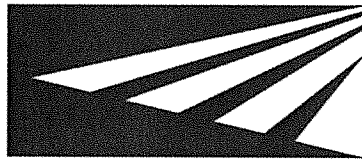


GLEN COVE CITY SCHOOL DISTRICT  
CITY OF GLEN COVE, NEW YORK  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
IN CONNECTION WITH OMB CIRCULAR A-133  
FOR THE YEAR ENDED JUNE 30, 2014

**GLEN COVE CITY SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditor's Report On Financial Statements And Supplementary Information	1
Management's Discussion And Analysis	3
Financial Statements:	
District-Wide Financial Statements -	
Statement Of Net Position	14
Statement Of Activities And Changes In Net Position	15
Fund Financial Statements -	
Balance Sheet - Governmental Funds	16
Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Position	17
Fund Financial Statements -	
Statement Of Revenues, Expenditures And Changes In Fund Balance - Governmental Funds	18
Reconciliation Of Governmental Funds Statement of Revenues, Expenditures And Changes In Fund Balance To The Statement Of Activities	19
Fund Financial Statements -	
Statement Of Fiduciary Net Position - Fiduciary Funds	20
Statement Of Change In Fiduciary Net Position - Fiduciary Funds	21
Notes To Financial Statements	22
Required Supplementary Information Other Than MD&A:	
General Fund -	
Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual	44
Schedule Of Funding Progress For The Retiree Health Plan	45
Other Supplementary Information:	
General Fund -	
Schedule Of Change From Adopted Budget To Final Budget And The Real Property Tax Limit	46
Capital Projects Fund -	
Schedule Of Project Expenditures And Financing Sources	47
Net Investment In Capital Assets	48
Extraclassroom Activity Funds	49
Federal Award Program Information:	
Schedule Of Expenditures Of Federal Awards	55
Notes To Schedule Of Expenditures Of Federal Awards	56
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	57
Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required by OMB Circular A-133	59
Schedule Of Findings And Questioned Costs	61
Summary Schedule Of Prior Audit Findings	62
Findings And Recommendations	63



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

To the Board of Education of the  
Glen Cove City School District  
City of Glen Cove, New York:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and fiduciary funds of the Glen Cove City School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

# NawrockiSmith

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for the retiree health plan, on pages 3-13, 44 and 45 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information 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 September 16, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melville, New York  
September 16, 2014



**GLEN COVE CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following is a discussion and analysis of the Glen Cove City School District's (the "District") financial performance for the fiscal year ended June 30, 2014. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- Revenues increased by 3.9% to \$79,891,508 while expenses increased .6% to \$84,564,020 resulting in a decrease in net position of \$4,672,512.
- The District's General Fund reflected an excess of revenues and other sources over expenditures and other uses of \$1,456,163.
- The District continued to offer all programs, without reducing services, while maintaining adequate fund balances.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of an introductory section, management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental fund financial statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

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

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Table A-1: Major Features of the District-Wide and Fund Financial Statements</b>			
	District-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities and Changes in Net Position</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

## **District-Wide Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, reconciliations of the District-wide and governmental funds statements are provided which explain the relationship (or differences) between them.

- **Fiduciary funds:** The District is the trustee or fiduciary, for assets that belong to others, such as the scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

### **Net Position**

<b>Table A-2: Condensed Statements of Net Position - Governmental Activities</b>			
	<b>6/30/13 <u>As Restated</u></b>	<b><u>6/30/14</u></b>	<b><u>% Change</u></b>
Current assets	\$ 19,234,850	\$ 22,089,833	14.8
Capital assets, net	<u>14,280,226</u>	<u>14,471,721</u>	1.3
Total assets	<u>\$ 33,515,076</u>	<u>\$ 36,561,554</u>	9.1
Current liabilities	\$ 9,574,160	\$ 11,278,003	17.8
Long-term liabilities	<u>39,066,515</u>	<u>45,046,849</u>	15.3
Total liabilities	<u>\$ 48,640,675</u>	<u>\$ 56,324,852</u>	15.8
Deferred inflows	<u>\$ -</u>	<u>\$ 34,813</u>	100.0
Net position:			
Net investment in capital assets	\$ 6,173,142	\$ 7,073,852	14.6
Restricted	5,285,110	4,065,784	(23.1)
Unrestricted (deficit)	<u>(26,583,851)</u>	<u>(30,937,747)</u>	(16.4)
Total net position	<u>\$ (15,125,599)</u>	<u>\$ (19,798,111)</u>	(30.9)

As of June 30, 2014, the District had positive working capital of \$10,811,830 as compared to \$9,660,690 as of June 30, 2013, due to an increase in restricted cash and State and federal aid receivable.

As of June 30, 2014, the District had an investment in capital assets of \$14,471,721 as compared to \$14,280,226. The increase is due to capital outlay for ongoing projects exceeding current year depreciation charges.

Long-term liabilities and unrestricted net position have been restated as of June 30, 2013 to give effect to previously unrecognized obligations for compensated absences related to sick time based on a more conservative interpretation of underlying contracts. (see Note 14 to the accompanying financial statements).

Long-term liabilities increased by \$5,980,334 due to the continued recognition of the District's other post-employment benefits obligation, with a current year charge of \$4,840,290.

The District's net position decreased by 30.9% from the year before to a net deficit of (\$19,798,111), as detailed in Tables A-2 and A-3.

Net position invested in capital assets at June 30, 2014, increased by \$900,710 due to fixed asset additions and a reduction in bonds and installment purchase debt.



The restricted net position balance of \$4,065,784 represents net assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2014, the District has an unrestricted net deficit position of \$30,937,747. This deficit is primarily driven by the District's required recognition of its obligation for post-employment benefits which currently totals \$29,755,473. This obligation will continue to grow in the future (see Note 10 to the accompanying financial statements) resulting in a greater unrestricted net deficit position.

### **Changes in Net Position**

**Table A-3: Changes in Net Position from Operating Results - Governmental Activities**

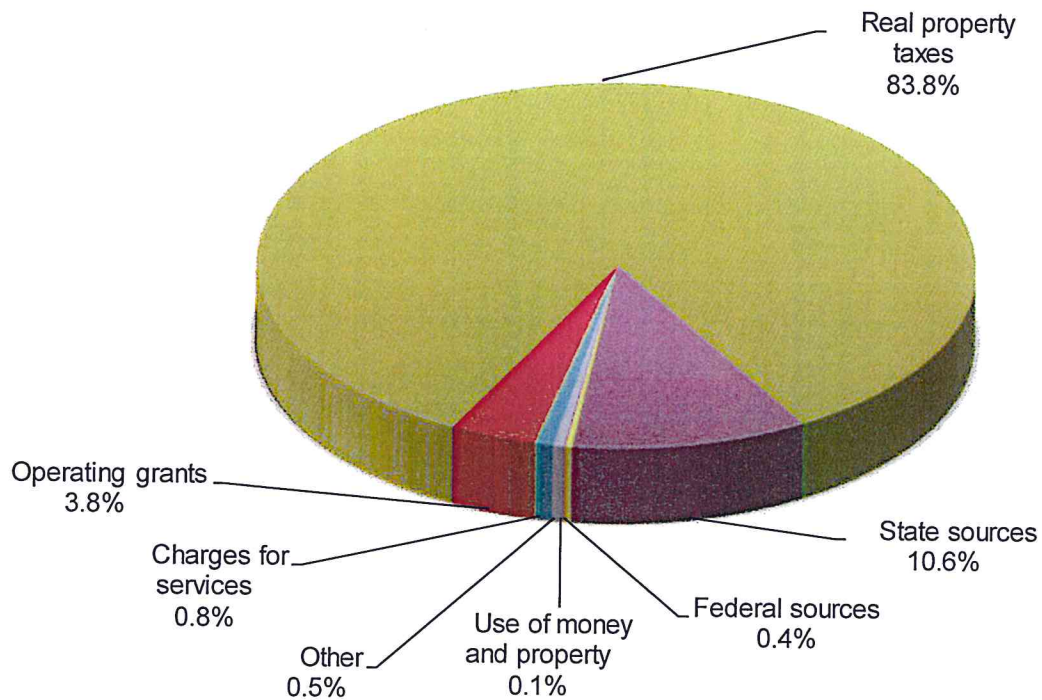
	<b><u>6/30/13</u></b> <b><u>As Restated</u></b>	<b><u>6/30/14</u></b>	<b><u>% Change</u></b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 534,479	\$ 624,688	16.9
Operating grants	3,403,954	3,124,929	(8.2)
General revenues:			
Real property taxes	65,425,364	66,982,358	2.4
State sources	6,898,318	8,481,314	22.9
Federal sources	89,538	190,494	112.8
Use of money and property	101,869	83,002	(18.5)
Other	404,674	404,723	0.0
Total revenues	<u>76,858,196</u>	<u>79,891,508</u>	3.9
<b>Expenses</b>			
General support	11,636,188	12,289,518	5.6
Instruction	66,713,310	66,528,184	(0.3)
Pupil transportation	4,405,036	4,146,363	(5.9)
Community services	8,311	6,985	(16.0)
Debt service - interest	208,675	159,127	(23.7)
School lunch program	1,119,342	1,433,843	28.1
Total expenses	<u>84,090,862</u>	<u>84,564,020</u>	0.6
Decrease in net position	<u>\$ (7,232,666)</u>	<u>\$ (4,672,512)</u>	35.4

The District's fiscal year 2014 revenues totaled \$79,891,508 (See Table A-3). Property and other taxes and State sources accounted for most of the District's revenue by contributing 84 cents and 11 cents, respectively, of every dollar raised (See Table A-4). The remainder came from other charges for services, operating grants, miscellaneous, and use of money and property.

