

Pelham Union Free School District, New York

Financial Statements and
Supplementary Information

Year Ended June 30, 2014

Pelham Union Free School District, New York

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Independent Auditors' Report

**The Board of Education of the
Pelham Union Free School District, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pelham Union Free School District, New York ("School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2014, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General and Special Aid funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

O'CONNOR DAVIES, LLP

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress – Other Post Employment Benefits 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133 Audits of State, Local Governments and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 August 14, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



O'Connor Davies, LLP
Harrison, New York
August 14, 2014

Pelham Union Free School District, New York

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2014

This discussion and analysis of the Pelham Union Free School District's financial performance provides a narrative overview and analysis of the School District's financial activities for the year ended June 30, 2014. It should be read in conjunction with the basic financial statements, which immediately follow this section, to enhance understanding of the School District's financial performance.

Financial Highlights for FY 2013-2014

Key financial highlights for fiscal year 2013-2014 are as follows:

- The amount of unassigned fund balance that can be retained in the General Fund is limited to no more than 4% of the ensuing year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,779,692 or 4% of the 2014-2015 school year budget of \$69,492,200 and thus within the statutory limit.
- As of June 30, 2014, the School District's governmental fund financial statements report a combined ending fund balance of \$20,182,957, a decrease of \$1,017,532 from the prior year. The General Fund's unassigned fund balance of \$2,779,692 (the only portion of the combined fund balance of \$20,182,957 that is not classified as nonspendable, restricted or assigned) represents approximately 14% of this total. The remaining General Fund fund balance consists of nonspendable fund balance related to prepaid expenses; restricted fund balance, such as reserves for tax certiorari settlements; and assigned fund balance including encumbrances and appropriations for the ensuing year's budget. Also noteworthy about the combined fund balance is that it includes monies restricted and assigned for debt service of \$2,782,285, which will be used to meet the District's future debt service obligations and a restricted Capital Projects Fund fund balance of \$1,207,225, the remaining amount available to complete the \$24 million renovation and roofing capital projects begun in 2009 and the \$800,000 Safety & Security Project begun in 2013-2014. Exclusive of the Debt Service and Capital Projects funds, the combined ending fund balances are \$16,193,447.
- The School District budgeted \$2,650,000 as an appropriated surplus contribution to fund the 2013-2014 budget, including \$800,000 designated by the Board of Education for District-wide safety and security improvements. The \$800,000 was available due to the release of funds from the tax certiorari reserves in prior years as a result of favorable settlements. For the 2014-15 school year, the District budgeted \$1,386,000 as an appropriated surplus contribution to balance the budget.
- On the district-wide financial statements, which include the District's net Fixed Assets, the assets of the School District exceeded liabilities at the close of its most recent fiscal year by \$12,297,792. The School District's total net position decreased by \$4,743,881 for the year ended June 30, 2014. This decrease takes into consideration recognition of the other post-employment benefit ("OPEB") obligations under the provisions of GASB Statement No. 45. The GASB is charged with developing the accounting rules that apply to governments, including school districts and BOCES. These obligations include any benefits provided to retirees, other than pension, including health insurance, life insurance, vision, dental, etc. GASB Statement No. 45 establishes standards for accrual based measurement and recognition of OPEB expenses over periods that approximate employees' years of active service, as well as the required note disclosures. For the year ending June 30, 2014, the School District's OPEB obligations of \$21,462,216 are reflected as a liability on the district-wide financial statements and impact the total net position calculation.

- At the fund level, the General Fund, used to account for the District's budget, reflected actual expenditures for 2013-14 of \$66,792,062 which exceeded actual revenue & other financing sources of \$66,074,458 by \$717,604. This operating deficit resulted in a reduction of the General Fund fund balance by the same amount from June 30, 2013 to June 30, 2014.
- The Debt Service Fund, used for the payment of principal and interest payments on the District's outstanding bond issuances, reflected a reduction in fund balance of almost \$1.1 million in 2013-14. This reduction consisted of an appropriation of \$700,000 to support the operating budget and \$402,000 in debt service payments paid directly from the Fund. The combined deficit for the General Fund and Debt Service Fund is approximately \$1.8 million or 2.6% of the 2014-15 adopted budget. The District is aware that such operating deficits cannot be sustained long term and is strategically working to bring expenditures in line with revenues over the course of the next several years.
- Enrollment for the 2013-2014 fiscal year was 2,813 students, a decline of 20 students from the 2012-2013 enrollment of 2,833. Enrollment is projected at 2,796 students for 2014-2015, a decrease of 17 students.
- During 2013-2014, the District began two capital projects: an \$800,000 District-wide safety and security improvement project and a \$94,950 façade repair project at the High School. Both projects began in 2013-14 and are scheduled to be completed during 2014-2015.
- There were no debt issuances during 2013-14. The District entered into an installment purchase agreement for grounds equipment for approximately \$52,000. Of this amount, \$17,405 was paid in 2013-14 and the remaining payments will be made in 2014-15 and 2015-16.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains combining and individual fund statements and schedules in addition to the basic financial statements.

District-Wide Financial Statements

- The *district-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.
 - The *statement of net position* presents information on all of the School District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.
 - The *statement of activities* presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
 - The *governmental* activities of the School District include instruction, pupil transportation, community services, cost of food sales, interest and general administrative support.

The district-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.
 - Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
 - The School District maintains seven individual governmental funds: General Fund, Special Aid Fund, Capital Projects Fund, Debt Service Fund, School Lunch Fund, Special Purpose Fund and Permanent Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Special Aid, Capital Projects and Debt Service funds, which are considered to be major funds. Data for the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.
 - The School District adopts an annual budget for its General and Special Aid funds. A budgetary comparison statement has been provided for the General and Special Aid funds within the basic financial statements to demonstrate compliance with the respective budget.
- The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity on behalf of others. Fiduciary funds are not reflected in the district-wide financial statement because the resources of these funds are not available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements can be found following the basic financial statements section of this report.

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position. This MD&A includes a summary of two district-wide statements that focus on operations of the School District as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

As shown in the table below, the District's assets exceeded liabilities by \$12,297,792 as of June 30, 2014.

Net Position

	June 30,	
	2014	2013
Current Assets	\$ 27,937,828	\$ 27,235,370
Capital Assets, net	55,035,740	56,466,188
Total Assets	82,973,568	83,701,558
Deferred Outflows of Resources	641,151	-
Current Liabilities	8,193,931	6,210,887
Long-Term Liabilities	63,122,996	60,448,998
Total Liabilities	71,316,927	66,659,885
Net Position		
Net Investment in Capital Assets	14,209,046	13,879,699
Restricted for		
Capital Projects	1,208,587	623,766
Tax Certiorari	3,910,433	4,371,591
Retirement Contributions	4,164,068	3,537,888
Debt Service	2,782,285	3,876,919
Property Damage	36,212	36,151
Unemployment Benefits	152,544	152,286
Trusts	465,301	281,835
School Lunch	170,324	142,543
Unrestricted	(14,801,008)	(9,861,005)
Total Net Position	\$ 12,297,792	\$ 17,041,673

The largest component of the School District's net position reflects its investment in capital assets, less any related outstanding debt used to acquire those assets. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending.

Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There is a negative balance of unrestricted net assets of \$14,801,008 which is the result of recognizing the OPEB liabilities. Overall, net position decreased by \$4,743,881 from the prior year.

Changes in Net Position

	June 30,	
	2014	2013
REVENUES		
Program Revenues		
Charges for Services	\$ 1,847,389	\$ 1,768,200
Operating Grants and Contributions	2,007,907	1,690,141
Capital Grants and Contributions	6,970	9,774
Total Program Revenues	3,862,266	3,468,115
General Revenues		
Real Property Taxes	52,304,034	50,478,973
Other Tax Items	4,746,866	4,778,601
Non-Property Taxes	632,803	598,481
Unrestricted Use of Money and Property	25,005	24,736
Sale of Property and Compensation of Loss	24,385	48,786
Unrestricted State Aid	5,583,627	5,389,354
Contributed Land Improvements	1,303,550	-
Miscellaneous	259,082	258,320
Total General Revenues	64,879,352	61,577,251
Total Revenues	68,741,618	65,045,366
PROGRAM EXPENSES		
General Support	10,153,850	9,805,953
Instruction	59,170,243	57,002,601
Pupil Transportation	1,042,779	1,086,327
Community Services	452,029	539,023
Cost of Food Sales	707,557	667,832
Other	315,469	346,895
Interest	1,643,572	1,705,813
Total Expenses	73,485,499	71,154,444
Change in Net Position	(4,743,881)	(6,109,078)
NET POSITION		
Beginning	17,041,673	23,150,751
Ending	\$ 12,297,792	\$ 17,041,673

As seen above, governmental activities decreased the School District's net position by \$4,743,881 during the current fiscal year. Noteworthy is the impact of the requirements of GASB Statement No. 45 which requires recognition of OPEB expenses of \$4,056,928 for the year ended June 30, 2014. Other significant changes in these activities are as follows:

Revenues

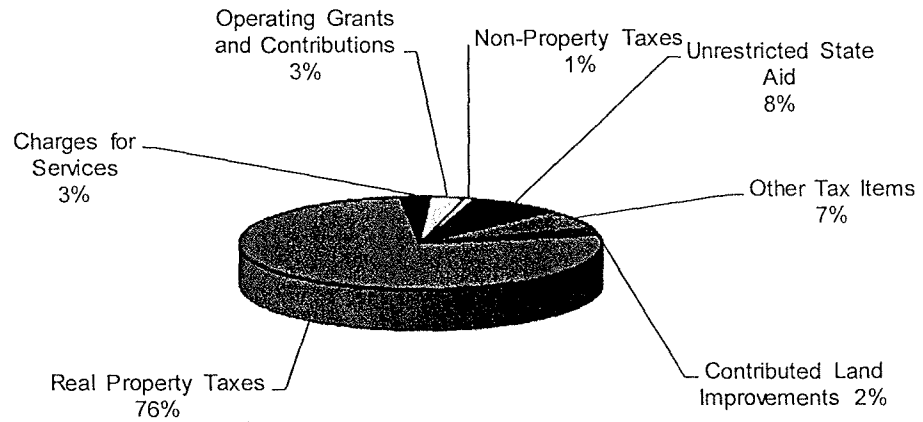
- Real Property Taxes, excluding STAR, increased by \$1,825,061. The growth in the annual Real Property Tax levy, including STAR, is limited by the "Tax Levy Limitation Law" enacted in 2011 which stipulates that the levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. The 2013-2014 property tax levy increase over the prior year was 3.25%, slightly lower than the allowable levy increase of 3.98%.
- Other Tax Items include reimbursements received for the School Tax Relief Reimbursement Program ("STAR").
- Non-Property Taxes includes sales tax allocation from Westchester County.
- Unrestricted State Aid, comprised largely of Basic Formula Aid, Lottery Aid, BOCES Aid and Building Aid, allocated to the School District increased by \$194,273 or 3.6% from the prior year amount.
- Contributed Land Improvements of \$1,303,550 reflects the donation by a community organization of a turf field at the Glover Field sports complex. The field was installed in the summer of 2013.

