6.9%	\$ 6,587,881	\$ 6,164,607	6.9%
Instruction	36,647,075	38,003,941	-3.6%	35,341,300	36,438,911	-3.0%
Pupil transportation	5,262,944	5,076,973	3.7%	5,262,944	5,076,973	3.7%
Debt service - interest	166,769	158,288	5.4%	166,769	158,288	5.4%
Cost of sales - lunch program	1,093,945	1,111,576	-1.6%	429,099	420,258	2.1%
Totals	\$ 49,758,614	\$ 50,515,385		\$ 47,787,993	\$ 48,259,037	

- The cost of all governmental activities for the year was \$49,758,614.
- The users of the School District's programs financed \$553,127 of the costs.
- The federal and State government grants financed \$1,417,494.
- The majority of costs were financed by the School District's taxpayers and State aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$21,159,694. Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt, including the principal and interest payment.

No significant variances were reflected in the governmental fund financial statements for 2013.

General Fund Budgetary Highlights

This section presents an analysis of variances between original and final budget amounts and between final budget amounts and actual results for the General Fund.

	<u>Results vs. Budget</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Local sources	\$ 40,623,179	\$ 40,682,181	\$ 41,483,430	\$ 801,249
State sources	7,023,743	7,118,743	7,248,899	130,156
Federal sources	25,000	25,000	8,490	(16,510)
Other uses	15,000	15,000	26,460	11,460
Totals	<u>47,686,922</u>	<u>47,840,924</u>	<u>48,767,279</u>	<u>926,355</u>
Expenses:				
General support	5,058,884	5,575,374	4,456,314	1,119,060
Instruction	25,870,905	25,952,089	23,803,699	2,148,390
Transportation	3,830,504	3,897,657	3,508,394	389,263
Employee benefits	13,967,098	13,967,246	12,800,285	1,166,961
Debt service	534,530	563,047	561,982	1,065
Other uses	425,000	852,331	821,849	30,482
Totals	<u>49,686,921</u>	<u>50,807,744</u>	<u>45,952,523</u>	<u>4,855,221</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (1,999,999)</u>	<u>\$ (2,966,820)</u>	2,814,756	<u>\$ 5,781,576</u>
Beginning fund balance			18,839,118	
Other change in fund balance			(775,577)	
Outstanding encumbrances			(514,907)	
Appropriated against current tax levy			(3,462,334)	
School District restricted:				
Tax certiorari			(40,000)	
Capital reserve			(5,000,000)	
Debt			(149,891)	
Retirement contributions			(5,021,016)	
Unemployment insurance			(505,012)	
Employee benefit accrued liability			(1,318,501)	
Repairs			(2,802,258)	
Ending unassigned fund balance			<u>\$ 2,064,378</u>	

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2013, the School District had \$19,632,591 invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers and other educational equipment, net of accumulated depreciation.

Capital Assets

Figure A-7 – Capital Assets (Net of Depreciation)

	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2012</u>
Land	\$ 20,626	\$ 20,626
Construction in progress	2,567,333	1,866,932
Buildings, furniture and equipment	<u>17,044,632</u>	<u>17,600,437</u>
Totals	<u>\$ 19,632,591</u>	<u>\$ 19,487,995</u>

The District's capital assets were higher on June 30, 2013, than they were the year before, increasing by \$144,596 (see Figure A-7 total). This change in the Capital Assets occurred due to new asset additions exceeding depreciation.

Long-Term Debt

As of June 30, 2013, the School District had \$21,632,036 in general obligation and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the basic financial statements.

Figure A-8 – Outstanding Long-Term Debt

	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2012</u>
General obligation bonds (financed with property taxes)	\$ 3,856,800	\$ 4,245,200
Other debt	<u>17,775,236</u>	<u>15,619,508</u>
Totals	<u>\$ 21,632,036</u>	<u>\$ 19,864,708</u>

During 2013, the School District refinanced its existing serial bond and paid down its debt by retiring \$433,400 of outstanding bonds. Other debt represented judgment and claims, compensated absences and other post-employment benefits.

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

1. The costs for benefits continues as in past years.
2. Aging infrastructure continues.
3. The economic climate of the State and the country continues.
4. The reconfiguration mentioned in last year's report was implemented and is continuing in the 2013-2014 school year.
5. The tax levy limit continues to be a restriction, but the District has not increased the tax levy for the second year in a row.

On a positive note, the Board is aware of the infrastructure issues and the District has now fully funded the Capital Reserve previously authorized by the voters and will use the Five Year Facilities Plan to put together a package of work for the voters to consider in order to address some of the more serious infrastructure issues that exist. Some of the issues are being addressed currently through the annual budget.