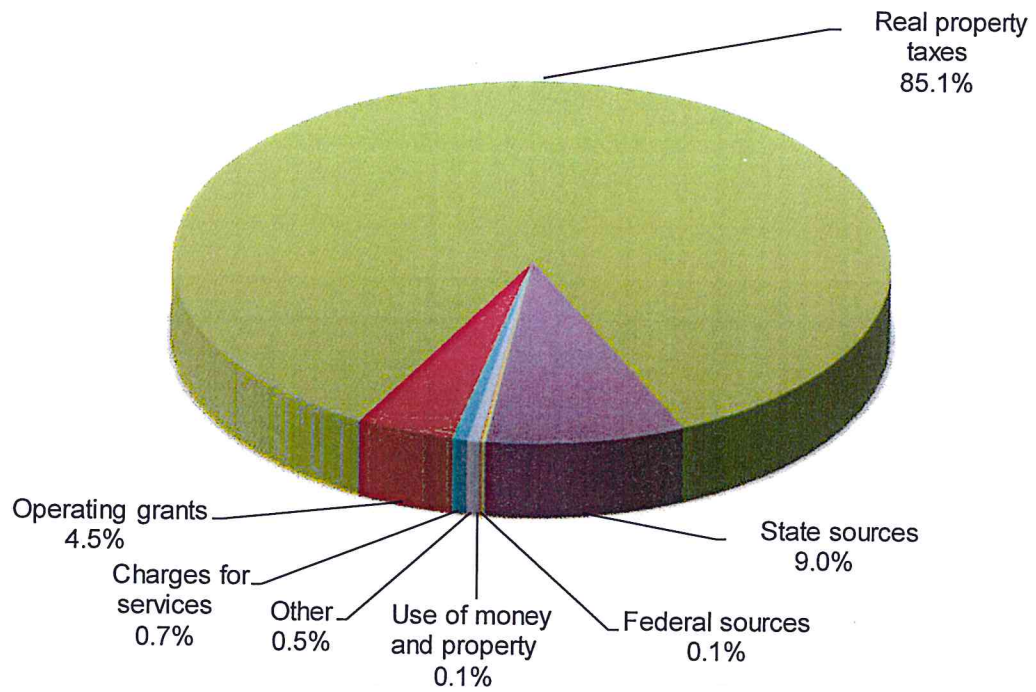
Revenues increased 3.9% or \$3,033,312, primarily as a direct result of an increase in property taxes of \$1,556,994 and an increase in State sources of \$1,582,996.

The District's fiscal year 2014 expenses totaled \$84,564,020 (See Table A-3). These expenses (84 percent) are predominantly related to instruction and transporting students (See Table A-6). The District's administrative and business activities accounted for 15 percent of total costs.

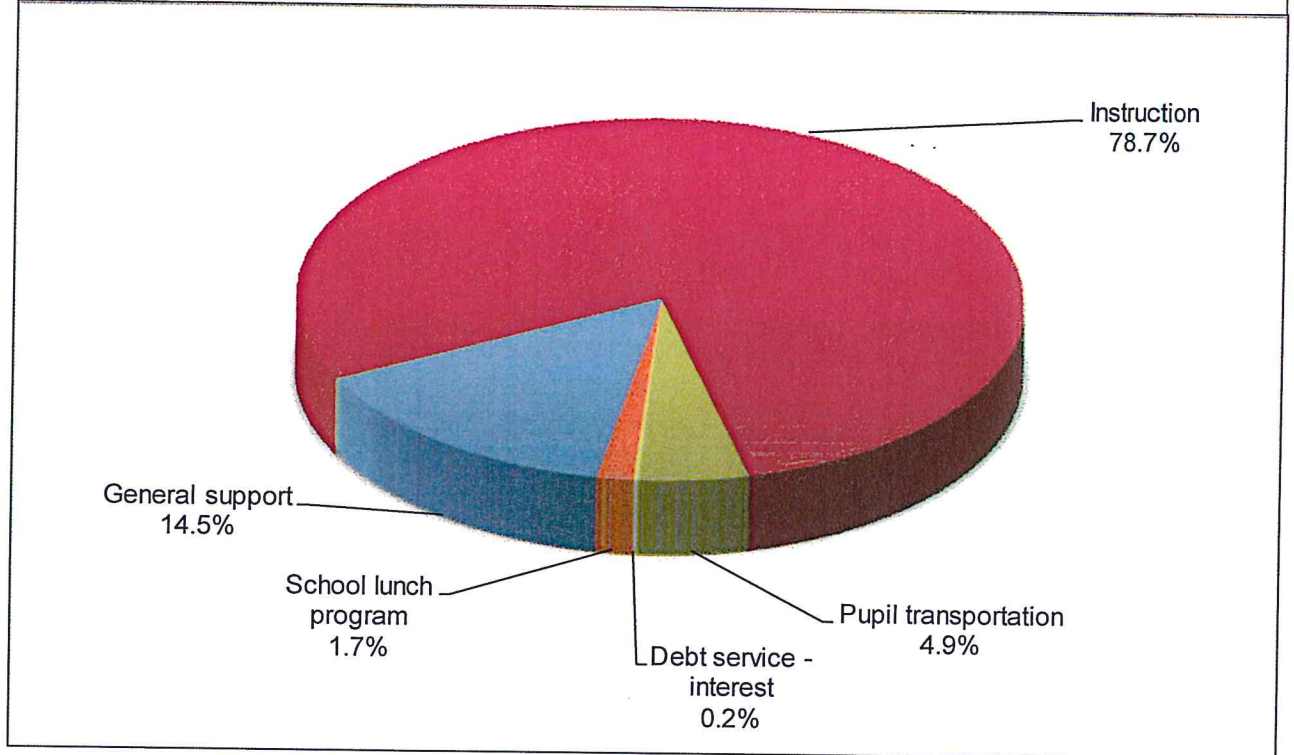
**Table A-4: Sources of Revenues for Fiscal Year 2014**