Expenses

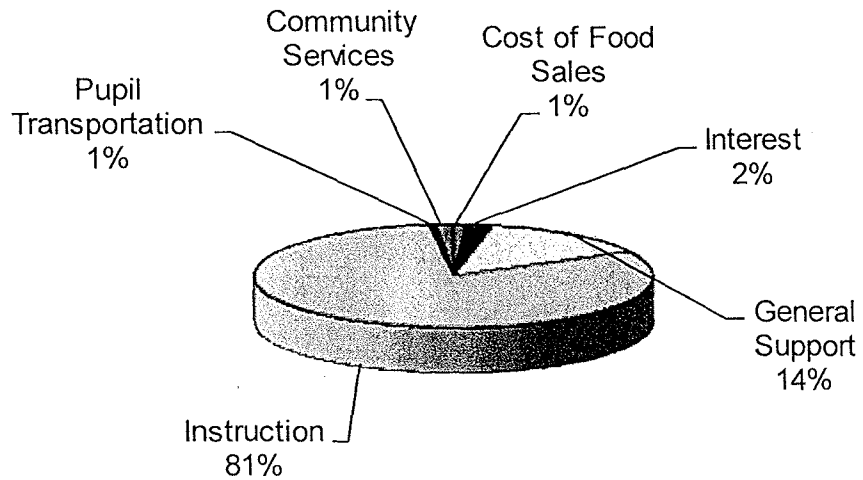
Overall, Government-wide expenses increased by \$2.3 million across all funds, with the majority of this increase in the area of employee benefits. Over \$1.4 million of this amount is attributable to Teacher Retirement System (TRS) expense increases as the TRS rate increased from 11.84% in 2012-2013 to 16.25% in 2013-14. Health insurance increased by approximately 7.5%, resulting in an additional \$400,000 in net cost to the district.

As indicated on the graphs below, the School District relied upon real property taxes for 76% of its revenue in 2013-2014. The School District's instruction costs accounted for 81% of its expenses in 2013-2014.

Sources of Revenue for Fiscal Year 2013-2014 Governmental Activities



Expenses for Fiscal Year 2013-2014 Governmental Activities



Financial Analysis of the School District's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Fund Balance Reporting

GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", in February 2009. The requirements of GASB 54 became effective for financial statements for the District's fiscal period ended June 30, 2012. GASB 54 abandoned the reserved and unreserved classifications of fund balance and replaced them the five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

Nonspendable - consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale and principal of endowments.

Restricted - consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed - consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned - consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

These changes were made to reflect spending constraints on resources, rather than availability for appropriations and to bring greater clarity and consistency to fund balance reporting. This pronouncement should result in an improvement in the usefulness of fund balance information.

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a School District's net resources available for discretionary use as it represents the only portion of fund balance which has not been limited to use for a particular purpose by either an external party, the District itself, or an individual that has been delegated authority to assign resources for use for particular purposes by the Board of Education.

As of June 30, 2014, the combined fund balances for the School District's governmental funds totaled \$20,182,957, a decrease of \$1,017,532 from the prior year.

General Fund Budgetary Highlights

The General Fund is the primary operating fund of the School District. The adopted budget for fiscal year 2013-2014 of \$68,984,200 was increased by \$1,233,108 as a result of prior year encumbrances of \$688,517 and expenditures for tax certiorari payments of \$544,590. During the fiscal year, appropriation transfers within the budget were made to address the operational needs of the School District. The final adjusted budget for the fiscal year ending June 30, 2014 was \$70,217,307.

Revenues exceeded the final budget by \$440,257, due largely to favorable variances in tuition revenue of approximately \$250,000, sales tax revenue of over \$100,000 and State Aid which included a \$100,000 special legislative grant which was fully expended in 2013-2014 for technology initiatives and other specified purposes.

On the expenditure side of the budget, a positive variance of \$3,425,245, inclusive of encumbrances as of June 30, 2014, was realized largely as a result of favorable salary variances across all functional areas and lower than expected costs for employee benefits and programs for students with disabilities.

The combined effects of these favorable budget variances produced a budgetary surplus of \$3,865,502 for the fiscal year ended June 30, 2014. This budgetary surplus became a component of the General Fund fund balance which consists of nonspendable, restricted, assigned and unassigned balances as discussed under "Financial Highlights for FY 2013-2014."

As previously noted, General Fund actual expenditures for 2013-14 of \$66,792,062 exceeded actual revenue & other financing sources of \$66,074,458 by \$717,604. This operating deficit reduced the General Fund fund balance by this same amount in 2013-14. The District is aware that such operating deficits cannot be sustained long term and is strategically planning to bring expenditures in line with revenues over the next several years. Combined with the reduction of fund balance in the Debt Service Fund of almost \$1.1 million in 2013-14, the total decrease in fund balance for these two funds is approximately \$1.8 million or 2.6% of the 2014-15 adopted budget.

At the end of the current fiscal year, the total fund balance of the General Fund was \$15,557,822 of which \$2,779,692 was classified as unassigned fund balance, representing 4% of the ensuing year's budget. As previously mentioned, New York State Law limits the amount of unassigned fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget.

The table on the following page outlines the various balances that comprise the total fund balance as of June 30, 2014 and 2013 according to their GASB Statement No. 54 classifications. More detailed information about the School District's fund balance is presented in note 3, H. in the notes to financial statements.

Total Fund Balance Classifications

GASB Statement No. 54 Classification		Fund Balance June 30,	
		2014	2013
Nonspendable Fund Balance:	Prepaid expenditures	\$ 1,284,147	\$ 1,208,547
	Inventories	6,533	846
	Trust-Permanent fund	30,375	30,375
	Total Nonspendable Fund Balance	1,321,055	1,239,768
Restricted Fund Balance:	Tax certiorari reserves	3,910,433	4,371,591
	Employee benefit accrued liability reserve	192,935	184,222
	Retirement contribution (ERS) reserve	4,164,068	3,537,888
	Property damage reserve	36,212	36,151
	Unemployment benefits reserve	152,544	152,286
	Debt service	2,082,285	3,176,919
	Capital projects	1,207,225	623,766
	Special purpose	431,489	248,057
	Permanent fund	3,437	3,403
	Total Restricted Fund Balance	12,180,628	12,334,283
Assigned Fund Balance:	Purchases on Order		
	General Government Support	721,825	580,529
	Instruction	62,976	25,340
	Community Services	166,990	82,648
	School lunch fund	163,791	141,697
	Appropriated for subsequent year's expenditures	2,786,000	4,050,000
	Total Assigned Fund Balance	3,901,582	4,880,214
Unassigned Fund Balance		2,779,692	2,746,224
Total Fund Balance, as of June 30		\$ 20,182,957	\$ 21,200,489

Capital Assets

At June 30, 2014, the School District had capital assets of \$55,035,740, net of accumulated depreciation, invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, land improvements and machinery and equipment. The change in capital assets, net of accumulated depreciation, is presented below and includes comparative balances from the prior year.

Class	June 30,	
	2014	2013
Land	\$ 2,167,650	\$ 2,167,650
Construction in Progress	105,567	-
Buildings and Improvements	50,650,181	53,392,164
Land Improvements	1,873,938	716,360
Machinery and Equipment	238,404	190,014
Total Capital Assets, net of accumulated depreciation	<u>\$ 55,035,740</u>	<u>\$ 56,466,188</u>

The net decrease in capital assets during the current fiscal year results primarily from depreciation expense recorded in 2013-2014 of \$3,109,591, as partly offset by capital asset additions of \$1,679,143. The largest capital asset addition was the donated turf field valued at \$1.3 million which was installed at the Glover Field sports complex in the summer of 2013.

More detailed information about the School District's capital assets is presented in note 3, B. in the notes to financial statements.

Long-Term Debt

The School District had general obligation and other long-term debt outstanding as follows:

	June 30,		% Change
	2014	2013	
Bonds Payable	\$ 41,433,037	\$ 43,563,466	-5%
Compensated Absences	192,935	184,222	5%
Installment Purchase Debt	34,808	-	n/a
Other Post Employment Benefit Obligations	21,462,216	17,405,288	23%
Total	<u>\$ 63,122,996</u>	<u>\$ 61,152,976</u>	<u>3%</u>

More detailed information about the School District's long-term liabilities is presented in note 3,E, in the notes to financial statements.

Conclusion

The School District remains financially solid. In spite of the uncertain economic times, rising personnel costs, additional State Education Department mandates, and ambitious educational goals, the School District is prepared to meet future challenges. It has positioned the educational, financial, and human resources necessary to remain a stable and strong entity ready to serve the school-aged children of the Pelham community with an educational plan that provides academic rigor and high standards for all.

Effective internal controls are in place in its Business Office, as is a prudent budget process which yields a spending plan each year that is approved by the School Board and resident voters.

As with all governmental entities, the School District depends heavily on its real property taxes, which represent approximately 76% of its revenue, exclusive of STAR funds. Despite many unfunded mandates and the tax cap legislation imposed on it, the School District required a tax rate increase of only 3.25% for the 2013-2014 fiscal year. At the same time, the School District's share of State Aid is expected to increase only modestly, reflecting the sustained economic difficulties that the region and State are experiencing. The challenge of presenting a fiscally responsible budget while meeting the needs of children will continue to require effective and efficient management of School District operations now and in future years.

This School District Administration and Board monitor its fiscal health through analyses of monthly financial reports and the utilization of various audits. These analyses and audits assist in identifying areas of potential financial stress, in developing realistic budgets that serve the academic and emotional needs of students, and in making timely decisions when faced with important financial decisions. There are four types of auditors that assist in the School District setting: claims auditor, internal auditor, external auditor, and State auditors. Each has a very important role in ensuring that the School District is financially solvent and that the School Board upholds its fiduciary responsibilities to its community. Each audit conducted in 2013-14, including a review of the District's tax cap formula calculations by the Office of the State Comptroller, indicated the School District's financial operations are in compliance with state laws and/or existing School Board policies and administrative regulations. The audited financial statements that follow capture relevant data validating the overall financial position of the School District as of and for the year ended June 30, 2014.

The tax cap under which all school districts and municipalities in New York State operate has dramatically impacted the financial operations of all NYS governmental entities. With the majority of any governmental unit's revenue being provided by taxes, the tax cap places a hard ceiling on revenue increases thereby limiting expense growth and requiring staff reductions and program changes. By legislatively limiting the revenue side of the budget, while concurrently enacting mandates which translate to expense increases, NYS has created a financial model that is not sustainable. Consideration must be given to enacting legislative changes to allow for fair labor negotiations, limiting pension cost increases and addressing the stringent state mandates on services to students that in many cases far exceed Federal regulations.