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, please contact:

Victoria McLaren
Assistant Superintendent for Business
Onteora Central School District
Route 28
Boiceville, New York 12412

ONTEORA CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS	
Cash	
Unrestricted	\$ 9,053,989
Restricted	14,836,678
Receivables	
State and Federal aid	1,174,019
Due from fiduciary funds	74,583
Other receivables	4,636
Inventories	16,994
Capital assets, net of depreciation	<u>19,632,591</u>
Total Assets	<u>44,793,490</u>
LIABILITIES	
Payables	
Accounts payable	359,553
Accrued liabilities	352,011
Due to other governments	931,764
Long-term liabilities	
Due and payable within one year	
Due to Teachers' Retirement System	2,087,721
Due to Employees' Retirement System	259,171
Bonds payable	413,400
Due and payable after one year	
Bonds payable	3,443,400
Judgment and claim	131,615
Other post-employment benefits	16,325,120
Compensated absences payable	<u>1,318,501</u>
Total Liabilities	<u>25,622,256</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenues	<u>17,318</u>
Total Deferred Inflows of Resources	<u>17,318</u>
NET POSITION	
Net investment in capital assets	15,775,791
Restricted	
Repairs	2,802,258
Employee retirement	5,021,016
Unemployment insurance	505,012
Tax certiorari	40,000
Capital	5,000,000
Debt	149,891
Employee benefit accrued liability	1,318,501
Unrestricted	<u>(11,458,553)</u>
Total Net Position	<u>\$ 19,153,916</u>

See notes to basic financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
General support	\$ 6,587,881	\$ 0	\$ 0	\$ (6,587,881)
Instruction	36,647,075	(176,991)	(1,128,784)	(35,341,300)
Pupil transportation	5,262,944	0	0	(5,262,944)
Debt service	166,769	0	0	(166,769)
School lunch program	1,093,945	(376,136)	(288,710)	(429,099)
Total Functions and Programs	\$ 49,758,614	\$ (553,127)	\$ (1,417,494)	(47,787,993)
GENERAL REVENUES				
Real property taxes				37,949,155
Other tax items				2,462,885
Use of money and property				68,505
Sale of property and compensation for loss				49,411
Miscellaneous				810,738
State sources				7,248,899
Federal sources				8,490
Total General Revenues				48,598,083
CHANGES IN NET POSITION				810,090
TOTAL NET POSITION - BEGINNING OF YEAR				19,274,718
PRIOR PERIOD ADJUSTMENT				(930,892)
TOTAL NET POSITION - END OF YEAR				\$ 19,153,916

See notes to basic financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Special Aid	School Lunch	Capital	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 8,005,473	\$ 7,136	\$ 57,955	\$ 983,425	\$ 9,053,989
Restricted	14,836,678	0	0	0	14,836,678
Due from other funds	1,265,137	0	0	0	1,265,137
Due from fiduciary funds	74,583	0	0	0	74,583
State and Federal aid	670,431	482,579	21,009	0	1,174,019
Other receivables	4,636	0	0	0	4,636
Inventories	0	0	16,994	0	16,994
TOTAL ASSETS	\$ 24,856,938	\$ 489,715	\$ 95,958	\$ 983,425	\$ 26,426,036
LIABILITIES					
Accounts payable	\$ 352,004	\$ 7,549	\$ 0	\$ 0	\$ 359,553
Accrued liabilities	331,535	0	14,143	0	345,678
Due to other funds	0	482,166	166,000	616,971	1,265,137
Due to other governments	930,892	0	872	0	931,764
Due to Employees' Retirement System	259,171	0	0	0	259,171
Due to Teachers' Retirement System	2,087,721	0	0	0	2,087,721
Total Liabilities	3,961,323	489,715	181,015	616,971	5,249,024
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	17,318	0	0	0	17,318
Total Deferred Inflows of Resources	17,318	0	0	0	17,318
FUND BALANCE					
Nonspendable	0	0	16,994	0	16,994
Inventory					
Restricted					
Repairs	2,802,258	0	0	0	2,802,258
Employee retirement	5,021,016	0	0	0	5,021,016
Unemployment insurance	505,012	0	0	0	505,012
Tax certiorari	40,000	0	0	0	40,000
Capital	5,000,000	0	0	0	5,000,000
Debt	149,891	0	0	0	149,891
Employee benefit accrued liability	1,318,501	0	0	0	1,318,501
Assigned	3,977,241	20,137	0	366,454	4,363,832
Unassigned	2,064,378	(20,137)	(102,051)	0	1,942,190
Total Fund Balance	20,878,297	0	(85,057)	366,454	21,159,694
TOTAL LIABILITIES AND FUND BALANCE	\$ 24,856,938	\$ 489,715	\$ 95,958	\$ 983,425	\$ 26,426,036

See notes to basic financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION

JUNE 30, 2013

Total balance - governmental funds balance sheet (page 13)	\$ 21,159,694
Add:	
Land, building and equipment, net of accumulated depreciation	19,632,591
Deduct:	
Accrued interest	6,333
Compensated absences	1,318,501
Other post-employment benefits	16,325,120
Judgement and claim	131,615
Long and short-term bonds payable	<u>3,856,800</u>
Total	<u>21,638,369</u>
NET POSITION, GOVERNMENTAL ACTIVITIES	<u>\$ 19,153,916</u>