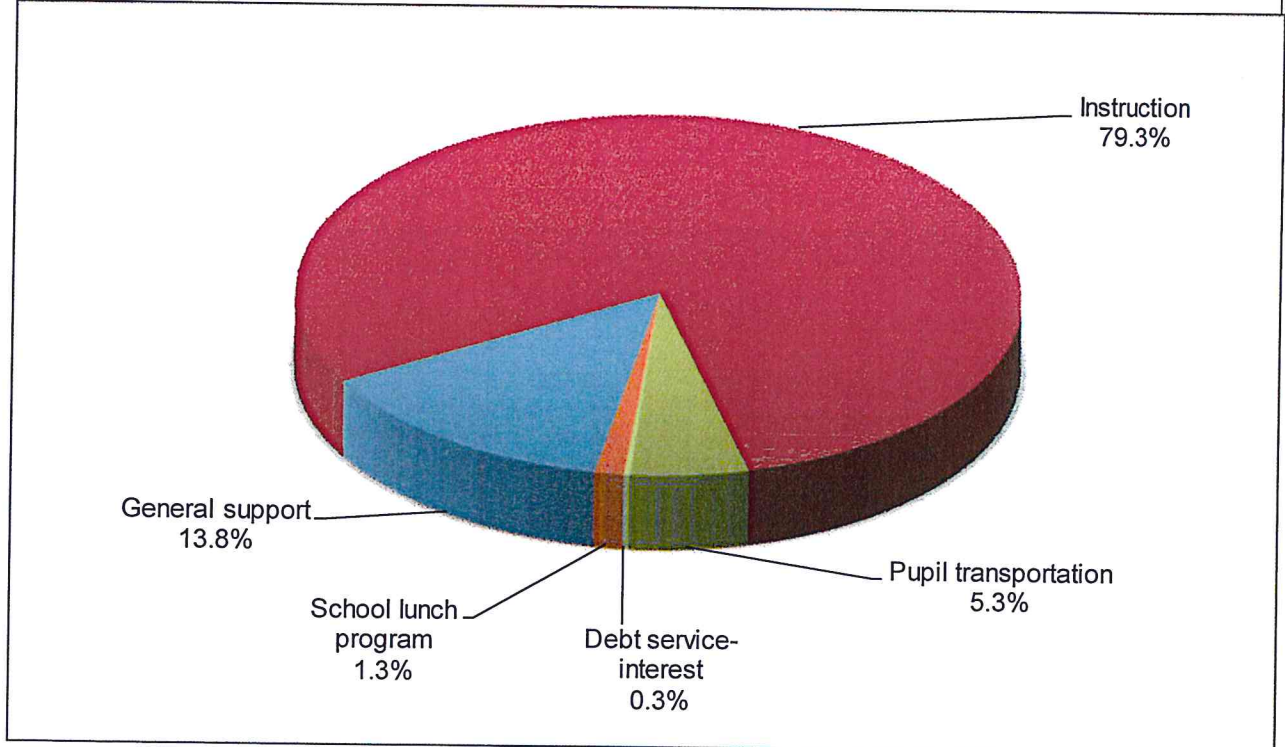
**Table A-5: Sources of Revenues for Fiscal Year 2013**



**Table A-6: Expenses for Fiscal Year 2014**



**Table A-7: Expenses for Fiscal Year 2013**



## Governmental Activities

Revenues for the District's governmental activities totaled \$79,891,508 while total expenses were \$84,564,020. Therefore, the decrease in net position for governmental activities was \$4,672,512 in 2014. The District's financial condition was negatively affected by:

- Continued recognition of the liability for benefits provided to retirees other than pensions (OPEB).

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

At June 30, 2014, the District's governmental funds reported a combined fund balance of \$13,165,724 which is an increase of \$716,609 from June 30, 2013. Fund balances for the District's governmental funds for the past two years were distributed as follows:

<b>Table A-8: Fund Balances - Governmental Funds</b>			
	<u>6/30/13</u> <u>As Restated</u>	<u>6/30/14</u>	<u>% Change</u>
<b>General Fund</b>			
Restricted:			
Employee Benefit Accrued Liability	\$ 123,880	\$ 274,749	121.8
Unemployment Insurance	244,598	125,472	(48.7)
Workers' Compensation	1,430,526	1,553,981	8.6
Tax Certiorari	4,841,520	6,137,003	26.8
Assigned:			
Designated for subsequent year's expenditures	950,000	750,000	(21.1)
Encumbrances	420,022	201,223	(52.1)
Unassigned	<u>2,746,394</u>	<u>3,170,675</u>	15.4
Total General Fund	<u>10,756,940</u>	<u>12,213,103</u>	13.5
<b>School Lunch Fund</b>			
Nonspendable:			
Inventory	17,069	12,055	(29.4)
Assigned:			
School Lunch Fund	<u>615,381</u>	<u>442,335</u>	(28.1)
Total School Lunch Fund	<u>632,450</u>	<u>454,390</u>	(28.2)

**Table A-8: Fund Balances - Governmental Funds (continued)****Capital Projects Fund**

## Restricted:

Capital Projects Fund	1,059,725	112,582	(89.4)
-----------------------	-----------	---------	--------

## Assigned:

Capital Projects Fund	-	385,649	100.0
-----------------------	---	---------	-------

Total Capital Projects Fund	1,059,725	498,231	(53.0)
-----------------------------	-----------	---------	--------

Total Fund Balance	\$ 12,449,115	\$ 13,165,724	5.8
--------------------	---------------	---------------	-----

**General Fund Budgetary Highlights**

Reference is made to the supplementary schedule on page 44 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- Actual revenues were more than the final budgeted revenues by approximately \$436,000.
- Actual expenditures were approximately \$3,200,000 less than final (not including interfund transfers) budget primarily due to lower than anticipated costs in the teaching-regular school and employee benefits categories.

At June 30, 2014, the District's unassigned fund balance was \$3,170,675 which was within the allowable 4% of the subsequent year's budget (\$79,281,428) as promulgated by New York State (see page 46). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2014.

Unassigned fund balance, beginning of year	\$ 2,746,394
Add:	
Prior-year appropriated fund balance	950,000
Prior-year encumbrances	420,022
Board approved use of Workers' Compensation Reserve	226,545
Board approved use of Unemployment Insurance Reserve	119,126
Board approved use of Tax Certiorari Reserve	708,951
Net change in fund balance	1,456,163
Less:	
Current-year appropriated fund balance	(750,000)
Current-year encumbrances	(201,223)
Transfer to Workers' Compensation Reserve	(350,000)
Transfer to Employee Benefit Accrued Liability Reserve	(150,869)
Transfer to Tax Certiorari Reserve	(2,004,434)
Unassigned fund balance, end of year	<u>\$ 3,170,675</u>

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of 2014, the District had invested \$14,471,721 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices.

**Table A-9: Capital Assets (net of depreciation)**

	<u>6/30/13</u>	<u>6/30/14</u>	<u>% Change</u>
Land improvements	\$ 85,292	\$ 80,358	(5.8)
Buildings and building improvements	13,052,700	13,410,614	2.7
Furniture and equipment	1,142,234	980,749	(14.1)
Totals	<u>\$ 14,280,226</u>	<u>\$ 14,471,721</u>	1.3

### **Long-Term Debt**

In fiscal 2007, the District entered into an energy performance contract resulting in \$7,564,938 of installment debt. In fiscal 2011, the District issued bonds totaling \$3,456,250.

**Table A-10: Outstanding Long-Term Debt**

	<u>6/30/13</u>	<u>6/30/14</u>	<u>% Change</u>
Bonds payable	\$ 3,050,000	\$ 2,850,000	(6.6)
Installment purchase debt	5,057,084	4,547,869	(10.1)
Tax certiorari	3,030,520	4,138,003	36.5
Compensated absences	5,747,707 *	5,658,710	(1.5)
Workers' Compensation claims payable	1,078,993	1,154,255	7.0
Other post-employment benefits	24,915,183	29,755,473	19.4
Totals	<u>\$ 42,879,487</u>	<u>\$ 48,104,310</u>	12.2
* as restated			

## **FACTORS BEARING ON THE FUTURE OF DISTRICT**

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

- The voters of the District approved the 2014-2015 budget for \$79,281,428. The District plans on using \$1,205,000 of reserves and appropriating \$750,000 for next year's budget.
- The national economy continues to have a negative impact on virtually every municipal budget. A result could be that State aid to the District could be negatively impacted in amount and/or timing.
- The "Tax Levy Limitation Law" which was enacted on June 24, 2011, restricts the amount of property taxes that may be levied by or on behalf of a school district in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult.