The District's adopted budget for 2014-2015 is \$69,429,200 which represents a 0.74% budget to budget increase from 2013-2014 and results in a 1.93% tax levy increase, which is in compliance with the allowable tax levy calculated under the NYS tax cap guidelines. The lower than usual budget to budget increase reflects the additional \$800,000 in one-time expenditures for District-wide safety and security improvements included in the 2013-2014 budget.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances to all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Pelham Union Free School District
Attention: Mr. Angelo Rubbo
Assistant Superintendent for Business
575 Colonial Avenue
Pelham, NY 10803-2144

Visit our Website at **www.pelhamschools.org**

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Pelham Union Free School District, New York

Statement of Net Position

June 30, 2014

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 24,867,761
Receivables	
Accounts	4,413
State and Federal aid	1,193,958
Due from other governments	581,016
Prepaid expenses	1,284,147
Inventories	6,533
Capital assets	
Not being depreciated	2,273,217
Being depreciated, net	52,762,523
Total Assets	<u>82,973,568</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding bonds	<u>641,151</u>
LIABILITIES	
Accounts payable	1,939,254
Accrued liabilities	98,228
Due to other governments	135,072
Unearned revenues	28,616
Due to retirement systems	5,553,701
Accrued interest payable	439,060
Non-current liabilities	
Due within one year	2,211,404
Due in more than one year	60,911,592
Total Liabilities	<u>71,316,927</u>
NET POSITION	
Net investment in capital assets	14,209,046
Restricted	
Capital projects	1,208,587
Tax certiorari	3,910,433
Retirement contributions	4,164,068
Debt service	2,782,285
Property damage	36,212
Unemployment benefits	152,544
Trusts	465,301
School lunch	170,324
Unrestricted	<u>(14,801,008)</u>
Total Net Position	<u>\$ 12,297,792</u>

The notes to the financial statements are an integral part of this statement.

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Pelham Union Free School District, New York

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 10,153,850	\$ 57,115	\$ 14,194	\$ -	\$ (10,082,541)
Instruction	59,170,243	1,149,940	1,150,425	-	(56,869,878)
Pupil transportation	1,042,779	-	33,192	-	(1,009,587)
Community services	452,029	63,738	157,490	-	(230,801)
Cost of food sales	707,557	576,596	153,671	-	22,710
Other	315,469	-	498,935	-	183,466
Interest	1,643,572	-	-	6,970	(1,636,602)
Total Governmental Activities	<u>\$ 73,485,499</u>	<u>\$ 1,847,389</u>	<u>\$ 2,007,907</u>	<u>\$ 6,970</u>	<u>(69,623,233)</u>
General revenues					
Real property taxes					52,304,034
Other tax items					
School tax relief reimbursement					4,746,866
Non-property taxes					
Non-property tax distribution from County					632,803
Unrestricted use of money and property					25,005
Sale of property and compensation of loss					24,385
Unrestricted State aid					5,583,627
Contributed land improvements					1,303,550
Miscellaneous					259,082
Total General Revenues					<u>64,879,352</u>
Change in Net Position					(4,743,881)
Net Position - Beginning					<u>17,041,673</u>
Net Position - Ending					<u>\$ 12,297,792</u>

The notes to the financial statements are an integral part of this statement.

Pelham Union Free School District, New York

Balance Sheet
Governmental Funds
June 30, 2014

	General	Special Aid	Capital Projects
ASSETS			
Cash and equivalents	\$ 19,765,612	\$ 6,260	\$ 1,281,087
Receivables			
Accounts	95	-	-
State and Federal aid	920,202	263,341	-
Due from other governments	581,016	-	-
Due from other funds	590,676	-	-
Prepaid expenditures	1,284,147	-	-
Inventories	-	-	-
Total Assets	<u>\$ 23,141,748</u>	<u>\$ 269,601</u>	<u>\$ 1,281,087</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,799,813	\$ 5,076	\$ 73,745
Accrued liabilities	95,656	2,572	-
Due to other governments	134,756	-	-
Unearned revenues	-	-	-
Due to other funds	-	261,953	117
Due to retirement systems	5,553,701	-	-
Total Liabilities	<u>7,583,926</u>	<u>269,601</u>	<u>73,862</u>
Fund balances			
Nonspendable	1,284,147	-	-
Restricted	8,456,192	-	1,207,225
Assigned	3,037,791	-	-
Unassigned	2,779,692	-	-
Total Fund Balances	<u>15,557,822</u>	<u>-</u>	<u>1,207,225</u>
Total Liabilities and Fund Balances	<u>\$ 23,141,748</u>	<u>\$ 269,601</u>	<u>\$ 1,281,087</u>

The notes to the financial statements are an integral part of this statement.

Debt Service	Non-Major Governmental	Total Governmental Funds
\$ 2,782,168	\$ 1,032,634	\$ 24,867,761
-	4,318	4,413
-	10,415	1,193,958
-	-	581,016
117	35,112	625,905
-	-	1,284,147
-	6,533	6,533
<u>\$ 2,782,285</u>	<u>\$ 1,089,012</u>	<u>\$ 28,563,733</u>
\$ -	\$ 60,620	\$ 1,939,254
-	-	98,228
-	316	135,072
-	28,616	28,616
-	363,835	625,905
-	-	5,553,701
-	453,387	8,380,776
-	36,908	1,321,055
2,082,285	434,926	12,180,628
700,000	163,791	3,901,582
-	-	2,779,692
<u>2,782,285</u>	<u>635,625</u>	<u>20,182,957</u>
<u>\$ 2,782,285</u>	<u>\$ 1,089,012</u>	<u>\$ 28,563,733</u>

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Pelham Union Free School District, New York

Reconciliation of Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
Year Ended June 30, 2014

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Fund Balances - Total Governmental Funds	\$ 20,182,957
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>55,035,740</u>
Governmental funds report the effects of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on refunding bonds	<u>641,151</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(439,060)
Bonds payable	(41,433,037)
Installment purchase debt	(34,808)
Compensated absences	(192,935)
Other post employment benefits obligations payable	<u>(21,462,216)</u>
	<u>(63,562,056)</u>
Net Position of Governmental Activities	<u><u>\$ 12,297,792</u></u>

The notes to the financial statements are an integral part of this statement.

Pelham Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	General	Special Aid	Capital Projects
REVENUES			
Real property taxes	\$ 52,304,034	\$ -	\$ -
Other tax items	4,746,866	-	-
Non-property taxes	632,803	-	-
Charges for services	1,213,678	-	-
Use of money and property	95,936	-	-
Sale of property and compensation of loss	24,385	-	-
State aid	5,938,664	161,300	-
Federal aid	1,520	666,138	-
Food sales	-	-	-
Miscellaneous	416,572	-	-
Total Revenues	65,374,458	827,438	-
EXPENDITURES			
Current			
General support	7,959,545	-	-
Instruction	37,248,411	816,992	-
Pupil transportation	982,758	41,490	-
Community services	361,700	-	-
Employee benefits	15,992,172	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	348,266
Total Expenditures	62,544,586	858,482	348,266
Excess (Deficiency) of Revenues Over Expenditures	2,829,872	(31,044)	(348,266)
OTHER FINANCING SOURCES (USES)			
Installment purchase debt issued	-	-	52,213
Transfers in	700,000	31,044	879,512
Transfers out	(4,247,476)	-	-
Total Other Financing Sources (Uses)	(3,547,476)	31,044	931,725
Net Change in Fund Balances	(717,604)	-	583,459
FUND BALANCES			
Beginning of Year	16,275,426	-	623,766
End of Year	\$ 15,557,822	\$ -	\$ 1,207,225

The notes to the financial statements are an integral part of this statement.

Debt Service	Non-Major Governmental	Total Governmental Funds
\$ -	\$ -	\$ 52,304,034
-	-	4,746,866
-	-	632,803
-	-	1,213,678
6,970	412	103,318
-	-	24,385
-	8,748	6,108,712
-	144,702	812,360
-	576,596	576,596
-	498,744	915,316
6,970	1,229,202	67,438,068
-	-	7,959,545
-	-	38,065,403
-	-	1,024,248
-	-	361,700
-	-	15,992,172
-	702,486	702,486
-	315,469	315,469
2,132,405	-	2,132,405
1,606,119	-	1,606,119
-	-	348,266
3,738,524	1,017,955	68,507,813
(3,731,554)	211,247	(1,069,745)
-	-	52,213
3,336,920	-	4,947,476
(700,000)	-	(4,947,476)
2,636,920	-	52,213
(1,094,634)	211,247	(1,017,532)
3,876,919	424,378	21,200,489
\$ 2,782,285	\$ 635,625	\$ 20,182,957

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Pelham Union Free School District, New York

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

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances - Total Governmental Funds	\$ (1,017,532)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures	375,593
Depreciation expense	<u>(3,109,591)</u>
	<u>(2,733,998)</u>

The net effect of various miscellaneous transactions involving capital assets is to increase net position.

Contributed land improvements	<u>1,303,550</u>
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal paid on serial bonds	2,115,000
Principal paid on installment purchase debt	17,405
Installment purchase debt issued	(52,213)
Amortization of loss on refunding bonds and issuance premium	<u>(320,397)</u>
	<u>1,759,795</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest	9,945
Compensated absences	(8,713)
Other post employment benefit obligations	<u>(4,056,928)</u>
	<u>(4,055,696)</u>

Change in Net Position of Governmental Activities	<u>\$ (4,743,881)</u>
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The notes to the financial statements are an integral part of this statement.

Pelham Union Free School District, New York

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual
General and Special Aid Funds
Year Ended June 30, 2014

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 52,304,033	\$ 52,304,033	\$ 52,304,034	\$ 1
Other tax items	4,746,866	4,746,866	4,746,866	-
Non-property taxes	525,000	525,000	632,803	107,803
Charges for services	963,850	963,850	1,213,678	249,828
Use of money and property	82,764	82,764	95,936	13,172
Sale of property and compensation of loss	-	-	24,385	24,385
State aid	5,759,621	5,759,621	5,938,664	179,043
Federal aid	-	-	1,520	1,520
Miscellaneous	552,067	552,067	416,572	(135,495)
Total Revenues	64,934,201	64,934,201	65,374,458	440,257
EXPENDITURES				
Current				
General support	7,784,911	8,960,487	7,959,545	1,000,942
Instruction	38,634,311	38,549,312	37,248,411	1,300,901
Pupil transportation	1,288,253	1,088,253	982,758	105,495
Community services	346,095	529,107	361,700	167,407
Employee benefits	17,364,633	16,842,228	15,992,172	850,056
Total Expenditures	65,418,203	65,969,387	62,544,586	3,424,801
Excess (Deficiency) of Rev- enues Over Expenditures	(484,002)	(1,035,186)	2,829,872	3,865,058
OTHER FINANCING SOURCES (USES)				
Transfers in	700,000	700,000	700,000	-
Transfers out	(4,254,515)	(4,247,920)	(4,247,476)	444
Total Other Financing Sources (Uses)	(3,554,515)	(3,547,920)	(3,547,476)	444
Net Change in Fund Balances	(4,038,517)	(4,583,106)	(717,604)	3,865,502
FUND BALANCE				
Beginning of Year	4,038,517	4,583,106	16,275,426	11,692,320
End of Year	\$ -	\$ -	\$ 15,557,822	\$ 15,557,822

The notes to the financial statements are an integral part of this statement.

Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
132,344	161,300	161,300	-
704,556	761,992	666,138	(95,854)
-	-	-	-
836,900	923,292	827,438	(95,854)
-	-	-	-
855,410	913,290	816,992	96,298
41,490	41,490	41,490	-
-	-	-	-
-	-	-	-
896,900	954,780	858,482	96,298
(60,000)	(31,488)	(31,044)	444
60,000	31,488	31,044	444
-	-	-	-
60,000	31,488	31,044	444
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Pelham Union Free School District, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2014

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 104,909
	<u> </u>
LIABILITIES	
Accounts payable	\$ 95
Student activity funds	104,814
	<u> </u>
Total Liabilities	\$ 104,909
	<u> </u>

The notes to the financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The Pelham Union Free School District, New York ("School District"), as presently constituted, was established in 1912 and operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The accounting policies of the School District conform to generally accepted accounting principles for local governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the School District's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the School District, b) organizations for which the School District is financially accountable and c) other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the School District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The School District participates in the Southern Westchester Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating district's governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined by Education Law. Copies of BOCES' financial statement can be requested from Southern Westchester BOCES, 17 Berkley Drive, Rye Brook, New York 10573.

B. District-Wide Financial Statements

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the School District as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the School District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The School District does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the School District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The School District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the district-wide presentation. The School District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the School District's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are established to account for and report the proceeds of specific revenue sources that are restricted, committed or

Note 1 - Summary of Significant Accounting Policies (Continued)

assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue fund of the School District is as follows -

Special Aid Fund - The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal or State funds.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

The School District also reported the following non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the breakfast and lunch programs of the School District.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the School District in accordance with the terms of a trust agreement.

Permanent Fund - The Permanent Fund is used to account for assets that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs.

- b. Fiduciary Funds (Not Included in District-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. Among the activities included in the Agency Fund are the student activity funds. The Agency Fund is also utilized to account for payroll tax withholdings that are payable to other jurisdictions.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are

Note 1 - Summary of Significant Accounting Policies (Continued)

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Deposits and Risk Disclosures

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions, and accordingly, the School District's policy provides for no credit risk on investments.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be

Note 1 - Summary of Significant Accounting Policies (Continued)

disclosed as exposed to custodial risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2014.

The School District was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of July 1st and are payable in two installments in September and January. The Town of Pelham is responsible for the billing and collection of the taxes. The Town guarantees the full payment of the School District warrant and assumes responsibility for uncollected taxes.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the School District. Receivables are recorded and revenues recognized as earned or as specific program expenses/expenditures are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the district-wide and fund financial statements. Prepaid expenses/expenditures consists of insurance costs and other charges for services, which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent years budget and will benefit such periods. Reported amounts are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Inventories - Inventories in the School Lunch Fund consists of surplus food at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Note 1 - Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings and Improvements	20-50
Land Improvements	15-40
Machinery and Equipment	5-20

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In the district-wide financial statements, unearned revenues consists of amounts received in advance and/or grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported deferred revenues of \$28,616 for meal deposits in advance in the School Lunch Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The School District reported deferred outflows of resources of \$641,151 for a deferred loss on refunding bonds in the governmental-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-Term Liabilities - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation leave upon separation from service. The liability for such accumulated leave is reflected in the district-wide statement of net position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position on the Statement of Net Position includes net investment in capital assets, restricted for capital projects, tax certiorari, retirement contributions, debt service, property damage, unemployment benefits, trusts and school lunch. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law of the State of New York.

Note 1 - Summary of Significant Accounting Policies (Continued)

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Board of Education is the highest level of decision making authority for the School District that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Education.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the School District's Board of Education or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represent amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates

Note 1 - Summary of Significant Accounting Policies (Continued)

also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 14, 2014.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The School District generally follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.
- f) Formal budgetary integration is employed during the year as a management control device for General and Special Aid funds.
- g) Budgets for General and Special Aid funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch, Special Purpose, Permanent or Debt Service funds.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education, subject to certain thresholds. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General and Special Aid funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted or as amended by the Board of Education.

B. Limitation on Unreserved Fund Balance

The School District is limited to the amount of committed, assigned and unassigned fund balance, with certain exceptions, that can be retained. New York State law limits this amount of fund balance to 4% of the ensuing year's budget.

C. Property Tax Limitation

The School District is not limited as to the maximum amount of real property taxes which may be raised. However, on June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments, including school districts.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a school district in a particular year, beginning with the 2012-2013 fiscal year. It expires on June 16, 2016.

Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. Certain adjustments would be permitted as defined by Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation only if the budget is approved by at least 60% of the vote. There are certain exemptions to the tax levy limitation, such as expenditures made on account of certain tort settlements and certain increases in the actuarial contribution rates of the various public employee retirement systems.

D. Application of Accounting Standards

For the year ended June 30, 2014, the School District implemented GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows/inflows of resources, certain items that were previously reported as assets and liabilities. The statement also recognizes as outflows of resources (expenses or expenditure) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

E. Capital Projects Fund Project Deficit

The Reconstruction of High school Façade Project reflected a deficit of \$1,362 at June 30, 2014 because of expenditures exceeding current financing on the project. This deficit will be eliminated with the subsequent receipt or issuance of authorized financing.

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2014

Note 3 - Detailed Notes on All Funds

A. Due From/To Other Funds

The balances reflected as due from/to other funds at June 30, 2014 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 590,676	\$ -
Special Aid	-	261,953
Capital Projects	-	117
Debt Service	117	-
Non-Major Governmental	35,112	363,835
	<u>\$ 625,905</u>	<u>\$ 625,905</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

B. Capital Assets

Changes in the School District's capital assets are as follows:

<u>Class</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital Assets, not being depreciated				
Land	\$ 2,167,650	\$ -	\$ -	\$ 2,167,650
Construction in Progress	-	105,567	-	105,567
Total Capital Assets, not being depreciated	<u>\$ 2,167,650</u>	<u>\$ 105,567</u>	<u>\$ -</u>	<u>\$ 2,273,217</u>
Capital Assets, being depreciated				
Buildings and Improvements	\$ 75,307,549	\$ 185,974	\$ -	\$ 75,493,523
Land Improvements	1,489,910	1,303,550	-	2,793,460
Machinery and Equipment	528,833	84,052	13,660	599,225
Total Capital Assets, being depreciated	<u>77,326,292</u>	<u>1,573,576</u>	<u>13,660</u>	<u>78,886,208</u>
Less Accumulated Depreciation for				
Buildings and Improvements	21,915,385	2,927,957	-	24,843,342
Land Improvements	773,550	145,972	-	919,522
Machinery and Equipment	338,819	35,662	13,660	360,821
Total Accumulated Depreciation	<u>23,027,754</u>	<u>3,109,591</u>	<u>13,660</u>	<u>26,123,685</u>
Total Capital Assets, being depreciated, net	<u>\$ 54,298,538</u>	<u>\$ (1,536,015)</u>	<u>\$ -</u>	<u>\$ 52,762,523</u>
Capital Assets, net	<u>\$ 56,466,188</u>	<u>\$ (1,430,448)</u>	<u>\$ -</u>	<u>\$ 55,035,740</u>

Note 3 - Detailed Notes on All Funds (Continued)

Depreciation expense was charged to School District functions and programs as follows:

General support	\$ 15,409
Instruction	3,089,111
Cost of food sales	<u>5,071</u>
Total Depreciation Expense	<u>\$ 3,109,591</u>

C. Accrued Liabilities

Accrued liabilities at June 30, 2014 were as follows:

Payroll and Employee Benefits	<u>\$ 98,228</u>
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D. Pension Plans

The School District participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State Teachers' Retirement System ("TRS") ("Systems"). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by Education Law and the New York State Retirement and Social Security Law. The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Systems. These reports may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224 and the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Funding Policy - The Systems are non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary, employees in tier 5 who also contribute 3% of their salary without regard to their years of service and employees in tier 6 who contribute between 3% and 6% depending on salary levels and also without regard to years of service. Contributions to ERS are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions to ERS consist of a life insurance portion and regular pension contributions. Pursuant to Article 11 of Education Law, actuarial contributions are established annually for TRS by the New York State Teachers' Retirement Board. Contribution rates for the plans' year's ending in 2014 are as follows:

ERS		TRS	
Tier/Plan	Rate	Tiers	Rate
2 75G	25.2 %	1-6	16.25%
3 A14	21.1		
4 A15	21.1		
5 A15	17.0		
6 A15	11.6		

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2014

Note 3 - Detailed Notes on All Funds (Continued)

Contributions made or accrued to the Systems for the current and two preceding years were as follows:

	ERS	TRS
2014	\$ 863,576	\$ 5,025,438
2013	852,464	3,577,108
2012	703,386	3,443,342

The ERS and TRS contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

The current year ERS and TRS contributions were charged to the General Fund.

E. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2014:

	Balance July 1, 2013	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2014	Due Within One-Year
Bonds Payable	\$ 43,355,000	\$ -	\$ 2,115,000	\$ 41,240,000	\$ 2,175,000
Plus - Unamortized premium on bonds	208,466	-	15,429	193,037	-
	43,563,466	-	2,130,429	41,433,037	2,175,000
Other Non-Current Liabilities					
Installment Purchase Debt	-	52,213	17,405	34,808	17,404
Compensated Absences	184,222	26,713	18,000	192,935	19,000
Other Post Employment Benefit Obligations Payable	17,405,288	5,757,990	1,701,062	21,462,216	-
Total Non-Current Liabilities	17,589,510	5,836,916	1,736,467	21,689,959	36,404
Total Long-Term Liabilities	\$ 61,152,976	\$ 5,836,916	\$ 3,866,896	\$ 63,122,996	\$ 2,211,404

Each governmental fund's liability for compensated absences and other post employment obligations is liquidated by the General Fund. The School District's indebtedness for bonds and installment purchase debt is satisfied by the Debt Service Fund which is funded primarily by the General Fund.