See notes to basic financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	General	Special Aid	School Lunch	Capital	Total Governmental Funds
REVENUES					
Real property taxes	\$ 37,949,155	0	0	0	\$ 37,949,155
Other tax items	2,462,885	0	0	0	2,462,885
Charges for services	176,991	0	0	0	176,991
Use of money and property	68,502	0	3	0	68,505
Sale of property and compensation for loss	15,536	0	0	33,875	49,411
Miscellaneous	810,361	52,873	377	0	863,611
State sources	7,248,899	248,106	12,400	0	7,509,405
Federal sources	8,490	827,805	241,747	0	1,078,042
Surplus food	0	0	34,563	0	34,563
Sales - school lunch	0	0	376,136	0	376,136
Total Revenues	48,740,819	1,128,784	665,226	33,875	50,568,704
EXPENDITURES					
General support	4,456,314	0	456,384	0	4,912,698
Instruction	23,803,699	985,889	0	0	24,789,588
Pupil transportation	3,508,394	51,678	0	0	3,560,072
Employee benefits	12,800,285	109,275	199,365	0	13,108,925
Debt service	433,400	0	0	0	433,400
Principal	128,582	0	0	0	128,582
Interest	0	0	352,669	0	352,669
Cost of sales	0	0	0	856,761	856,761
Capital outlay	0	0	0	0	0
Total Expenditures	45,130,674	1,146,842	1,008,418	856,761	48,142,695
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,610,145	(18,058)	(343,192)	(822,886)	2,426,009
OTHER FINANCING SOURCES AND USES					
Operating transfers in	26,460	44,518	361,206	416,125	848,309
Operating transfers (out)	(821,849)	(26,460)	0	0	(848,309)
Total Other Sources (Uses)	(795,389)	18,058	361,206	416,125	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND USES	2,814,756	0	18,014	(406,761)	2,426,009
FUND BALANCE - BEGINNING OF YEAR	18,839,118	0	(103,071)	928,530	19,664,577
OTHER CHANGE IN FUND BALANCE	(775,577)	0	0	(155,315)	(930,892)
FUND BALANCE - END OF YEAR	\$ 20,878,297	\$ 0	\$ (85,057)	\$ 366,454	\$ 21,159,694

See notes to basic financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

REVENUES - STATEMENT OF ACTIVITIES		\$ 50,568,704
EXPENDITURES	48,142,695	
Add:		
Depreciation	787,259	
Increase in other post-employment benefits	2,209,668	
Bond issuance costs	45,000	
	<u>3,041,927</u>	
Deduct:		
Decrease in compensated absences	34,067	
Decrease in judgement and claims	19,873	
Fixed assets additions	931,855	
Decrease in accrued interest	6,813	
Principal payments of long-term debt	433,400	
	<u>1,426,008</u>	
EXPENDITURES - STATEMENT OF ACTIVITIES		<u>49,758,614</u>
CHANGE IN NET POSITION		<u>\$ 810,090</u>

See notes to basic financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Private Purpose Trust	Agency
ASSETS		
Cash	\$ 119,266	\$ 128,898
Due from other funds	0	0
Total Assets	\$ 119,266	\$ 128,898
LIABILITIES		
Due to other funds	\$ 0	\$ 74,583
Extraclassroom activity balances	0	52,387
Other liabilities	0	1,928
Total Liabilities	0	\$ 128,898
NET POSITION		
Reserved for scholarships	\$ 119,266	

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

ADDITIONS	
Investment earnings	\$ 651
Gifts and contributions	22,405
Total additions	23,056
DEDUCTIONS	
Scholarships and awards	35,355
Total deductions	35,355
CHANGE IN NET POSITION	(12,299)
NET POSITION - BEGINNING OF YEAR	131,565
NET POSITION - END OF YEAR	\$ 119,266

See notes to basic financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Onteora Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as apply 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 Onteora 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 seven 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 basic financial statements present the activities of the District and other organizational entities determined to be includable in the District’s financial reporting entity. 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.

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 included with these basic financial statements. The District accounts for assets held as an agent for various student organizations in an agency fund.

B) Joint Venture

The District is a component district in Ulster County Board of Cooperative Educational Services (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.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B) Joint Venture – (Continued)

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 also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-a(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.

During the year, the District was billed \$3,180,052 for BOCES administrative and program costs. Participating school districts issue debt on behalf of BOCES. During the year, the District issued no serial bonds on behalf of BOCES. As of year end, the District had no outstanding BOCES debt.

The District's share of BOCES aid amounted to \$714,520.

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

C) Basis of Presentation

1) District-Wide Statements

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

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

2) Fund 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.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C) Basis of Presentation – (Continued)

2) Fund Statements – (Continued)

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, school lunch operations and 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.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Fiduciary Fund: 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:

- i) **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.
- ii) **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.

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.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E) Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on September 1. Taxes are collected during the period September 1 to November 1.

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.

F) Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position 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.

G) Interfund Transactions

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 receivables 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 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported 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.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

D) Cash (and Cash Equivalents)/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 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.

Investments are stated at fair value.

J) Receivables

Receivables 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.

K) Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

L) Capital Assets

Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	40
Building improvements	5,000	Straight-line	20
Furniture and equipment	5,000	Straight-line	5-15

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M) Unearned and Deferred 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.