- Significant increases in the cost of health insurance and contributions to the retirement systems continue to place a greater burden on the District's finances. The New York State Comptroller has announced that the employer contribution rate for the State's Retirement System will be higher in 2015. Contributions to the State Retirement Systems are one of the exemptions to the "Tax Levy Limitation Law."
- The District is currently the only one in both Nassau and Suffolk Counties which must pay tax certiorari direct to the taxpayers. In all other school districts, they are paid by the county. This is an unanticipated annual expenditure which places significant financial burden on the budget.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

Glen Cove City School District  
District Offices  
Attn: Assistant Superintendent for Business  
Dosoris Lane  
Glen Cove, NY 11542  
(516) 759-7214

**GLEN COVE CITY SCHOOL DISTRICT****STATEMENT OF NET POSITION****JUNE 30, 2014****ASSETS**

Current assets:	
Cash - unrestricted	\$ 10,115,661
Cash - restricted	8,589,436
Receivables:	
Taxes receivable	1,119,275
State and federal aid	2,095,839
Due from fiduciary funds	46,142
Due from other governments	100,135
Other receivables	11,290
Inventories	12,055
Total current assets	22,089,833
Noncurrent assets:	
Capital assets, net of accumulated depreciation of \$18,433,415	14,471,721
Total assets	<u>\$ 36,561,554</u>

**LIABILITIES**

Current liabilities:	
Payables:	
Accounts payable	\$ 1,955,289
Accrued interest payable	45,722
Accrued liabilities	137,383
Due to other governments	187,083
Due to teachers' retirement system	5,551,362
Due to employees' retirement system	343,703
Compensated absences	114,310
Long-term liabilities, due within one year:	
Bonds payable	225,000
Installment purchase debt payable	521,650
Tax certiorari	2,196,501
Total current liabilities	11,278,003
Noncurrent liabilities:	
Long-term liabilities, due after one year:	
Bonds payable	2,625,000
Installment purchase debt payable	4,026,219
Tax certiorari	1,941,502
Compensated absences	5,544,400
Workers' Compensation claims payable	1,154,255
Other post-employment benefits	29,755,473
Total noncurrent liabilities	45,046,849
Total liabilities	<u>56,324,852</u>

**DEFERRED INFLOWS OF RESOURCES**

State sources	34,813
Total deferred inflows of resources	<u>34,813</u>
Total liabilities and deferred inflows of resources	<u>56,359,665</u>

**NET POSITION**

Invested in capital assets, net of related debt	7,073,852
Restricted:	
Employee Benefit Accrued Liability	274,749
Unemployment Insurance	125,472
Workers' Compensation	1,553,981
Tax Certiorari	1,999,000
Capital Fund	112,582
Unrestricted	(30,937,747)
Total net position	<u>(19,798,111)</u>
Total liabilities and net position	<u>\$ 36,561,554</u>

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



**GLEN COVE CITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Expenses	Charges for Services	Program Revenues Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Functions and programs:				
General support	\$ 12,289,518	\$ -	\$ 97,576	\$ (12,191,942)
Instruction	66,528,184	178,210	2,137,395	(64,212,579)
Pupil transportation	4,146,363	8,209	99,867	(4,038,287)
Community services	6,985	-	-	(6,985)
Debt service	159,127	-	-	(159,127)
School lunch program	1,433,843	438,269	790,091	(205,483)
Total functions and programs	\$ 84,564,020	\$ 624,688	\$ 3,124,929	(80,814,403)
General revenues:				
Real property taxes				58,268,093
Other tax items				8,714,265
Use of money and property				83,002
State sources				8,481,314
Miscellaneous				404,723
Federal sources				190,494
Total general revenues				76,141,891
Change in net position				(4,672,512)
Total net position, beginning of year, as restated (see Note 14)				(15,125,599)
Total net position, end of year				\$ (19,798,111)

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

**GLEN COVE CITY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

<b>ASSETS</b>					
	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
Cash - unrestricted	\$ 9,996,901	\$ 97,188	\$ 21,572	\$ -	\$ 10,115,661
Cash - restricted	8,091,205	-	-	498,231	8,589,436
Receivables:					
Taxes receivable	1,119,275	-	-	-	1,119,275
Due from other funds	1,227,462	-	371,060	-	1,598,522
Due from fiduciary funds	46,142	-	-	-	46,142
State and federal aid	740,178	1,287,802	67,859	-	2,095,839
Due from other governments	100,135	-	-	-	100,135
Other receivables	7,358	-	3,932	-	11,290
Inventories	-	-	12,055	-	12,055
Total assets	\$ 21,328,656	\$ 1,384,990	\$ 476,478	\$ 498,231	\$ 23,688,355
<b>LIABILITIES</b>					
Payables:					
Accounts payable	\$ 1,822,685	\$ 115,968	\$ 16,636	\$ -	\$ 1,955,289
Accrued liabilities	127,525	6,747	3,111	-	137,383
Due to other funds	371,060	1,227,462	-	-	1,598,522
Due to other governments	184,742	-	2,341	-	187,083
Due to teachers' retirement system	5,551,362	-	-	-	5,551,362
Due to employees' retirement system	343,703	-	-	-	343,703
Compensated absences	114,310	-	-	-	114,310
Total liabilities	8,515,387	1,350,177	22,088	-	9,887,652
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes	600,166	-	-	-	600,166
State sources	-	34,813	-	-	34,813
Total deferred inflows of resources	600,166	34,813	-	-	634,979
Total liabilities and deferred inflows of resources	9,115,553	1,384,990	22,088	-	10,522,631
<b>FUND BALANCE</b>					
Fund balance:					
Nonspendable	-	-	12,055	-	12,055
Restricted	8,091,205	-	-	112,582	8,203,787
Assigned	951,223	-	442,335	385,649	1,779,207
Unassigned	3,170,675	-	-	-	3,170,675
Total fund balance	12,213,103	-	454,390	498,231	13,165,724
Total liabilities, deferred inflows of resources and fund balance	\$ 21,328,656	\$ 1,384,990	\$ 476,478	\$ 498,231	\$ 23,688,355

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

**GLEN COVE CITY SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

Total Fund Balance - Governmental Funds \$ 13,165,724

Amounts reported for governmental activities in the Statement of  
 Net Position are different due to the following:

Receivables will be collected this year but are not available soon enough to pay  
 for the current period's expenditures and therefore are deferred in the funds. 600,166

Capital assets less accumulated depreciation are included in the  
 Statement of Net Position:

Capital assets:

Total historical cost	\$ 32,905,136	
Accumulated depreciation	<u>(18,433,415)</u>	14,471,721

Long-term liabilities applicable to the District's governmental activities  
 are not due and payable in the current period and accordingly are not  
 reported in the governmental fund financial statements. However,  
 these liabilities are included in the Statement of Net Position:

Bonds payable	(2,850,000)	
Installment purchase debt	(4,547,869)	
Compensated absences	(5,544,400)	
Tax certiorari	(4,138,003)	
Workers' Compensation claims payable	(1,154,255)	
Other post-employment benefits	<u>(29,755,473)</u>	(47,990,000)

Interest payable applicable to the District's governmental activities  
 are not due and payable in the current period and accordingly are  
 not reported in the governmental fund financial statements. However,  
 these liabilities are included in the Statement of Net Position. (45,722)

Net Position - Governmental Activities \$ (19,798,111)

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

**GLEN COVE CITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 58,056,890	\$ -	\$ -	\$ -	\$ 58,056,890
Other tax items	8,714,265	-	-	-	8,714,265
Charges for services	186,419	-	-	-	186,419
Use of money and property	82,888	-	114	-	83,002
State sources	8,481,314	781,035	27,214	-	9,289,563
Sales	-	-	438,269	-	438,269
Miscellaneous	346,768	30,646	27,309	-	404,723
Federal sources	288,070	1,456,227	710,421	-	2,454,718
Surplus food	-	-	52,456	-	52,456
Total revenues	76,156,614	2,267,908	1,255,783	-	79,680,305
<b>EXPENDITURES</b>					
General support	8,691,959	-	893,843	-	9,585,802
Instruction	42,593,770	2,517,248	-	-	45,111,018
Pupil transportation	4,001,062	115,953	-	-	4,117,015
Community services	3,667	-	-	-	3,667
Employee benefits	17,725,298	-	-	-	17,725,298
Debt service					
Principal	709,215	-	-	-	709,215
Interest	210,187	-	-	-	210,187
Cost of sales	-	-	540,000	-	540,000
Capital outlay	-	-	-	961,494	961,494
Total expenditures	73,935,158	2,633,201	1,433,843	961,494	78,963,696
Excess (deficiency) of revenues over (under) expenditures	2,221,456	(365,293)	(178,060)	(961,494)	716,609
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	-	365,293	-	400,000	765,293
Interfund transfers out	(765,293)	-	-	-	(765,293)
Total other financing sources (uses)	(765,293)	365,293	-	400,000	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,456,163	-	(178,060)	(561,494)	716,609
Fund balance, beginning of year, as restated	10,756,940	-	632,450	1,059,725	12,449,115
Fund balance, end of year	\$ 12,213,103	\$ -	\$ 454,390	\$ 498,231	\$ 13,165,724

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

**GLEN COVE CITY SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balance - Governmental Funds \$ 716,609

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. The amount by which depreciation exceeds capital outlay in the current period is:

Capital outlay, net	\$ 1,181,152	
Depreciation expense	<u>(989,657)</u>	191,495

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Payment of bond	200,000	
Payment on installment purchase debt	<u>509,215</u>	709,215

Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are instead counted as deferred revenues.