Bonds Payable

Bonds payable at June 30, 2014 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2014
Refunding Bonds	2002	\$ 2,135,000	May, 2015	4.000 %	\$ 110,000
Refunding Bonds	2007	22,555,000	August, 2029	4.000 - 5.500	21,465,000
Reconstruction of School Buildings	2010	16,029,473	November, 2029	2.000 - 4.000	13,700,000
Reconstruction of School Buildings	2011	7,198,000	October, 2025	2.000 - 3.000	5,965,000
					<u>\$ 41,240,000</u>

Note 3 - Detailed Notes on All Funds (Continued)

Interest expenditures of \$1,606,119 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$1,643,572 was recorded in the district-wide financial statements.

Installment Purchase Debt

The District entered into a lease agreement to finance the costs of a wide area mower. The terms of this agreement provided for the repayment of the principal amount of \$52,213, in annual installments of \$17,404 through June, 2016. This lease agreement is interest free for the School District.

Payments to Maturity

The annual requirements to amortize all bonded debt outstanding as of June 30, 2014 including interest payments of \$13,546,422 are as follows:

Year Ending June 30,	Bonds		Installment Purchase Debt	Total	
	Principal	Interest	Principal	Principal	Interest
2015	\$ 2,175,000	\$ 1,527,525	\$ 17,404	\$ 2,192,404	\$ 1,527,525
2016	2,140,000	1,444,056	17,404	2,157,404	1,444,056
2017	2,220,000	1,358,931	-	2,220,000	1,358,931
2018	2,300,000	1,276,844	-	2,300,000	1,276,844
2019	2,380,000	1,199,969	-	2,380,000	1,199,969
2020-2024	13,170,000	4,673,406	-	13,170,000	4,673,406
2025-2029	13,965,000	2,005,666	-	13,965,000	2,005,666
2030	2,890,000	60,025	-	2,890,000	60,025
	<u>\$ 41,240,000</u>	<u>\$ 13,546,422</u>	<u>\$ 34,808</u>	<u>\$ 41,274,808</u>	<u>\$ 13,546,422</u>

The above general obligation bonds and installment purchase debt are direct obligations of the School District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the School District.

Compensated Absences

School District administrators may accumulate up to ten vacation days. Upon separation of service from the School District, administrators will be compensated for any unused days. Vacation time, for all other employees, must be taken in the year granted. Certain CSEA employees are granted their vacation time in the year after it is earned. The School District is not required to compensate employees for accumulated sick leave upon separation of service. The value of all compensated absences has been reflected in the government-wide financial statements.

Other Post Employment Benefit Obligations Payable

In addition to providing pension benefits, the School District provides certain health care benefits for retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the School District may vary according to

Note 3 - Detailed Notes on All Funds (Continued)

length of service. The cost of providing post employment health care benefits is shared between the School District and the retired employee. Substantially all of the School District's employees may become eligible for those benefits if they reach normal retirement age while working for the School District. The cost of retiree health care benefits is recognized as an expenditure in the fund financial statements as claims are paid.

The School District's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. 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 over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The School District is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in postretirement benefits are as follows:

Year Ended June 30,	Medical
2015	8.00 %
2016	7.00
2017	6.00
2018	5.00
2019	5.00

The actuarial assumptions included a 4.0% investment rate of return and a 4.0% annual payroll growth rate. The amortization basis is the level dollar method with an open amortization approach with 24 years remaining in the amortization period. The unit credit method was used to determine the actuarial value of the assets of the OPEB plan, however, the District currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the unit credit method.

Note 3 - Detailed Notes on All Funds (Continued)

The number of participants as of June 30, 2014 was as follows:

Active Employees	341
Retired Employees	<u>198</u>
	<u>539</u>

Amortization Component	
Actuarial Accrued Liability as of July 1, 2013	\$ 59,333,479
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 59,333,479</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 35,537,484</u>
UAAL as a Percentage of Covered Payroll	<u>166.96%</u>
Annual Required Contribution	\$ 6,029,614
Adjustment to annual required contribution	(967,836)
Interest on Net OPEB Obligation	<u>696,212</u>
Annual OPEB Cost	5,757,990
Contributions Made	<u>(1,701,062)</u>
Increase in Net OPEB Obligation	4,056,928
Net OPEB Obligation - Beginning of Year	<u>17,405,288</u>
Net OPEB Obligation - End of Year	<u>\$ 21,462,216</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 5,757,990	29.5 %	\$ 21,462,216
2013	5,706,200	25.5	17,405,288
2012	5,156,608	27.3	13,156,080

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

Note 3 - Detailed Notes on All Funds (Continued)

F. Revenues and Expenditures

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.

Transfers Out	Transfers In				Total
	General Fund	Special Aid Fund	Capital Projects Fund	Debt Service Fund	
General Fund	\$ -	\$ 31,044	\$ 879,512	\$ 3,336,920	\$ 4,247,476
Debt Service Fund	700,000	-	-	-	700,000
	<u>\$ 700,000</u>	<u>\$ 31,044</u>	<u>\$ 879,512</u>	<u>\$ 3,336,920</u>	<u>\$ 4,947,476</u>

Transfers are used to 1) move funds from the operating funds to the Debt Service Fund as debt service principal and interest payments become due and 2) move amounts earmarked in the operating funds to fulfill commitments for General, Special Aid and Capital Projects funds expenditures.

G. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - The component of net position that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds.

Restricted for Tax Certiorari - the component of net position that has been established in accordance with Education Law to provide funding for court ordered tax refunds which are currently in process.

Restricted for Retirement Contributions - the component of net position that reports the amounts set aside to be used for the School District's payment of retirement contributions to the New York State and Local Employee's Retirement System in accordance with Section 6-r of the General Municipal Law of the State of New York.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities of the Debt Service Fund with constraints placed on their use by Local Finance Law.

Note 3 - Detailed Notes on All Funds (Continued)

Restricted for Property Damage - the component of net position that has been established pursuant to General Municipal Law to set aside funds to be used to self insure the School District for its annual property damage insurance deductibles.

Restricted for Unemployment Benefits - the component of net position that has been established to set aside funds to be used for a specific purpose in accordance with Section 6m of General Municipal Law of the State of New York.

Restricted for Trusts - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

Restricted for School Lunch - the component of net position that reports the difference between assets and liabilities in the School Lunch Fund with constraints placed on their use by Local Finance Law.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2014

Note 3 - Detailed Notes on All Funds (Continued)

H. Fund Balances

	2014					2013				
	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable										
Inventories	\$ -	\$ -	\$ -	\$ 6,533	\$ 6,533	\$ -	\$ -	\$ -	\$ 846	\$ 846
Prepaid expenditures	1,284,147	-	-	-	1,284,147	1,208,547	-	-	-	1,208,547
Permanent Fund	-	-	-	30,375	30,375	-	-	-	30,375	30,375
Total Nonspendable	1,284,147	-	-	36,908	1,321,055	1,208,547	-	-	31,221	1,239,768
Restricted										
Tax certiorari	3,910,433	-	-	-	3,910,433	4,371,591	-	-	-	4,371,591
Unemployment benefits	152,544	-	-	-	152,544	152,286	-	-	-	152,286
Employee benefit accrued liability	192,935	-	-	-	192,935	184,222	-	-	-	184,222
Retirement contributions	4,164,068	-	-	-	4,164,068	3,537,888	-	-	-	3,537,888
Property damage	36,212	-	-	-	36,212	36,151	-	-	-	36,151
Debt service	-	-	2,082,285	-	2,082,285	-	-	3,176,919	-	3,176,919
Capital projects	-	1,207,225	-	-	1,207,225	-	623,766	-	-	623,766
Special purposes	-	-	-	431,489	431,489	-	-	-	248,057	248,057
Permanent Fund	-	-	-	3,437	3,437	-	-	-	3,403	3,403
Total Restricted	8,456,192	1,207,225	2,082,285	434,926	12,180,628	8,282,138	623,766	3,176,919	251,460	12,334,283
Assigned										
Purchases on order										
General government support	721,825	-	-	-	721,825	580,529	-	-	-	580,529
Instruction	62,976	-	-	-	62,976	25,340	-	-	-	25,340
Community services	166,990	-	-	-	166,990	82,648	-	-	-	82,648
	951,791	-	-	-	951,791	688,517	-	-	-	688,517
Subsequent year's expenditures	2,086,000	-	700,000	-	2,786,000	3,350,000	-	700,000	-	4,050,000
School Lunch Fund	-	-	-	163,791	163,791	-	-	-	141,697	141,697
Total Assigned	3,037,791	-	700,000	163,791	3,901,582	4,038,517	-	700,000	141,697	4,880,214
Unassigned	2,779,692	-	-	-	2,779,692	2,746,224	-	-	-	2,746,224
Total Fund Balances	\$ 15,557,822	\$ 1,207,225	\$ 2,782,285	\$ 635,625	\$ 20,182,957	\$ 16,275,426	\$ 623,766	\$ 3,876,919	\$ 424,378	\$ 21,200,489

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements, which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Inventories in the School Lunch Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of commodities and the School District anticipates utilizing them in the normal course of operations.

Prepaid Expenditures have been provided to account for certain payments made in advance. The amount is classified as nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The corpus of the Permanent Fund has been classified as nonspendable to indicate the portion of the trust with constraints placed on its use by external parties.

Employee Benefit Accrued Liability - the component of fund balance that has been restricted pursuant to General Municipal Law to provide funds for the payment for accrued leave time granted upon termination or separation from service.

Purchases on order are assigned and represent the School District's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Subsequent year's expenditures represent that at June 30, 2014, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

A former probationary teacher filed in 2011 a claim under the Workers' Compensation Law claiming that her employment was terminated due to her filing a Workers' Compensation claim. This matter is being vigorously contested by the School District. The amount of damage was not specified in the original complaint. The likely outcome cannot be determined at this time.

The District is a defendant in numerous claims from parents of disabled children. These parents have filed for due process and are seeking to recover private school tuition, room and board and transportation for their children for the 2009-10, 2010-11, 2011-12 and 2012-13 school years. An Impartial Hearing Officer has ruled against the District in one claim and the parties are engaged in an appeal of the Hearing Officer's decision. These parents are seeking \$180,000. If the parents are successful, the District's damages could exceed \$350,000 including legal fees. Two additional claims have yet to commence to the hearing stage. These parents are each seeking a recovery that could exceed \$175,000.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

B. Contingencies

The School District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the School District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial. The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

C. Risk Management

The School District and other school districts have formed a reciprocal insurance company to be owned by these districts. This Company operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, auto liability, all risk building and contents and auto physical damage coverage. In addition, as part of the reciprocal program, excess insurance, school board legal liability, equipment floaters, boilers and machinery and crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts.

The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution.