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

N) 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 matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

O) 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 post-employment health insurance coverage and survivor benefits to 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 shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

P) Short-Term Debt

The District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), 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 there is an insufficient or no provision 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 (BANs), 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.

Q) 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 fund 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.

R) Equity Classifications

District-Wide Statements

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

i) Net Investment in Capital Assets

Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

ii) 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.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

R) Equity Classifications – (Continued)

iii) Unrestricted Net Position

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

Fund Statements

In the fund basis statements there are five classification of fund balance:

1. Nonspendable

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$16,994.

2. Restricted

Includes amounts with constraints placed on the use of resources 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. The School District has established the following restricted fund balances:

Currently Utilized by School District

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit 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 under Restricted Fund Balance.

Repairs

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund under Restricted Fund Balance.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

R) Equity Classifications – (Continued)

2. Restricted – (continued)

Capital

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Debt Service

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

Tax Certiorari

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. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Unemployment Insurance

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

Encumbrances

Encumbrances accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

3. Committed

Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School Districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2013.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

R) Equity Classifications – (Continued)

4. Assigned

Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements. The Board of Education is not required to impose or remove the constraint. Assignments of fund balance cannot be made if it would result in a negative unassigned fund balance.

Encumbrances

All encumbrances are classified as Assigned Fund Balance. There were no significant encumbrances as of June 30, 2013.

5. Unassigned

Includes the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications.

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 of 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 annually determine the appropriate use of fund balance upon recommendation of the Superintendent and Board of Education.

S) New Accounting Standards

The District has adopted all current statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2013, the District implemented the following new standards issued by GASB:

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

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

The District has early adopted GASB 65, *Items Previously Reported as Assets and Liabilities*.

T) Future Changes in Accounting Standards

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

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

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F) Future Changes in Accounting Standards – (Continued)

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

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

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

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

A) Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities

Total fund balance of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the 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 Balances vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances 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.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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) that 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. 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.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4 – CASH (AND CASH EQUIVALENTS), CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

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.

As of June 30, 2013, all District bank balances were collateralized with a third-party bank with the collateral held in the District's name.

The District's aggregate bank balances (disclosed in the financial statements) included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$	250,510
Collateralized with securities held by the pledging financial institution in the District's name, or its trust department or agent, but not in the District's name		14,135,453

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 \$14,836,678 within the governmental funds and \$248,124 within the fiduciary funds.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in foreign currency, and is not exposed to foreign currency risk.

NOTE 5 – INVESTMENT POOL

The District participates in multi-municipal cooperation investment pool agreements pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2013, the School District held \$10,004 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and considered to be cash equivalents. The following amounts are included as unrestricted cash:

<u>Fund</u>	<u>Amount</u>
General	\$ 10,004

The above amount represents the cost of the investment pool shares and is considered to approximate fair value. The investment pools are SEC registered and categorically exempt from the New York State collateralization requirements.

ONTEORA CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 20,626	\$ 0	\$ 0	\$ 20,626
Construction in process	1,866,932	856,761	156,360	2,567,333
Total nondepreciable historical cost	<u>1,887,558</u>	<u>856,761</u>	<u>156,360</u>	<u>2,587,959</u>
Capital assets that are depreciated:				
Land improvements	95,297	0	0	95,297
Building and improvements	27,762,949	156,360	0	27,919,309
Furniture and equipment	4,920,095	75,094	0	4,995,189
Total depreciable historical cost	<u>32,778,341</u>	<u>231,454</u>	<u>0</u>	<u>33,009,795</u>
Less accumulated depreciation:				
Buildings, furniture and equipment	<u>15,177,904</u>	<u>787,259</u>	<u>0</u>	<u>15,965,163</u>
Total accumulated depreciation	<u>15,177,904</u>	<u>787,259</u>	<u>0</u>	<u>15,965,163</u>
Net depreciable historical cost	<u>17,600,437</u>	<u>(555,805)</u>	<u>0</u>	<u>17,044,632</u>
Total historical cost, net	<u>\$ 19,487,995</u>	<u>\$ 300,956</u>	<u>\$ 156,360</u>	<u>\$ 19,632,591</u>
Depreciation was allocated to the following programs as follows:				
General support		\$ 103,751		
Instruction		577,145		
Pupil transportation		82,885		
School lunch program		23,478		
Total		<u>\$ 787,259</u>		

NOTE 7 – SHORT-TERM DEBT

The District had no short-term debt for year ending June 30, 2013.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8 – LONG-TERM DEBT

Interest paid	\$ 128,582
Less interest accrued in the prior year	(13,146)
Plus interest accrued in the current year	<u>6,333</u>
Total expense	<u>\$ 121,769</u>

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Serial bond payable	\$ 4,245,200	\$ 3,850,000	\$ 4,238,400	\$ 3,856,800	\$ 413,400
Other liabilities:					
Judgement and claim	151,488	0	19,873	131,615	0
Other post-employment benefits	14,115,452	2,209,668	0	16,325,120	0
Compensated absences, net	<u>1,352,568</u>	<u>0</u>	<u>34,067</u>	<u>1,318,501</u>	<u>0</u>
Total other liabilities	<u>15,619,508</u>	<u>2,209,668</u>	<u>53,940</u>	<u>17,775,236</u>	<u>0</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 19,864,708</u>	<u>\$ 6,059,668</u>	<u>\$ 4,292,340</u>	<u>\$ 21,632,036</u>	<u>\$ 413,400</u>