They are, however, recorded as revenues in the Statement of Activities. 211,203

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:

Workers' Compensation claims payable	(75,262)	
Tax certiorari	(1,107,483)	
Compensated absences	(529,059)	
Other post-employment benefits	(4,840,290)	
Accrued interest costs	<u>51,060</u>	<u>(6,501,034)</u>

Net Change in Net Position - Governmental Activities \$ (4,672,512)

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

**GLEN COVE CITY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2014**

	<b>Scholarship Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash:		
Restricted	\$ 159,548	\$ 64,231
Total assets	<u>\$ 159,548</u>	<u>\$ 64,231</u>
<b>LIABILITIES</b>		
Extraclassroom activity balances	\$ -	\$ 64,231
Due to governmental funds	<u>46,142</u>	<u>-</u>
Total liabilities	<u>46,142</u>	<u>\$ 64,231</u>
<b>NET POSITION</b>		
Reserved for:		
Endowment scholarships	<u>113,406</u>	
Total net position	<u>113,406</u>	
Total liabilities and net position	<u>\$ 159,548</u>	

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

GLEN COVE CITY SCHOOL DISTRICT  
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Scholarship Trust</u>
<b>ADDITIONS</b>	
Investments earnings:	
Interest	\$ 1,033
Total additions	<u>1,033</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>44,370</u>
Total deductions	<u>44,370</u>
Change in net position	(43,337)
Net position, beginning of year	<u>156,743</u>
Net position, end of year	<u><u>\$ 113,406</u></u>

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

**GLEN COVE CITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Glen Cove City School District (the "District") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board ("GASB"), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

**A. Reporting entity**

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

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

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

**1. Extraclassroom Activity Funds**

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found elsewhere in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

**B. Joint venture**

The District is a component district in the Nassau County Board of Cooperative Educational Services ("BOCES"). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.



BOCES are organized under Section 1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$4,599,115 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$592,963.

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

C. Basis of presentation

1. District-wide financial statements

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

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

2. Fund statements

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

The District reports the following major governmental funds:

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

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

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

The District reports the following fiduciary funds:

Fiduciary Funds

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

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

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

D. Measurement focus and basis of accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Property taxes

Real property taxes are levied annually by the Board of Education at the Reorganizational Meeting in July. Taxes are collected during the period August 1 to June 30.

Uncollected real property taxes are subsequently enforced by the City of Glen Cove in which the District is located.

F. Restricted resources

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

G. Interfund transactions

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

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

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

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

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and investments

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

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

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Investments are stated at fair value.

J. Accounts receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventories and prepaid items

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

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

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

L. Other assets/restricted assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment may be classified as restricted assets in the District-wide financial statements as their use is limited by applicable bond covenants.

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

M. Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1975. For assets acquired prior to June 30, 1975, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 5,000	Straight line	30 years
Buildings and building improvements	\$ 5,000	Straight line	30 years
Furniture and equipment	\$ 5,000	Straight line	7 years

Certain infrastructure capital assets are accounted for using the modified approach permitted for eligible assets under GASB guidelines. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The District is required to conduct a condition assessment of these assets at least once every three years.

N. Deferred outflows of resources

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

O. Deferred inflows of resources/unearned revenues

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the deferred inflow/unearned revenue is removed and revenues are recorded.

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

Many deferred inflows of resources or unearned revenues recorded in governmental funds are not recorded in the District-wide statements.

P. Vested employee benefits – compensated absences

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

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

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

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

Q. Other benefits

District employees participate in the New York State Employees' Retirement System ("NYSERS") and the New York State Teachers' Retirement System ("NYSTRS").

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

R. Short-term debt

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

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

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

S. Accrued liabilities and long-term obligations

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

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

T. Equity classifications

District-wide statements

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

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted net position: Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted net position: Is the amount of net position, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position, and is deemed to be available for general use by the District.

#### Funds statements

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

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$12,055.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

#### Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

#### Unemployment Insurance

According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and



is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the school district elects to convert to the tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

#### Workers' Compensation

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

#### Tax Certiorari

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

#### Encumbrances

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

3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by a formal action of the school district's highest level of decision-making authority, i.e. the Board of Education. The District has no committed fund balances as of June 30, 2014.
4. Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the assignment must be narrower than the purpose of the General Fund. All encumbrances of the General Fund are classified as Assigned Fund Balance as of June 30, 2014 and amounted to \$201,223.
5. Unassigned - Includes all other General Fund net position that does not meet the definition of the above four classifications and is deemed to be available for general use by the District.

Fund balances for all governmental funds as of June 30, 2014 were distributed as follows:

	General	School Lunch	Capital Projects	Total Governmental Funds
Nonspendable				
Inventory	\$ -	\$ 12,055	\$ -	\$ 12,055
Total nonspendable	-	12,055	-	12,055
Restricted				
Employee Benefit Accrued Liability	274,749	-	-	274,749
Unemployment Insurance	125,472	-	-	125,472
Workers' Compensation	1,553,981	-	-	1,553,981
Tax Certiorari	6,137,003	-	-	6,137,003
Capital Projects Fund	-	-	112,582	112,582
Total restricted	8,091,205	-	112,582	8,203,787
Assigned				
Capital Projects Fund	-	-	385,649	385,649
School Lunch Fund	-	442,335	-	442,335
Designated for subsequent year's expenditures	750,000	-	-	750,000
Encumbrances	201,223	-	-	201,223
Total assigned	951,223	442,335	385,649	1,779,207
Unassigned	3,170,675	-	-	3,170,675
	<u>\$ 12,213,103</u>	<u>\$ 454,390</u>	<u>\$ 498,231</u>	<u>\$ 13,165,724</u>

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

#### Order of use of fund balance

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

## **2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUNDS STATEMENTS AND DISTRICT-WIDE STATEMENTS**

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

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

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

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

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

1. Long-term revenue/expense differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments are approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Planned use of specific reserves	<u>\$ 740,598</u>
----------------------------------	-------------------

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

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

#### Encumbrances

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

#### 4. CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

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

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

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, in the District's name	\$ 22,204,467

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$8,589,436 in the governmental funds and \$223,779 in the fiduciary funds.

## 5. RECEIVABLES

### A. Due from State and federal aid

Due from State and federal aid at June 30, 2014, consisted of the following:

General Fund	
New York State Aid - excess cost aid	\$ 352,066
BOCES aid	388,112
Special Aid Fund	
State and federal grants	1,287,802
School Lunch Fund	
School breakfast and lunch reimbursement	67,859
Totals	<u>\$ 2,095,839</u>

### B. Other receivables

General Fund	
Foster tuition	\$ 7,358
School Lunch Fund	
Sales	3,932
Totals	<u>\$ 11,290</u>

## 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are depreciated:				
Land improvements	\$ 884,881	\$ -	\$ -	\$ 884,881
Buildings and building improvements	27,834,843	1,114,494	-	28,949,337
Furniture and equipment	3,004,260	107,373	(40,715)	3,070,918
Total depreciable historical cost	31,723,984	1,221,867	(40,715)	32,905,136
Less accumulated depreciation:				
Land improvements	799,589	4,934	-	804,523
Buildings and building improvements	14,782,143	756,580	-	15,538,723
Furniture and equipment	1,862,026	228,143	-	2,090,169
Total accumulated depreciation	17,443,758	989,657	-	18,433,415
Total depreciable historical cost, net	<u>\$ 14,280,226</u>	<u>\$ 232,210</u>	<u>\$ (40,715)</u>	<u>\$ 14,471,721</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 102,025
Instruction	886,294
Pupil transportation	1,202
Community services	136
	<u>\$ 989,657</u>

## 7. LONG-TERM DEBT OBLIGATIONS

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ 3,050,000	\$ -	\$ 200,000	\$ 2,850,000	\$ 225,000
Installment purchase debt payable	5,057,084	-	509,215	4,547,869	521,650
Tax certiorari	3,030,520	2,651,117	1,543,634	4,138,003	2,196,501
Compensated absences	5,747,707	-	88,997	5,658,710	114,310
Workers' Compensation claims payable	1,078,993	1,178,187	1,102,925	1,154,255	-
Other post-employment benefits	24,915,183	4,840,290	-	29,755,473	-
Total long-term liabilities	<u>\$ 42,879,487</u>	<u>\$ 8,669,594</u>	<u>\$ 3,444,771</u>	<u>\$ 48,104,310</u>	<u>\$ 3,057,461</u>

The District's compensated absences have been restated as of June 30, 2013 (see Note 14 for details).