The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains a general liability insurance policy with coverage up to \$1 million per occurrence. The School District also maintains liability coverage for school board members up to \$2 million and an excess liability policy with coverage up to \$15 million. Property insurance for fire loss is also maintained for the School District's buildings and contents. In addition, the School District has established a reserve for property damage in the General Fund to be used to cover the deductible portion of property damage insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

The School District and neighboring school districts in Southern Westchester County participate in the State-Wide Schools Cooperative Health Plan. This Plan operates under an agreement, as amended, dated December 12, 1985. The purposes of the Plan are to effect cost savings in members' expenses for health coverage; to provide for centralized administration, funding and disbursements for health coverage; and to provide for such risk management services as may be appropriate to reduce future expense and liability for health coverage. The governance of the Plan shall be in all respects in the hands of the Board of Trustees. The Board of Trustees shall consist of seven trustees elected by the general membership of the Plan. No action may be taken by the Board of Trustees except by a vote of a majority of the total number of trustees. Billings to participants are based upon coverage provided to each participant's employees. The School District has transferred all related risk to the Plan.

The School District and neighboring school districts in Southern Westchester County, participate in the Southern Westchester Schools Cooperative Self-Insurance Plan for Workers' Compensation. The purpose of the Plan is to provide efficient and economical evaluation, processing, administration, defense and payment of claims against plan members for workers' compensation and to provide for risk management to reduce future liability for workers' compensation and employers' liability payments. The Plan is managed and governed by a Board of Trustees comprised of a representative from each district. Billings are based upon participants' experience rating. The School District has transferred all related risk to the Plan.

Pelham Union Free School District, New York

Required Supplementary Information - Schedule of Funding Progress
Other Post Employment Benefits
Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2013	\$ -	\$ 59,333,479	\$ 59,333,479	- %	\$ 35,537,484	166.96 %
July 1, 2012	-	59,333,479	59,333,479	-	34,753,303	170.73
July 1, 2011	-	53,718,504	53,718,504	-	34,717,390	154.73

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Pelham Union Free School District, New York

General Fund
Comparative Balance Sheet
June 30,

	2014	2013
ASSETS		
Cash and equivalents	\$ 19,765,612	\$ 18,068,758
Receivables		
Accounts	95	109
State and Federal aid	920,202	1,089,938
Due from other governments	581,016	811,171
Due from other funds	590,676	1,001,528
	2,091,989	2,902,746
Prepaid expenditures	1,284,147	1,208,547
Total Assets	\$ 23,141,748	\$ 22,180,051
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,799,813	\$ 1,366,002
Accrued liabilities	95,656	155,544
Due to other governments	134,756	-
Due to other funds	-	224,191
Due to retirement systems	5,553,701	4,158,888
Total Liabilities	7,583,926	5,904,625
Fund balance		
Nonspendable	1,284,147	1,208,547
Restricted	8,456,192	8,282,138
Assigned	3,037,791	4,038,517
Unassigned	2,779,692	2,746,224
Total Fund Balance	15,557,822	16,275,426
Total Liabilities and Fund Balance	\$ 23,141,748	\$ 22,180,051

Pelham Union Free School District, New York

General Fund

Comparative Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Years Ended June 30,

	2014				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
REVENUES					
Real property taxes	\$ 52,304,033	\$ 52,304,033	\$ 52,304,034	\$	\$ 1
Other tax items	4,746,866	4,746,866	4,746,866		-
Non-property taxes	525,000	525,000	632,803		107,803
Charges for services	963,850	963,850	1,213,678		249,828
Use of money and property	82,764	82,764	95,936		13,172
Sale of property and compensation of loss	-	-	24,385		24,385
Forfeitures	-	-	-		-
State aid	5,759,621	5,759,621	5,938,664		179,043
Federal aid	-	-	1,520		1,520
Miscellaneous	552,067	552,067	416,572		(135,495)
Total Revenues	64,934,201	64,934,201	65,374,458		440,257
EXPENDITURES					
Current					
General support					
Board of education	92,220	102,720	85,952	9,419	7,349
Central administration	503,672	500,582	479,668	1,117	19,797
Finance	755,156	741,901	731,291	1,000	9,610
Staff	437,437	499,261	441,509	12,600	45,152
Central services	5,424,538	5,936,488	5,049,732	697,689	189,067
Special items	571,888	1,179,535	1,171,393	-	8,142
Total General Support	7,784,911	8,960,487	7,959,545	721,825	279,117
Instruction					
Instruction, administration and improvement	2,476,849	2,468,825	2,402,530	5,537	60,758
Teaching - Regular school	24,526,059	24,458,164	23,882,170	36,457	539,537
Programs for children with handicapping conditions	5,617,164	6,227,117	5,908,659	10,490	307,968
Instructional media	1,229,062	1,194,937	1,094,396	6,956	93,585
Pupil services	4,785,177	4,200,269	3,960,656	3,536	236,077
Total Instruction	38,634,311	38,549,312	37,248,411	62,976	1,237,925
Pupil transportation	1,288,253	1,088,253	982,758	-	105,495
Community services	346,095	529,107	361,700	166,990	417
Employee benefits	17,364,633	16,842,228	15,992,172	-	850,056
Debt service					
Interest	-	-	-	-	-
Total Expenditures	65,418,203	65,969,387	62,544,586	951,791	2,473,010
Excess (Deficiency) of Revenues Over Expenditures	(484,002)	(1,035,186)	2,829,872	(951,791)	2,913,267
OTHER FINANCING SOURCES (USES)					
Transfers in	700,000	700,000	700,000	-	-
Transfers out	(4,254,515)	(4,247,920)	(4,247,476)	-	444
Total Other Financing Uses	(3,554,515)	(3,547,920)	(3,547,476)	-	444
Net Change in Fund Balance	(4,038,517)	(4,583,106)	(717,604)	\$ (951,791)	\$ 2,913,711
FUND BALANCE					
Beginning of Year	4,038,517	4,583,106	16,275,426		
End of Year	\$ -	\$ -	\$ 15,557,822		

2013				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 50,478,973	\$ 50,478,973	\$ 50,478,973	\$	\$ -
4,778,601	4,778,601	4,778,601		-
500,000	500,000	598,481		98,481
1,163,983	1,163,983	1,027,387		(136,596)
119,837	119,837	101,805		(18,032)
-	-	48,786		48,786
2,500	2,500	-		(2,500)
5,270,745	5,270,745	5,652,970		382,225
-	-	64,046		64,046
545,968	545,968	582,652		36,684
62,860,607	62,860,607	63,333,701		473,094
134,470	119,170	72,103	-	47,067
524,636	531,939	516,459	-	15,480
744,421	731,953	710,245	-	21,708
458,734	450,676	392,293	-	58,383
5,971,630	6,356,025	5,380,082	580,529	395,414
563,412	1,063,863	1,010,274	-	53,589
8,397,303	9,253,626	8,081,456	580,529	591,641
2,030,106	2,442,846	2,399,304	10,643	32,899
24,602,632	23,617,276	23,103,460	7,572	506,244
5,845,354	6,271,405	6,064,340	-	207,065
1,427,766	1,427,011	1,260,551	4,504	161,956
4,363,491	3,946,874	3,772,047	2,621	172,206
38,269,349	37,705,412	36,599,702	25,340	1,080,370
1,224,240	1,224,240	1,022,773	-	201,467
274,248	543,913	457,656	82,648	3,609
15,065,835	15,065,835	14,237,995	-	827,840
50,000	-	-	-	-
63,280,975	63,793,026	60,399,582	688,517	2,704,927
(420,368)	(932,419)	2,934,119	(688,517)	3,178,021
700,000	700,000	350,000	-	(350,000)
(3,454,515)	(3,449,415)	(3,435,285)	-	14,130
(2,754,515)	(2,749,415)	(3,085,285)	-	(335,870)
(3,174,883)	(3,681,834)	(151,166)	\$ (688,517)	\$ 2,842,151
3,174,883	3,681,834	16,426,592		
\$ -	\$ -	\$ 16,275,426		

Pelham Union Free School District, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	<u>\$ 52,304,033</u>	<u>\$ 52,304,033</u>	<u>\$ 52,304,034</u>	<u>\$ 1</u>
OTHER TAX ITEMS				
School tax relief reimbursement	<u>4,746,866</u>	<u>4,746,866</u>	<u>4,746,866</u>	<u>-</u>
NON-PROPERTY TAXES				
Non-property tax distribution from County	<u>525,000</u>	<u>525,000</u>	<u>632,803</u>	<u>107,803</u>
CHARGES FOR SERVICES				
Day school tuition	<u>739,667</u>	<u>739,667</u>	<u>979,602</u>	<u>239,935</u>
Youth services for other districts	<u>50,000</u>	<u>50,000</u>	<u>63,738</u>	<u>13,738</u>
Health services for other districts	<u>174,183</u>	<u>174,183</u>	<u>170,338</u>	<u>(3,845)</u>
	<u>963,850</u>	<u>963,850</u>	<u>1,213,678</u>	<u>249,828</u>
USE OF MONEY AND PROPERTY				
Earnings on investments	<u>35,001</u>	<u>35,001</u>	<u>38,821</u>	<u>3,820</u>
Rental of real property	<u>47,763</u>	<u>47,763</u>	<u>57,115</u>	<u>9,352</u>
	<u>82,764</u>	<u>82,764</u>	<u>95,936</u>	<u>13,172</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Insurance recoveries	<u>-</u>	<u>-</u>	<u>24,385</u>	<u>24,385</u>

STATE AID

Basic formula	5,759,621	5,759,621	3,618,196	(2,141,425)
Lottery aid	-	-	1,002,377	1,002,377
Textbook aid	-	-	172,770	172,770
Computer software aid	-	-	63,386	63,386
BOCES aid	-	-	951,297	951,297
Library loan program	-	-	18,881	18,881
State-of-the-art technology and athletic programming	-	-	100,000	100,000
Other	-	-	11,757	11,757

5,759,621

5,759,621

5,938,664

179,043

FEDERAL AID

Medicaid assistance	-	-	1,142	1,142
Emergency management assistance	-	-	378	378

1,520

1,520

MISCELLANEOUS

Refund of prior year's expenditures	30,000	30,000	92,787	62,787
Arts in education	150,000	150,000	157,490	7,490
Refund of BOCES aided services	110,000	110,000	83,940	(26,060)
Health insurance reimbursement	200,000	200,000	-	(200,000)
Other	62,067	62,067	82,355	20,288

552,067

552,067

416,572

(135,495)

TOTAL REVENUES

64,934,201

64,934,201

65,374,458

440,257

OTHER FINANCING SOURCES

Transfers in				
Debt Service Fund	700,000	700,000	700,000	-

TOTAL REVENUES AND**OTHER FINANCING SOURCES**

\$ 65,634,201

\$ 65,634,201

\$ 66,074,458

\$ 440,257

Pelham Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 84,720	\$ 94,470	\$ 78,448	\$ 9,419	\$ 6,603
District meeting	7,500	8,250	7,504	-	746
Total Board of Education	92,220	102,720	85,952	9,419	7,349
CENTRAL ADMINISTRATION					
Chief school administration	503,672	500,582	479,668	1,117	19,797
FINANCE					
Business administration	664,756	669,531	663,931	1,000	4,600
Auditing	90,400	72,370	67,360	-	5,010
Total Finance	755,156	741,901	731,291	1,000	9,610
STAFF					
Legal	220,000	292,000	253,231	-	38,769
Personnel	217,437	207,261	188,278	12,600	6,383
Total Staff	437,437	499,261	441,509	12,600	45,152
CENTRAL SERVICES					
Operation and maintenance of plant	5,424,538	5,936,488	5,049,732	697,689	189,067