The following is a summary of the maturity of long-term indebtedness:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2013</u>
Serial Bond - Refunded	2012	2022	2.00%	\$ 3,800,000
Bus Bond	2009	2014	3.75%	<u>56,800</u>
TOTALS				<u>\$ 3,856,800</u>

The following is a summary of maturing debt service requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2014	\$ 413,400	\$ 78,130	\$ 491,530
2015	423,400	69,366	492,766
2016	410,000	60,400	470,400
2017	415,000	52,200	467,200
2018	420,000	43,900	463,900
Thereafter	<u>1,775,000</u>	<u>89,600</u>	<u>1,864,600</u>
TOTALS	<u>\$ 3,856,800</u>	<u>\$393,596</u>	<u>\$ 4,250,396</u>

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8 - LONG-TERM DEBT - (CONTINUED)

General Long-Term Debt

On October 2, 2012, \$3,850,000 in general obligation bonds with an average interest rate of 2.0% were issued to advance refund \$3,805,000 of outstanding bonds with an average interest rate of 3.45%. The net proceeds of \$3,937,934 (after payment of \$82,450 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding of debt service payments over the next ten years results in an economic gain of \$393,000.

NOTE 9 - INTERFUND TRANSACTIONS - GOVERNMENT FUNDS

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,339,720	\$ 0	\$ 26,460	\$ 821,849
Special Aid Funds	0	482,166	44,518	26,460
School Lunch Fund	0	166,000	361,206	0
Debt Service Fund	0	0	0	0
Capital Projects Fund	0	616,971	416,125	0
	<u>1,339,720</u>	<u>1,265,137</u>	<u>848,309</u>	<u>848,309</u>
Total Governmental Activities	1,339,720	1,265,137	848,309	848,309
Fiduciary Agency Fund	<u>0</u>	<u>74,583</u>	<u>0</u>	<u>0</u>
TOTALS	<u>\$ 1,339,720</u>	<u>\$ 1,339,720</u>	<u>\$ 848,309</u>	<u>\$ 848,309</u>

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.

Interfund Revenues and Expenditures

Capital Fund revenue is for local share of various projects.

School Lunch Fund revenue is for the operation of the Food Program.

Special Aid Fund revenue is for the General Fund required portion of the 4408 program.

General Fund expenditures are for transfer of capital reserve, food operation and local share of 4408 costs.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 10 – PENSION PLANS

General Information

The District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). 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. NYSTRS 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. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, 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 the NYSERS, the Comptroller certified 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 a rate determined actuarially by the Systems. The District contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2012-2013	\$ 1,923,355	\$ 809,389
2011-2012	2,039,053	639,961
2010-2011	1,469,918	349,355

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, which the District did not exercise.

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 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, 2010. 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.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2013, the District recognized \$3,031,196 for its share of insurance premiums for currently enrolled retirees.

Plan Description

Onteora Central School District provides medical and prescription drug insurance benefits for retirees, spouses and their covered dependents while contributing a portion of the expenses. Such post-employment benefits are an included value in the exchange of salaries and benefits for employee services rendered. An employee's total compensation package includes not only the salaries and benefits received during active service, but all compensation and benefits received for their services during post-employment. Nevertheless, both types of benefits constitute compensation for employee services.

The District issues a publicly available financial report that includes financial statements and required supplementary information.

Funding Policy

The contribution requirements of plan members and the District are established by the Board of Education. The required contribution is based on projected pay-as-you-go financing requirements.

For the fiscal year ended June 30, 2013, the District contributed \$7,277,885 to the employee health insurance.

Annual Other Post-employment Benefit (OPEB) Cost and Net OPEB Obligation

The District's annual 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 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the healthcare plan:

Annual required contribution	\$	5,063,780
Interest on net OPEB obligation		705,773
Adjustment to annual required contribution		<u>(528,689)</u>
Annual OPEB cost (expense)		5,240,864
Contributions made		<u>3,031,196</u>
Increase in net OPEB obligation		2,209,668
Net OPEB obligation - beginning of year		<u>14,115,452</u>
Net OPEB obligation - end of year	\$	<u><u>16,325,120</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/13	\$ 5,240,864	57.8%	\$ 16,325,120
06/30/12	5,841,004	52.7%	14,115,452
06/30/11	5,346,477	61.0%	11,351,944

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial liability for benefits was \$80,753,558 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$80,753,558. 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 a 5% investment rate of return (net of administrative expenses), which is based on the expected earnings of the District's General Fund investments at the valuation date and an annual healthcare cost trend rate of 7% initially, reduced by decrements to an ultimate rate of 6% after 30 years. Both rates included a 5% 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 an open basis. The remaining amortization period at June 30, 2013, was 30 years.

NOTE 12 – RISK MANAGEMENT

The 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.