Additions and deletions to compensated absences and Workers' Compensation claims payable are shown net since it is impracticable to determine these amounts separately.

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

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

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/14
Bonds payable	11/16/2010	5/15/2026	2-3.375%	\$ 2,850,000
Installment purchase debt	11/7/2006	5/7/2022	6.128%	4,547,869
				<u>\$ 7,397,869</u>

The following is a summary of maturing debt service requirements:

Fiscal year ended June 30,	Principal	Interest	Total
2015	\$ 746,650	\$ 193,751	\$ 940,401
2016	759,390	176,512	935,902
2017	772,440	157,837	930,277
2018	785,809	138,843	924,652
2019	799,505	119,522	919,027
2020-2024	3,034,075	289,570	3,323,645
2025-2026	500,000	50,313	550,313
	<u>\$ 7,397,869</u>	<u>\$ 1,126,348</u>	<u>\$ 8,524,217</u>

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

Interest paid	\$ 210,187
Less: interest accrued in the prior year	(96,782)
Plus: interest accrued in the current year	<u>45,722</u>
Total expense	<u>\$ 159,127</u>

## 8. PENSION PLANS

### General information

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

### Provisions and administration

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

### Funding policies

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent on their salary, for their entire working career. With the exception of ERS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2014	\$ 5,309,110	\$ 1,060,174
2013	3,905,744	1,187,050
2012	3,479,909	999,973

### **9. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,273,604	\$ 371,060	\$ -	\$ 765,293
Special Aid Fund	-	1,227,462	365,293	-
School Lunch Fund	371,060	-	-	-
Capital Projects Fund	-	-	400,000	-
Fiduciary Funds	-	46,142	-	-
Totals	<u>\$ 1,644,664</u>	<u>\$ 1,644,664</u>	<u>\$ 765,293</u>	<u>\$ 765,293</u>

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

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

### **10. OTHER POST-EMPLOYMENT BENEFITS ("OPEB")**

#### Plan description and annual OPEB cost

The District provides post-employment (health insurance, life insurance etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.



The District implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, (standards codified in 2012) in the school year June 30, 2009. This requires the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and actual contributions made.

Currently, 349 retired employees receive health benefits from the District. Retirees contribute 15% to 65% for coverage depending on position held, date of hire, years of service, and fiscal year of retirement.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2014 the District recognized \$3,381,255 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2013 which indicates that the total liability for other post-employment benefits is \$88,247,304.

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution* ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>For The Year Ended June 30, 2014</u>
Annual required contribution	\$ 8,242,397
Interest on net OPEB obligation	1,013,850
Adjustment to annual required contribution	<u>(1,034,702)</u>
Annual OPEB cost	8,221,545
Contributions made	<u>3,381,255</u>
Increase in net OPEB obligation	4,840,290
Net OPEB obligation - beginning of year	<u>24,915,183</u>
Net OPEB obligation - end of year	<u><u>\$ 29,755,473</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 7,377,341	40.5%	\$ 18,699,340
6/30/2013	9,896,834	34.2%	24,915,183
6/30/2014	8,221,545	41.1%	29,755,473

#### Funded status and funding progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$88,247,304 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$88,247,304. The covered payroll (annual payroll of active employees covered by the plan) was \$34,935,274 and the ratio of the UAAL to the covered payroll was 252.6%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 6 years. Both rates included a 5.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was 24 years.

## **11. RISK MANAGEMENT**

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

The District participates in New York Schools Insurance Reciprocal ("NYSIR"), a non-risk-retained public entity risk pool for its District property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

The District has established a self-insured plan for risks associated with Workers' Compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims and do not include claims which were incurred on or before year end but not reported ("IBNR").

Claims activity is summarized below:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
For the fiscal years ended June 30:				
2013	\$ 1,528,872	\$ 1,072,542	\$ 1,522,421	\$ 1,078,993
2014	1,078,993	1,178,187	1,102,925	1,154,255

There have been no significant reductions in insurance coverage as compared to the prior years, and there were no settlements in excess of coverage over the last three years.

The District has not purchased any annuity contracts.

## 12. CONTINGENCIES AND COMMITMENTS

### Government grants

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

### Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012 through at least June 15, 2016, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent or the rate of inflation (but not less than 1 percent), whichever is less, with some exceptions. Local governments can exceed the tax levy limit by a 60% vote of the electorate, governing body, or by local law.

### Litigation

The District is involved in lawsuits arising from the normal conduct of business. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

### Service concession arrangements

In accordance with GASB Pronouncements, the District is required to recognize a liability for certain obligations to sacrifice financial resources (i.e. capital improvements) under the terms of a service concession arrangement or, a deferred inflow for up-front or installment payments received from the operator in advance of the revenue being earned. The District did not have any service concession arrangements for the fiscal year ended June 30, 2014, and accordingly, no liability or deferred inflow was reflected on the District's financial statements.

## **13. FUTURE ACCOUNTING STANDARDS**

GASB has issued Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25, which is to improve financial reporting by state and local governmental pension plans. The District is currently studying the Statement and plans on adoption when required, which will be for the June 30, 2015 financial statements.

GASB has issued Statement No. 68, Accounting and Reporting for Pension Plans, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The District is currently studying the Statement and plans on adoption when required, which will be for the June 30, 2015 financial statements.

GASB has issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which aims to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The District is currently studying the Statement and plans on adoption when required, which will be for the June 30, 2015 financial statements.

GASB has issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68, the purpose of which is to address an issue regarding application of the transition provision of Statement No. 68, where amounts contributed, if any, by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, are recognized as deferred outflows of resources. The District is currently studying the Statement and plans on adoption when required, which will be for the June 30, 2015 financial statements.

**14. PRIOR PERIOD ADJUSTMENTS**

Fund balance in the governmental fund statements has been restated as of June 30, 2013 to give effect to a change in the District's recording of tax certiorari from a liability to a restricted reserve of fund balance as follows:

	<u>Tax Certiorari</u>	<u>Fund Balance</u>
Balance as of June 30, 2013, as reported	\$ 3,030,520	\$ 9,418,595
Tax certiorari adjustment	<u>(3,030,520)</u>	<u>3,030,520</u>
Balance as of June 30, 2013, as restated	<u>\$ -</u>	<u>\$ 12,449,115</u>

Net position in the District-wide financial statements has been restated as of June 30, 2013 to give effect to recording additional amounts of long-term compensated absences as follows:

	<u>Compensated Absences</u>	<u>Net Position</u>
Balance as of June 30, 2013, as reported	\$ 732,366	\$ (10,110,258)
Add: adjustment to reported compensated absences	<u>5,015,341</u>	<u>(5,015,341)</u>
Balance as of June 30, 2013, as restated	<u>\$ 5,747,707</u>	<u>\$ (15,125,599)</u>

**15. SUBSEQUENT EVENTS**

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of September 16, 2014, which is the date the financial statements were available to be issued, noting no matters requiring further consideration.

**GLEN COVE CITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Year-end Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Local sources:					
Real property taxes	\$ 58,427,930	\$ 58,427,930	\$ 58,056,890		\$ (371,040)
Other tax items	8,276,097	8,276,097	8,714,265		438,168
Charges for services	252,615	252,615	186,419		(66,196)
Use of money and property	92,975	92,975	82,888		(10,087)
Miscellaneous	500,266	500,266	346,768		(153,498)
Total local sources	67,549,883	67,549,883	67,387,230		(162,653)
State sources	8,041,163	8,041,163	8,481,314		440,151
Federal sources	129,586	129,586	288,070		158,484
Total revenues	75,720,632	75,720,632	76,156,614		435,982
<b>OTHER FINANCING SOURCES</b>					
Appropriated reserves	950,000	2,110,620	-		(2,110,620)
Total revenues and other financing sources	76,670,632	77,831,252	76,156,614		(1,674,638)
<b>EXPENDITURES</b>					
General support:					
Board of Education	75,400	86,570	49,477	\$ -	37,093
Central administration	309,588	316,238	306,937	-	9,301
Finance	792,234	882,584	777,885	52,532	52,167
Staff	711,953	753,633	703,798	-	49,835
Central services	5,158,272	5,463,591	4,779,494	64,564	619,533
Special items	822,457	2,078,193	2,074,368	-	3,825
Total general support	7,869,904	9,580,809	8,691,959	117,096	771,754
Instruction:					
Instruction, administration and improvement	3,913,370	3,729,431	3,425,472	-	303,959
Teaching - regular school	24,210,575	22,882,789	22,388,225	30,506	464,058
Programs for children with handicapping conditions	10,403,434	11,181,922	10,932,893	-	249,029
Teaching - special school	69,000	205,033	194,902	-	10,131
Instructional media	2,305,828	2,417,481	2,226,200	9,966	181,315
Pupil services	3,662,710	3,697,673	3,426,078	43,655	227,940
Total instruction	44,564,917	44,114,329	42,593,770	84,127	1,436,432
Pupil transportation	4,182,644	4,201,700	4,001,062	-	200,638
Community services	3,803	3,803	3,667	-	136
Employee benefits	18,647,962	18,243,916	17,725,298	-	518,618
Debt service:					
Principal	709,215	709,215	709,215	-	-
Interest	212,187	212,187	210,187	-	2,000
Total expenditures	76,190,632	77,065,959	73,935,158	201,223	2,929,578
<b>OTHER FINANCING USES</b>					
Interfund transfers	480,000	765,293	765,293	-	-
Total expenditures and other financing uses	76,670,632	77,831,252	74,700,451	\$ 201,223	2,929,578
Net change in fund balance	\$ -	\$ -	1,456,163		\$ 1,254,940
Fund balance, beginning of year, as restated			10,756,940		
Fund balance, end of year			\$ 12,213,103		