SPECIAL ITEMS

Unallocated insurance	310,000	270,000	266,075	-	3,925
School association dues	24,045	24,045	19,828	-	4,217
Judgement and claims	-	97,030	97,030	-	-
Assessments on school property	60,900	66,928	66,928	-	-
Refunds of real property taxes	-	544,589	544,589	-	-
Administrative charge - BOCES	176,943	176,943	176,943	-	-

Total Special Items	571,888	1,179,535	1,171,393	-	8,142
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Total General Support	7,784,911	8,960,487	7,959,545	721,825	279,117
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INSTRUCTION**INSTRUCTION, ADMINISTRATION
AND IMPROVEMENT**

Curriculum development and supervision	61,377	64,377	57,319	30	7,028
Supervision - Regular school	2,199,932	2,188,983	2,147,669	4,608	36,706
Research, planning and evaluation	52,765	43,265	31,176	-	12,089
In-service training - Instruction	162,775	172,200	166,366	899	4,935

Total Instruction, Administration and Improvement	2,476,849	2,468,825	2,402,530	5,537	60,758
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TEACHING - REGULAR SCHOOL	24,526,059	24,458,164	23,882,170	36,457	539,537
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**PROGRAMS FOR CHILDREN WITH
HANDICAPPING CONDITIONS**

Programs for students with disabilities	5,617,164	6,227,117	5,908,659	10,490	307,968
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INSTRUCTIONAL MEDIA

Computer assisted instruction	479,572	445,462	358,639	6,956	79,867
School library and audiovisual	749,490	749,475	735,757	-	13,718

Total Instructional Media	1,229,062	1,194,937	1,094,396	6,956	93,585
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(Continued)

Pelham Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
PUPIL SERVICES					
Attendance - Regular school	\$ 514,790	\$ 478,390	\$ 327,820	\$ -	\$ 150,570
Guidance - Regular school	1,389,367	1,395,367	1,377,181	-	18,186
Health services - Regular school	1,107,910	543,402	521,397	-	22,005
Psychological services - Regular school	794,713	794,713	789,257	-	5,456
Co-Curricular activities - Regular school	189,719	199,719	196,811	-	2,908
Interscholastic activities - Regular school	788,678	788,678	748,190	3,536	36,952
57 Total Pupil Services	4,785,177	4,200,269	3,960,656	3,536	236,077
Total Instruction	38,634,311	38,549,312	37,248,411	62,976	1,237,925
PUPIL TRANSPORTATION					
District transportation services	251,429	251,429	193,689	-	57,740
Contract transportation	1,036,824	836,824	789,069	-	47,755
Total Pupil Transportation	1,288,253	1,088,253	982,758	-	105,495
COMMUNITY SERVICES					
Civic activities	98,025	99,986	99,986	-	-
Recreation and other community services	248,070	429,121	261,714	166,990	417
Total Community Services	346,095	529,107	361,700	166,990	417

EMPLOYEE BENEFITS

State retirement	1,051,513	872,038	863,576	-	8,462
Teachers' retirement	5,227,424	5,100,019	5,025,438	-	74,581
Social security	2,922,170	2,647,170	2,628,526	-	18,644
Workers' compensation benefits	221,895	233,870	227,143	-	6,727
Unemployment benefits	50,000	50,000	46,644	-	3,356
Health insurance	7,289,408	7,319,408	6,616,049	-	703,359
Employee benefit fund	557,000	502,000	492,817	-	9,183
Other unallocated benefits	45,223	117,723	91,979	-	25,744

Total Employee Benefits	17,364,633	16,842,228	15,992,172	-	850,056
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TOTAL EXPENDITURES	65,418,203	65,969,387	62,544,586	951,791	2,473,010
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OTHER FINANCING USES

Transfers out					
Special Aid Fund	60,000	31,488	31,044	-	444
Capital Projects Fund	875,000	879,512	879,512	-	-
Debt Service Fund	3,319,515	3,336,920	3,336,920	-	-

TOTAL OTHER FINANCING USES	4,254,515	4,247,920	4,247,476	-	444
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**TOTAL EXPENDITURES AND
OTHER FINANCING USES**

\$ 69,672,718	\$ 70,217,307	\$ 66,792,062	\$ 951,791	\$ 2,473,454
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Pelham Union Free School District, New York

Special Aid Fund
Comparative Balance Sheet
June 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	<u>\$ 6,260</u>	<u>\$ 15,233</u>
Receivables		
State and Federal aid	263,341	569,627
Due from other funds	<u>-</u>	<u>41,577</u>
	<u>263,341</u>	<u>611,204</u>
Total Assets	<u><u>\$ 269,601</u></u>	<u><u>\$ 626,437</u></u>
LIABILITIES		
Accounts payable	\$ 5,076	\$ 8,179
Accrued liabilities	2,572	3,091
Due to other funds	<u>261,953</u>	<u>615,167</u>
Total Liabilities	<u><u>\$ 269,601</u></u>	<u><u>\$ 626,437</u></u>

Pelham Union Free School District, New York

Special Aid Fund

Comparative Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

Years Ended June 30,

	2014			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 132,344	\$ 161,300	\$ 161,300	\$ -
Federal aid	704,556	761,992	666,138	(95,854)
Total Revenues	836,900	923,292	827,438	(95,854)
EXPENDITURES				
Current				
Instruction	855,410	913,290	816,992	96,298
Pupil transportation	41,490	41,490	41,490	-
Total Expenditures	896,900	954,780	858,482	96,298
Deficiency of Revenues Over Expenditures	(60,000)	(31,488)	(31,044)	444
OTHER FINANCING SOURCES				
Transfers in	60,000	31,488	31,044	(444)
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

2013			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 168,696	\$ 168,696	\$ 140,276	\$ (28,420)
760,793	760,793	661,033	(99,760)
929,489	929,489	801,309	(128,180)
943,403	925,953	783,643	142,310
46,086	46,086	46,086	-
989,489	972,039	829,729	142,310
(60,000)	(42,550)	(28,420)	14,130
60,000	42,550	28,420	(14,130)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Pelham Union Free School District, New York

Capital Projects Fund
Comparative Balance Sheet
June 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	<u>\$ 1,281,087</u>	<u>\$ 623,931</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 73,745	\$ -
Due to other funds	<u>117</u>	<u>165</u>
Total Liabilities	73,862	165
Fund balance		
Restricted	<u>1,207,225</u>	<u>623,766</u>
Total Liabilities and Fund Balance	<u>\$ 1,281,087</u>	<u>\$ 623,931</u>

Pelham Union Free School District, New York

Capital Projects Fund

Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance

Years Ended June 30,

	<u>2014</u>	<u>2013</u>
REVENUES	\$ -	\$ -
EXPENDITURES		
Capital outlay	<u>348,266</u>	<u>393,124</u>
Deficiency of Revenues Over Expenditures	<u>(348,266)</u>	<u>(393,124)</u>
OTHER FINANCING SOURCES (USES)		
Installment purchase debt issued	52,213	-
Transfers in	879,512	87,350
Transfers out	<u>-</u>	<u>(73,419)</u>
Total Other Financing Sources	<u>931,725</u>	<u>13,931</u>
Net Change in Fund Balance	583,459	(379,193)
FUND BALANCE		
Beginning of Year	<u>623,766</u>	<u>1,002,959</u>
End of Year	<u><u>\$ 1,207,225</u></u>	<u><u>\$ 623,766</u></u>

Pelham Union Free School District, New York

Capital Projects Fund

Project-Length Schedule

Inception of Project Through June 30, 2014

Project	Project Authorization	Expenditures and Transfers to Date		
		Prior Years	Current Year	Total
Reconstruction and Roofing of School Buildings	\$ 24,284,928	\$ 23,661,162	\$ 185,975	\$ 23,847,137
Oil Spill Project	665,856	661,344	4,512	665,856
Reconstruction of High School Façade Project	94,950	-	76,362	76,362
Installment Purchase Debt - Wide Area Mower	52,213	-	52,213	52,213
Safety and Security Project	800,000	-	29,204	29,204
Totals	<u>\$ 25,897,947</u>	<u>\$ 24,322,506</u>	<u>\$ 348,266</u>	<u>\$ 24,670,772</u>

Unexpended Balance	Methods of Financing					Fund Balance at June 30, 2014
	Proceeds of Obligations	State and Federal aid	Interfund Transfers	Other	Totals	
\$ 437,791	\$ 23,227,473	\$ 991,527	\$ -	\$ 65,928	\$ 24,284,928	\$ 437,791
-	-	-	665,856	-	665,856	-
18,588	-	-	75,000	-	75,000	(1,362)
-	52,213	-	-	-	52,213	-
770,796	-	-	800,000	-	800,000	770,796
<u>\$ 1,227,175</u>	<u>\$ 23,279,686</u>	<u>\$ 991,527</u>	<u>\$ 1,540,856</u>	<u>\$ 65,928</u>	<u>\$ 25,877,997</u>	<u>\$ 1,207,225</u>

Pelham Union Free School District, New York

Debt Service Fund
Comparative Balance Sheet
June 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	\$ 2,782,168	\$ 3,876,754
Due from other funds	<u>117</u>	<u>165</u>
Total Assets	<u>\$ 2,782,285</u>	<u>\$ 3,876,919</u>
FUND BALANCE		
Restricted	\$ 2,082,285	\$ 3,176,919
Assigned	<u>700,000</u>	<u>700,000</u>
Total Fund Balance	<u>\$ 2,782,285</u>	<u>\$ 3,876,919</u>

Pelham Union Free School District, New York

Debt Service Fund

Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance
Years Ended June 30,

	2014	2013
REVENUES		
Use of money and property	\$ 6,970	\$ 9,774
EXPENDITURES		
Debt service		
Principal		
Installment purchase debt	17,405	-
Serial bonds	2,115,000	2,060,000
Interest		
Serial bonds	1,606,119	1,675,519
Total Expenditures	3,738,524	3,735,519
Deficiency of Revenues Over Expenditures	(3,731,554)	(3,725,745)
OTHER FINANCING SOURCES (USES)		
Transfers in	3,336,920	3,392,934
Transfers out	(700,000)	(350,000)
Total Other Financing Sources	2,636,920	3,042,934
Net Change in Fund Balance	(1,094,634)	(682,811)
FUND BALANCE		
Beginning of Year	3,876,919	4,559,730
End of Year	\$ 2,782,285	\$ 3,876,919