The District participates in Workers' Compensation Alliance, 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 District's share of the liability for unbilled and open claims is \$131,615.

NOTE 13 – DONOR-RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of scholarships.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

ONTEORA CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 14 – CONTINGENCIES AND COMMITMENTS

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

NOTE 15 – OTHER CHANGES IN NET POSITION

General Fund

Increase of fund balance by \$155,315, as a result of transfer from Capital Fund to General Fund for projects that were closed and a decrease of 930,892 for the anticipated State aid take back for prior capital projects.

Capital Fund

Decrease of fund balance by \$155,315, as a result of projects that were closed.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 9, 2013, the date of the issuance of the audit report. There were no issues to report that would have a material effect on the financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BASIS)**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Revenues</u>	<u>Final Budget Variance with Budgetary Actual Over (Under)</u>
REVENUES:				
Local Sources				
Real property taxes	\$ 37,975,600	\$ 37,975,600	\$ 37,949,155	\$ (26,445)
Real property tax items	2,415,498	2,415,498	2,462,885	47,387
Charges for services	100,000	100,000	176,991	76,991
Use of money and property	50,000	50,000	68,502	18,502
Sale of property and compensation for loss	0	33,875	15,536	(18,339)
Miscellaneous	82,081	107,208	810,361	703,153
Total Local Sources	<u>40,623,179</u>	<u>40,682,181</u>	<u>41,483,430</u>	<u>801,249</u>
State Sources	7,023,743	7,118,743	7,248,899	130,156
Federal Sources	25,000	25,000	8,490	(16,510)
Total Revenues	<u>47,671,922</u>	<u>47,825,924</u>	<u>48,740,819</u>	<u>914,895</u>
OTHER FINANCING SOURCES				
Transfers from other funds	15,000	15,000	26,460	11,460
Total Revenues and Other Financing Sources	<u>47,686,922</u>	<u>47,840,924</u>	<u>48,767,279</u>	<u>\$ 926,355</u>

See paragraph on supplemental schedules included in independent auditors' report.

ONTEORA CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BASIS)**

FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual Expenditures	Year End Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances (Over) Under
EXPENDITURES					
General Support					
Board of Education	85,394	126,579	91,633	\$ 0	\$ 34,946
Central administration	235,693	195,589	158,418	0	37,171
Finance	574,281	580,723	509,610	0	71,113
Staff	401,575	404,748	252,708	0	152,040
Central services	3,304,639	3,559,807	2,840,939	379,946	338,922
Special items	457,302	707,928	603,006	0	104,922
Instructional					
Instruction, administration and improvements	1,448,217	1,511,987	1,436,550	0	75,437
Teaching – regular school	12,534,765	12,670,425	12,071,519	71,745	527,161
Programs for children with handicapping conditions	7,856,028	7,734,983	6,634,981	0	1,100,002
Occupational education	906,622	903,812	890,455	0	13,357
Teaching - special school	4,757	4,757	0	0	4,757
Instructional media	537,641	582,018	503,384	606	78,028
Pupil services	2,582,875	2,544,107	2,266,810	9,108	268,189
Pupil Transportation	3,830,504	3,897,657	3,508,394	53,502	335,761
Employee Benefits	13,967,098	13,967,246	12,800,285	0	1,166,961
Debt Service	534,530	563,047	561,982	0	1,065
Total Expenditures	49,261,921	49,955,413	45,130,674	514,907	4,309,832
Other Financing Uses					
Transfers to other funds	425,000	852,331	821,849	0	30,482
Total Expenditures and Other Uses	49,686,921	50,807,744	45,952,523	\$ 514,907	\$ 4,340,314
NET CHANGE IN FUND BALANCE	(1,999,999)	(2,966,820)	2,814,756		
FUND BALANCE– BEGINNING	18,839,118	18,839,118	18,839,118		
OTHER CHANGE IN FUND BALANCE	0	0	(775,577)		
FUND BALANCE– ENDING	\$ 16,839,119	\$ 15,872,298	\$ 20,878,297		

See paragraph on supplemental schedules included in independent auditors' report.

ONTEORA CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS PLAN

FOR THE YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/12	\$ 0	\$ 80,753,558	\$ 80,753,558	0%	\$ 21,213,678	380.7%
07/01/11	0	80,158,006	80,158,006	0%	21,472,457	373.3%
07/01/10	0	77,094,269	77,094,269	0%	22,391,631	344.3%

See paragraph on supplemental schedules included in independent auditors' report.

ONTEORA CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

ADOPTED BUDGET	\$ 49,686,921
ADDITIONS:	
Prior year's encumbrances	206,039
Donations	25,128
Grants	95,000
Appropriation of reserve	32,353
Cafeteria deficit elimination	103,071
Settlement of tax certiorari	209,232
Capital fund project	<u>450,000</u>
FINAL BUDGET	<u>\$ 50,807,744</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

FOR THE YEAR ENDED JUNE 30, 2013

2013-14 voter-approved expenditure budget	\$ 51,609,440
Maximum allowed (4% of 2013-14 budget)	2,064,378
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	3,977,241
Unassigned fund balance	<u>2,064,378</u>
Total unrestricted fund balance	<u>6,041,619</u>
Less:	
Appropriated fund balance and encumbrances	<u>3,977,241</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,064,378</u></u>
Actual percentage	4.0%

See paragraph on supplemental schedules included in independent auditors' report.