The accompanying notes to financial statements should be  
read in conjunction with this schedule.

**GLEN COVE CITY SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/07	\$ -	\$ 60,230,817	\$ 60,230,817	\$ -	\$ 31,168,360	193.2%
07/01/09	-	81,100,595	81,100,595	-	39,881,715	203.4%
07/01/11	-	112,834,920	112,834,920	-	35,023,816	322.2%
07/01/13	-	88,247,304	88,247,304	-	34,935,274	252.6%

The accompanying notes to financial statements should be  
read in conjunction with this schedule.

**GLEN COVE CITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**  
**AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Change from adopted budget to revised budget:**

Adopted budget		\$ 76,670,632
Add:		
Prior year encumbrances		420,022
Planned use of specific reserves		<u>740,598</u>
Revised budget		<u>\$ 77,831,252</u>

**Section 1318 of real property tax law limit calculation:**

2014-2015 voter approved expenditure budget		<u>\$ 79,281,428</u>
Maximum allowed (4% of 2014-2015 budget)		<u>3,171,257</u>
General Fund fund balance subject to §1318 of real property tax law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 951,223	
Unassigned fund balance	<u>3,170,675</u>	\$ 4,121,898
Less:		
Appropriated fund balance	750,000	
Encumbrances	<u>201,223</u>	<u>951,223</u>
General Fund fund balance subject to §1318 of real property tax law		<u>\$ 3,170,675</u>
Actual percentage		<u>4.00%</u>

The accompanying notes to financial statements should be  
read in conjunction with this schedule.



**GLEN COVE CITY SCHOOL DISTRICT**  
**SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Project Title	Expenditures				Methods of Financing					Fund Balance June 30, 2014	
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources		Total
High School Locker Rooms	\$ 330,000	\$ 1,131,337	\$ 123,236	\$ 947,143	\$ 1,070,379	\$ 60,958	\$ 1,131,337	\$ -	\$ -	\$ 1,131,337	\$ 60,958
High School Windows/Doors	43	389,043	396,344	-	396,344	(7,301)	389,043	-	-	389,043	(7,301)
Landing Boiler	-	400,000	-	14,351	14,351	385,649	-	-	400,000	400,000	385,649
High School Track/Lighting	(237,996)	658,978	600,053	-	600,053	58,925	658,978	-	-	658,978	58,925
	\$ 92,047	\$ 2,579,358	\$ 1,119,633	\$ 961,494	\$ 2,081,127	\$ 498,231	\$ 2,179,358	\$ -	\$ 400,000	\$ 2,579,358	\$ 498,231

The accompanying notes to financial statements should be read in conjunction with this schedule.

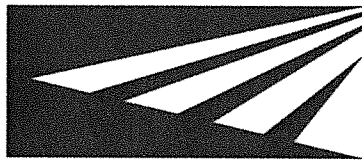
**GLEN COVE CITY SCHOOL DISTRICT**  
**NET INVESTMENT IN CAPITAL ASSETS**  
**AS OF JUNE 30, 2014**

Capital assets, net			\$ 14,471,721
Deduct:			
Short-term portion of installment purchase debt payable	\$ (521,650)		
Short-term portion of bonds payable	(225,000)		
Long-term portion of installment purchase debt payable	(4,026,219)		
Long-term portion of bonds payable	<u>(2,625,000)</u>	<u>(7,397,869)</u>	
Net investment in capital assets			<u>\$ 7,073,852</u>

The accompanying notes to financial statements should be  
read in conjunction with this schedule.

**GLEN COVE CITY SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**TABLE OF CONTENTS**

Independent Auditor's Report On Extraclassroom Activity Funds Financial Statements	50
Financial Statements:	
Cash Receipts And Disbursements:	
High School	52
Middle School	53
Note To Financial Statements	54



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON EXTRACLASSROOM  
ACTIVITY FUNDS FINANCIAL STATEMENT**

To the Board of Education of the  
Glen Cove City School District  
City of Glen Cove, New York:

We have audited the accompanying statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Glen Cove City School District (the "District") for the year ended June 30, 2014, and the related note to the financial statement, which collectively comprise the financial statement of the District's Extraclassroom Activity Funds.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement.

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

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

# NawrockiSmith

## *Opinion*

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Glen Cove City School District for the year ended June 30, 2014 in accordance with the basis of accounting described in Note 1.

## *Basis of Accounting*

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

Melville, New York  
September 16, 2014

*Nawrocki Smith LLP*

**GLEN COVE CITY SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balances June 30, 2013	Receipts	Disbursements	Cash Balances June 30, 2014
High School:				
Class of 2013	\$ 513.53	\$ -	\$ -	\$ 513.53
Class of 2014	10,526.19	29,132.00	39,141.71	516.48
Class of 2015	4,362.61	2,412.88	1,085.61	5,689.88
Class of 2016	2,215.42	6,936.53	3,118.91	6,033.04
Class of 2017	-	1,051.56	-	1,051.56
Anime & Manga Club	1,084.91	93.56	-	1,178.47
C.A.U.S.E.	1,600.59	1,638.96	2,801.25	438.30
Dance Club	-	458.44	72.49	385.95
DECA/ School Store	4,605.45	41,151.25	38,088.62	7,668.08
Hero Club	827.35	200.00	662.19	365.16
Honor Society	237.73	811.05	681.70	367.08
Interact Club	400.00	999.35	1,160.46	238.89
Interest	159.97	161.61	-	321.58
International Club	-	194.35	-	194.35
Key Club	531.60	4,256.39	4,659.48	128.51
Masquers	5,302.83	4,835.47	5,342.84	4,795.46
Music	1,700.09	23,187.90	24,502.90	385.09
Ski Club	483.04	36,276.00	36,478.78	280.26
Student Activity	8,279.57	-	422.13	7,857.44
Student Senate	995.59	4,442.00	5,395.68	41.91
The Cove-er Times	749.45	144.00	197.20	696.25
The Model United	400.00	-	-	400.00
Tri M Honor Society	594.67	-	106.62	488.05
Yearbook	-	11,900.00	9,674.00	2,226.00
	\$ 45,570.59	\$ 170,283.30	\$ 173,592.57	\$ 42,261.32

The accompanying note is an integral  
part of this financial statement.

**GLEN COVE CITY SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(Continued)**

	Cash Balances June 30, 2013	Receipts	Disbursements	Cash Balances June 30, 2014
Middle School:				
6th Grade- Frisch Team	\$ 1,391.98	\$ 439.50	\$ 437.90	\$ 1,393.58
6th Grade- McGrath Team	1,175.55	26.70	-	1,202.25
6th Grade Trip Fund	-	9,815.70	5,053.44	4,762.26
7th Grade Trip Fund	-	18,927.43	18,002.58	924.85
8th Grade Trip Fund	-	22,624.26	21,570.92	1,053.34
7th Grade- Durham Team	76.01	-	-	76.01
7th Grade- Trousdell Team	307.63	-	-	307.63
8th Grade- Finjer Team	60.61	403.00	392.99	70.62
8th Grade- Linden Team	338.45	375.80	379.31	334.94
Band II	152.72	4,032.00	3,926.00	258.72
General Student Fund	1,704.62	7,806.62	8,096.49	1,414.75
Interest	102.28	79.24	-	181.52
National Junior Honor Society	-	544.02	426.42	117.60
Technology Club	318.04	380.75	-	698.79
Theater Production	9,701.24	9,720.53	12,620.96	6,800.81
Yearbook	2,284.65	5,325.00	5,237.63	2,372.02
	<u>\$ 17,613.78</u>	<u>\$ 80,500.55</u>	<u>\$ 76,144.64</u>	<u>\$ 21,969.69</u>

The accompanying note is an integral  
part of this financial statement.