Pelham Union Free School District, New York

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014
(With Comparative Totals for 2013)

	School Lunch	Special Purpose	Permanent
ASSETS			
Cash and equivalents	\$ 228,422	\$ 804,212	\$ -
Receivables			
Accounts	4,318	-	-
State and Federal aid	10,415	-	-
Due from other funds	-	1,300	33,812
	14,733	1,300	33,812
Inventories	6,533	-	-
Total Assets	<u>\$ 249,688</u>	<u>\$ 805,512</u>	<u>\$ 33,812</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 50,432	\$ 10,188	\$ -
Due to other governments	316	-	-
Unearned revenues	28,616	-	-
Due to other funds	-	363,835	-
Total Liabilities	<u>79,364</u>	<u>374,023</u>	<u>-</u>
Fund balances			
Nonspendable	6,533	-	30,375
Restricted	-	431,489	3,437
Assigned	163,791	-	-
Total Fund Balances	<u>170,324</u>	<u>431,489</u>	<u>33,812</u>
Total Liabilities and Fund Balances	<u>\$ 249,688</u>	<u>\$ 805,512</u>	<u>\$ 33,812</u>

Total Non-Major Governmental Funds	
2014	2013
\$ 1,032,634	\$ 684,650
4,318	3,932
10,415	8,875
35,112	44,221
49,845	57,028
6,533	846
\$ 1,089,012	\$ 742,524
\$ 60,620	\$ 45,579
316	336
28,616	24,263
363,835	247,968
453,387	318,146
36,908	31,221
434,926	251,460
163,791	141,697
635,625	424,378
\$ 1,089,012	\$ 742,524

Pelham Union Free School District, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2014
(With Comparative Totals for 2013)

	School Lunch	Special Purpose	Permanent
REVENUES			
Use of money and property	\$ 221	\$ 157	\$ 34
State aid	8,748	-	-
Federal aid	144,702	-	-
Food sales	576,596	-	-
Miscellaneous	-	498,744	-
	<hr/>	<hr/>	<hr/>
Total Revenues	730,267	498,901	34
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current			
Cost of food sales	702,486	-	-
Other	-	315,469	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	702,486	315,469	-
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	27,781	183,432	34
	<hr/>	<hr/>	<hr/>
FUND BALANCES			
Beginning of Year	142,543	248,057	33,778
	<hr/>	<hr/>	<hr/>
End of Year	\$ 170,324	\$ 431,489	\$ 33,812
	<hr/>	<hr/>	<hr/>

Total Non-Major Governmental Funds	
2014	2013
\$ 412	\$ 468
8,748	8,530
144,702	133,705
576,596	513,614
498,744	244,265
1,229,202	900,582
702,486	685,755
315,469	346,895
1,017,955	1,032,650
211,247	(132,068)
424,378	556,446
\$ 635,625	\$ 424,378

Pelham Union Free School District, New York

School Lunch Fund
Comparative Balance Sheet
June 30,

	2014	2013
ASSETS		
Cash and equivalents	\$ 228,422	\$ 177,715
Receivables		
Accounts	4,318	3,932
State and Federal aid	10,415	8,875
Due from other funds	-	9,143
	14,733	21,950
Inventories	6,533	846
Total Assets	\$ 249,688	\$ 200,511
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 50,432	\$ 33,369
Due to other governments	316	336
Unearned revenues	28,616	24,263
Total Liabilities	79,364	57,968
Fund balance		
Nonspendable	6,533	846
Assigned	163,791	141,697
Total Fund Balance	170,324	142,543
Total Liabilities and Fund Balance	\$ 249,688	\$ 200,511

Pelham Union Free School District, New York

School Lunch Fund

Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance

Years Ended June 30,

	2014	2013
REVENUES		
Use of money and property	\$ 221	\$ 161
State aid	8,748	8,530
Federal aid	144,702	133,705
Food sales	576,596	513,614
Total Revenues	730,267	656,010
EXPENDITURES		
Current		
Cost of food sales	702,486	685,755
Excess (Deficiency) of Revenues Over Expenditures	27,781	(29,745)
FUND BALANCE		
Beginning of Year	142,543	172,288
End of Year	<u>\$ 170,324</u>	<u>\$ 142,543</u>

Pelham Union Free School District, New York

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	\$ 804,212	\$ 506,935
Due from other funds	<u>1,300</u>	<u>1,300</u>
Total Assets	<u>\$ 805,512</u>	<u>\$ 508,235</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 10,188	\$ 12,210
Due to other funds	<u>363,835</u>	<u>247,968</u>
Total Liabilities	374,023	260,178
Fund balance		
Restricted	<u>431,489</u>	<u>248,057</u>
Total Liabilities and Fund Balance	<u>\$ 805,512</u>	<u>\$ 508,235</u>

Pelham Union Free School District, New York

Special Purpose Fund

**Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance**

Years Ended June 30,

	<u>2014</u>	<u>2013</u>
REVENUES		
Use of money and property	\$ 157	\$ 273
Miscellaneous	<u>498,744</u>	<u>244,265</u>
Total Revenues	498,901	244,538
EXPENDITURES		
Current		
Other	<u>315,469</u>	<u>346,895</u>
Excess (Deficiency) of Revenues Over Expenditures	183,432	(102,357)
FUND BALANCE		
Beginning of Year	<u>248,057</u>	<u>350,414</u>
End of Year	<u><u>\$ 431,489</u></u>	<u><u>\$ 248,057</u></u>

Pelham Union Free School District, New York

Permanent Fund
Comparative Balance Sheet
June 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Due from other funds	<u>\$ 33,812</u>	<u>\$ 33,778</u>
 FUND BALANCE		
Nonspendable	\$ 30,375	\$ 30,375
Restricted	<u>3,437</u>	<u>3,403</u>
 Total Fund Balance	<u>\$ 33,812</u>	<u>\$ 33,778</u>

Pelham Union Free School District, New York

Permanent Fund

Comparative Statement of Revenues, Expenditures and Changes

in Fund Balance

Years Ended June 30,

	<u>2014</u>	<u>2013</u>
REVENUES		
Use of money and property	\$ 34	\$ 34
EXPENDITURES	<u>-</u>	<u>-</u>
Excess of Revenues over Expenditures	34	34
FUND BALANCE		
Beginning of Year	<u>33,778</u>	<u>33,744</u>
End of Year	<u>\$ 33,812</u>	<u>\$ 33,778</u>

Pelham Union Free School District, New York

General Fund
Analysis of Change from Adopted Budget to Final Budget
Year Ended June 30, 2014

Adopted budget		\$ 68,984,201
Additions		
Encumbrance		<u>688,517</u>
Original Budget		69,672,718
Budget amendments		<u>544,589</u>
Final Budget		<u><u>\$ 70,217,307</u></u>

General Fund
Section 1318 of Real Property Tax Law Limit Calculation

2014-15 Expenditure Budget \$ 69,492,200

General Fund Fund Balance Subject to Section 1318 of
Real Property Tax Law

Unrestricted fund balance	
Assigned fund balance	\$ 3,037,791
Unassigned fund balance	<u>2,779,692</u>
Total Unrestricted Fund Balance	<u>5,817,483</u>
Less	
Appropriated for subsequent year's budget	2,086,000
Encumbrances	<u>951,791</u>
Total Adjustments	<u>3,037,791</u>

General Fund Fund Balance Subject to Section 1318 of
Real Property Tax Law \$ 2,779,692

Actual Percentage 4.00 %

Pelham Union Free School District, New York

Schedule of Net Investment
in Capital Assets
Year Ended June 30, 2014

Capital assets, net		\$ 55,035,740
Less		
Bonds payable	(41,240,000)	
Installment purchase debt payable	<u>(34,808)</u>	(41,274,808)
Plus		
Unamortized portion of premium and loss on refunding bonds		<u>448,114</u>
Net invested in capital assets		<u>\$ 14,209,046</u>

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**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***

Independent Auditors' Report

**The Board of Education of the
Pelham Union Free School District, 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 Pelham Union Free School District, New York ("School District") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated August 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

O'CONNOR DAVIES, LLP

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to the management of the School District in a separate letter.

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.

A handwritten signature in black ink that reads "O'Connor Davies, LLP". The signature is written in a cursive, flowing style.

O'Connor Davies, LLP

Harrison, New York

August 14, 2014

**Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance**

Independent Auditor's Report

**The Board of Education of the
Pelham Union Free School District, New York**

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the 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 the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

O'Connor Davies, LLP

O'Connor Davies, LLP

Harrison, New York

August 14, 2014

Pelham Union Free School District, New York

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number (1)</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Indirect Programs - Passed through New York State Department of Education		
<i>Child Nutrition Cluster</i>		
National School Lunch Program (NSLP) - Commodities	10.555	\$ 37,674
School Breakfast Program (SBP)	10.553	2,612
National School Lunch Program (NSLP) - Cash	10.555	104,416
Total U.S. Department of Agriculture		<u>144,702</u>
<u>U.S. Department of Education</u>		
Indirect Programs - Passed through New York State Department of Education		
Chapter I Programs - Local Educational Agencies	84.010	95,429
<i>Special Education Cluster (IDEA)</i>		
Special Education - State Grants (IDEA, Part B)	84.027	466,618
Special Education - Preschool Grants (IDEA Preschool)	84.173	14,042
English Language Acquisition State Grants	84.365	27,300
Improving Teacher Quality State Grants	84.367	62,749
Total U.S. Department of Education		<u>666,138</u>
<u>U.S. Department of Homeland Security</u>		
Indirect Programs Passed through Division of Homeland Security and Emergency Services (DHSES)		
Disaster Grants - Public Assistance - (Presidentially Declared Disasters)		
Project # DR 4085 NY	97.036	378
Total Expenditures		<u>\$ 811,218</u>

(1) Catalog of Federal Domestic Assistance number.

The accompanying notes are an integral part of this schedule.

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. *General*

The accompanying Schedule of Expenditures of Federal Awards presents all activity of all federal awards programs for the year ended June 30, 2014. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

2. *Basis of Accounting*

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. *Relationship to Financial Statements*

The District's fund financial statements are presented using the modified accrual basis of accounting.

Pelham Union Free School District, New York

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

None

Pelham Union Free School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting {*unqualified
qualified, adverse, or disclaimer*}:

Internal control over financial reporting:

- Material weakness(es) identified ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance
for major programs {*unqualified, qualified,
adverse, or disclaimer*}:

Unqualified

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

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027
84.173

Special Education Cluster:
Special Education – State Grants (IDEA, Part B)
Special Education – Preschool Grants (IDEA Preschool)

Pelham Union Free School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Dollar threshold used to distinguish
between Type A and Type B programs:
Auditee qualified as low-risk auditee?

\$300,000
X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