ONTEORA CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES
FOR THE YEAR ENDED JUNE 30, 2013

Project Title	Original Appropriation	Revised Appropriation	Expenditures		Total	Unexpended Balance (Deficit)	Methods of Financing			Fund Balances
			Prior Year	Current Year			Local Sources	Proceeds of Obligations	Total	
Fire alarms	\$ 460,000	\$ 460,000	\$ 35,686	\$ 359,639	\$ 395,325	\$ 64,675	\$ 460,000	\$ 0	\$ 460,000	\$ 64,675
Asbestos abatement	323,400	323,400	0	65,292	65,292	258,108	323,400	0	323,400	258,108
Bus garage boiler	150,000	166,000	140,499	15,988	156,487	9,513	166,000	0	166,000	9,513
Trans former	450,000	450,000	0	415,842	415,842	34,158	450,000	0	450,000	34,158
TOTALS	\$ 1,383,400	\$ 1,399,400	\$ 176,185	\$ 856,761	\$ 1,032,946	\$ 366,454	\$ 1,399,400	\$ 0	\$ 1,399,400	\$ 366,454

See paragraph on supplemental schedules included in independent auditors' report

ONTEORA CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

NET INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2013

CAPITAL ASSETS, NET		\$ 19,632,591
DEDUCT:		
Short-term portion of bonds payable	413,400	
Long-term portion of bonds payable	<u>3,443,400</u>	
		<u>3,856,800</u>
NET INVESTMENT IN CAPITAL ASSETS		<u>\$ 15,775,791</u>

See paragraph on supplemental schedules included in independent auditors' report.

**ONTEORA CENTRAL SCHOOL DISTRICT
FEDERAL AWARD PROGRAM INFORMATION**

SINGLE AUDIT

(OMB CIRCULAR A-133)

JUNE 30, 2013



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the President and the Other Members
of the Board of Education of the
Onteora Central School District
Boiceville, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Onteora Central School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 9, 2013.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 9, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the President and the Other Members
of the Board of Education of the
Onteora Central School District
Boiceville, New York

Report on Compliance for Each Major Federal Program

We have audited Onteora 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 Onteora Central School District's major federal programs for the year ended June 30, 2013. Onteora 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Onteora 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 Onteora 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 Onteora 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 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.

WEST & COMPANY CPAs PC

Gloversville, New York
September 9, 2013

ONTEORA CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>		
Passed Through NYS Education Department:		
Title I	84.010	\$ 285,912
Title IIA	84.367	97,404
Title III	84.031	8,469
Race to the top - ARRA	84.395	17,923
IDEA - Section 611	84.027	405,668
IDEA - Section 619	84.173	<u>12,429</u>
Total U.S. Department of Education		<u>827,805</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Direct:		
Food Distribution	10.555	34,563
Passed Through NYS Education Department:		
National School Breakfast Program	10.553	54,642
National School Lunch and Snack Programs	10.555	<u>187,105</u>
Total U.S. Department of Agriculture		<u>276,310</u>
TOTAL FEDERAL AWARDS		<u>\$ 1,104,115</u>

See notes to schedule of expenditures of federal awards.

ONTEORA CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the District's federal award programs presented on the accrual basis of accounting, as required by accounting principles generally accepted in the United States of America.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2013, the District had food commodities totaling \$3,778 in inventory.

NOTE C – CLUSTERS

The Special Education Cluster consists of IDEA Section 611 and IDEA Section 619.

The Child Nutrition Cluster consists of Food Distribution, National School Breakfast Program and National School Lunch and Snack Program.

ONTEORA CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' opinion issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness identified?	___ yes	<u>X</u> no
Significant deficiencies identified that are not considered to be material weakness?	___ 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 that are not considered to be material weakness?	___ yes	<u>X</u> none reported

Type of auditors' opinion(s) issued on compliance for major programs:		<u>Unqualified</u>
---	--	--------------------

Any audit findings disclosed that are required to be reported in accordance with Section 501(a) of Circular A-133?	___ yes	<u>X</u> no
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Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
IDEA 611	84.027
IDEA 619	84.173

Dollar threshold used to distinguish between Type A and Type B Programs		<u>\$300,000</u>
---	--	------------------

Auditee qualified as low risk?	<u>X</u> yes	___ no
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B. BASIC FINANCIAL STATEMENTS FINDINGS

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**ONTEORA CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2013**



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Onteora Central School District
Boiceville, New York

We have audited the statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Onteora Central School District as of June 30, 2013, and the accompanying statement of revenues collected and expenses paid for the year then ended. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Insufficient accounting controls are exercised over cash receipts at the point of collections to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

As described in Note 1, the District prepares these financial statements on the cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effect of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regards to the cash receipts referred to in the third paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Onteora Central School District as of June 30, 2013, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

WEST & COMPANY CPAs PC

Gloversville, New York
September 9, 2013

ONTEORA CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2013

ASSETS

Cash

\$ 52,387

TOTAL ASSETS

\$ 52,387

LIABILITIES AND CLUB BALANCES

Club balances

\$ 52,387

TOTAL LIABILITIES AND CLUB BALANCES

\$ 52,387

See notes to financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Art Club	\$ 689	\$ 1,321	\$ 1,890	\$ 120
Bookstore	1,987	6,919	6,843	2,063
Belleayre Bash	2,041	11,398	11,253	2,186
Class of 2012	537	0	537	0
Class of 2013	6,963	13,471	20,434	0
Class of 2014	6,118	1,192	151	7,159
Class of 2015	201	0	0	201
Class of 2016	3,995	0	0	3,995
Computer Club	679	0	0	679
DECA	2,163	21,401	19,386	4,178
Diversity Club	656	0	75	581
French Club	5,056	1,616	3,615	3,057
GSA	925	9	934	0
Honor Society	539	385	700	224
Literary Club	0	58	0	58
Model Congress	99	8,400	7,936	563
MS Yearbook	501	4,114	3,827	788
SADD	642	56	100	598
Sales Tax	1,226	2,227	3,122	331
Spanish Club	232	31,895	31,977	150
Student Activities Club	4,655	80	247	4,488
Theatre	11,543	8,955	11,126	9,372
Tomahawk HS Yearbook	5,729	13,610	15,380	3,959
Bennett Student Council	6,904	19,803	19,070	7,637
Woodstock Student Council	238	0	238	0
TOTALS	<u>\$ 64,318</u>	<u>\$ 146,910</u>	<u>\$ 158,841</u>	<u>\$ 52,387</u>

See notes to financial statements.

ONTEORA CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds of the Onteora Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions, and the designation of student management. However, since the Board of Education does exercise general oversight, these funds and their corresponding cash accounts are reflected in the Trust and Agency Funds of the basic financial statements of the District.

The books and records of the Onteora 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.

NOTE 2 – MANAGEMENT LETTER

Management letter items associated with the Extraclassroom Activity Funds are included in the management letter accompanying the District's basic financial statements.



September 9, 2013

To the President and the Other Members
of the Board of Education of the
Onteora Central School District
Boiceville, New York

In planning and performing our audit of the financial statements of the Onteora Central School District for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. We previously reported on the District's internal control in our report dated September 9, 2013. A separate report dated September 9, 2013, contains our report on significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated September 9, 2013, on the financial statements of Onteora Central School District.

Our comments and recommendations for the year ended June 30, 2013, are as follows:

Prior-Year Findings

1. Fiduciary Funds

Extraclassroom Activity Funds

Prior Condition: Operational Procedures – We noted several instances where adherence to proper documentation and authorization procedures were not followed.

Status: This condition was corrected as of June 30, 2013.

2. Capital Fund

Prior Condition: The Capital Fund includes several projects which are no longer active and contain a large amount of Fund Balance.

Status: This condition was corrected as of June 30, 2013.

3. General Long-term Debt

Prior Condition: Books and records were not adjusted prior to audit, causing several journal entries to be proposed.

Status: This condition was corrected as of June 30, 2013.

4. **Special Aid Fund**

Prior Condition: The District did not charge indirect costs to the grants as of June 30, 2012.

Status: This condition was corrected as of June 30, 2013.

5. **Extraclassroom Activities**

a. **Prior Condition:** Three Clubs had no activity for the fiscal year ending June 30, 2012.

Status: One Club had no activity for the current fiscal year.

b. **Prior Condition:** There were several instances where Clubs did not charge sales tax on sales or pay sales taxes on purchases subject to the tax.

Status: This condition remains unchanged as of June 30, 2013.

Recommendation: Clubs should review activities subject to sales tax and properly charge the tax. Additionally, if a Club is not going to pay sales tax at time of purchase, a resale certificate should be issued. Purchases not for resale are subject to sales tax.

Current-Year Findings

1. **Fixed Assets**

Condition: The District underwent a full appraisal of its fixed assets during 2012-2013, however, the District did not reconcile the internal fixed asset schedule to the appraisal.

Recommendation: Management should review both reports and determine that the District accounted for all assets.

2. **Expenditures**

Condition: During review of expenditures we noted the District had several confirming purchase orders for independent contractors.

Recommendation: The District should review its procedures for purchasing of services for independent contractors so approvals happen prior to commencement of services, additionally, since these are contracts, the Board should consider approving them.

3. **Collateralization of Bank Deposits**

Condition: As of June 30, 2013, demand, time deposits and certificates of deposit that were not fully covered by FDIC insurance, were not fully collateralized by the depository banks as required by New York State statutes.

Recommendation: We recommend that the Business Office develop a procedure to monitor depository collateral to ensure compliance with the law.

We would like to thank the District's staff for their cooperation throughout this engagement. We are available, at any time convenient for the Board, to discuss this management letter, the basic financial statements, the single audit and any other financial matters the Board may wish to discuss.

Very truly yours,

WEST & COMPANY CPAs PC

WEST & COMPANY CPAs PC