**GLEN COVE CITY SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**NOTE TO FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Glen Cove City School District.

The accounts of the Extraclassroom Activity Funds of the District are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statements.



**GLEN COVE CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass - Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass - Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Education</u></b>			
Federal Impact Aid Program	84.041A		\$ 6,244
Passed - Through New York State Department of Education			
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-3070	517,872
ESEA, Title II, Part A, Training	84.367A	0147-3070	82,839
ESEA, Title III, Part A, English Language Acquisition Grants	84.365A	0293-3070	39,656
			<u>640,367</u>
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-0904	758,481
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-0904	30,842
			<u>789,323</u>
State Fiscal Stabilization Fund Cluster:			
Race to the Top, ARRA	84.395A		26,537
			<u>26,537</u>
<b>Total U.S. Department of Education</b>			<u>1,462,471</u>
<b><u>U.S. Department of Agriculture</u></b>			
Surplus Food	10.550	N/A	52,456
Passed - Through New York State Office of General Services			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	112,345
National School Lunch Program	10.555	N/A	598,076
			<u>710,421</u>
<b>Total U.S. Department of Agriculture</b>			<u>762,877</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Disaster Grants-Public Assistance	97.036		91,332
			<u>91,332</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 2,316,680</u>

The accompanying notes should be read  
in conjunction with this schedule.

**GLEN COVE CITY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the Glen Cove City School District (the "District"), an entity as defined in Note 1 to the District's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed-through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

**2. Basis of Accounting**

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

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

**3. Indirect Costs**

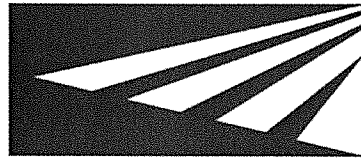
Indirect costs may be included in the reported expenditures to the extent they are included in the federal financial reports used as the source of the data presented.

**4. Matching Costs**

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

**5. Major Program Determination**

The District has determined that all federal programs with expenditures of \$300,000 or more are Type A Programs for purposes of determining Major Programs.



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education of the  
Glen Cove City School District  
City of Glen Cove, 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 fiduciary funds of the Glen Cove City School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 16, 2014.

***Internal Control Over Financial Reporting***

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

# NawrockiSmith

## ***Compliance and Other Matters***

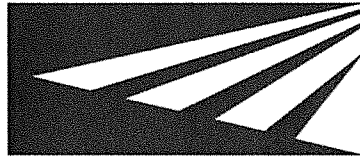
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

## ***Purpose of this Report***

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

Melville, New York  
September 16, 2014

*Nawrocki Smith LLP*



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education of the  
Glen Cove City School District  
City of Glen Cove, New York:

***Report on Compliance for Each Major Federal Program***

We have audited the Glen Cove City School District's (the "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 District's major federal programs for the year ended June 30, 2014. The 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 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 the 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 the District's compliance.

# NawrockiSmith

## ***Opinion on Each Major Federal Program***

In our opinion, the 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 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 Glen Cove City 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 Glen Cove City 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.

Melville, New York  
September 16, 2014



**GLEN COVE CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**A. Summary Of Auditor's Results:**

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance were disclosed during the audit.
4. No deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs that are required to be reported in accordance with section 510(a) of OMB Circular A-133, were disclosed during the audit.
7. The programs tested as a major program included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	<i>U.S. Department of Education-</i>
84.027A	IDEA, Part B, Section 611, Special Education Grants to States
84.173A	IDEA, Part B, Section 619, Special Education Preschool Grants
84.395A	Race to the Top, ARRA
84.041A	Federal Impact Aid Program

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Auditee was determined to be a low-risk auditee.

**B. Findings - Financial Statement Audit**

None reported.

**C. Findings And Questioned Costs - Major Federal Award Programs Audit**

None reported.

**GLEN COVE CITY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Findings - Financial Statement Audit**

None reported.

**Findings And Questioned Costs - Major Federal Award Programs Audit**

None reported.



**GLEN COVE CITY SCHOOL DISTRICT**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

This section presents our findings and recommendations resulting from the audit of the financial statements of the Glen Cove City School District as of and for the year ended June 30, 2014. Also presented is the status of recommendations made in connection with prior audits of the financial statements.

**CURRENT YEAR RECOMMENDATIONS:**

1. Claims auditor approval

We noted that purchases are approved for payment by the claims auditor, however, such approval was not evident on the supporting documentation. In addition, the Assistant Superintendent for Business and Board of Education are not notified of any findings noted during the claims auditor's review. This situation increases the risk of payments being processed without the claims auditor's approval, and that the Board of Education will not be aware of any recurring issues within the purchasing process.

We recommend that invoices bear evidence of approval by the claims auditor before payment is made. In addition, the claims auditor should provide periodic reports of findings to the Board of Education. In this manner, internal control over the purchasing process may be enhanced.

2. Segregation of cash receipts duties

We noted that the same individual is responsible for endorsement of checks, preparation of deposit slips and deposits, custody, recordkeeping and recording cash receipts in Finance Manager. This lack of segregation of duties increases the risk of intentional or non-intentional errors with respect to cash receipts.

We recommend that the District consider re-assigning certain responsibilities to ensure an adequate segregation of duties over cash receipts. In this manner, internal control over cash may be enhanced.

3. Segregation of duties within the payroll process

We noted that the same individual is responsible for updating pay rate information in Finance Manager and processing the District's payroll. This situation increases the risk that errors or unauthorized payroll expenditures could occur and go undetected.

We recommend that the Human Resource Department enter and update the employee pay rates in Finance Manager to ensure appropriate segregation of duties. Alternatively, the District may implement a review by a responsible individual of changes to the employee master file to ensure accuracy. In this manner, internal control over payroll may be enhanced.

4. Access to safe

We noted that the District has a walk-in safe adjacent to the area used for registration, which is frequented by outside visitors. The safe is left unlocked during normal business hours. While the safe is mainly used for storage of documentation, any cash received is also maintained in the safe until the District prepares a deposit. This situation increases the risk that unauthorized individuals could gain access to the safe and cash on hand.

We recommend that the District keep the safe locked or otherwise secured during business hours. In this manner, physical safeguarding of District records and cash may be reasonably assured.

5. Disaster recovery plan

We noted that the District does not have well-defined, written disaster recovery procedures. Formal, documented procedures enable all personnel to be aware of their responsibilities in the event of an emergency situation. Lack of such procedures could result in the loss of critical District data.

We recommend that the District develop a disaster recovery plan that includes, but is not limited to the following matters:

- a. Location of, and access to, off-site storage
- b. A listing of all data files that would have to be obtained from the off-site storage location
- c. Identification of a back-up location (name and telephone number) with similar or compatible equipment for emergency processing (management should make arrangements for such back-up with another entity, a computer vendor, or a services center; the agreement should be in writing)
- d. Responsibilities of various personnel in an emergency
- e. Priorities of critical applications and reporting requirements during the emergency period

Implementation of these procedures will ensure satisfactory, ongoing functioning of the District's data processing capabilities in the event of an emergency.

6. Budget transfers

We noted three (3) instances where the Superintendent did not document her approval of budget transfers by signature and date on the budget transfer request form. This situation increases the risk that unauthorized transfers may be made within Finance Manager.

We recommend that all budget transfers be approved by the Superintendent prior to entry into Finance Manager. In this manner, internal control over budget transfers may be enhanced.

7. Authorized pay rate information

We noted the District does not maintain current, authorized pay rate information for all employees. As such, adequate support for payroll expenditures is not reasonably assured.

We recommend that the District maintain and update personnel files on a timely basis to include current, pertinent and accurate data such as authorized pay rate information for all employees. In this manner, payroll expenditures may be properly supported.

8. Employee reimbursements

During our review of employee expense reimbursements, we noted that the District does not have a formal expense reimbursement policy for employees. In addition, our audit work in this area revealed a number of expense reimbursements that lacked appropriate approvals and supporting documentation. Adoption of a formal policy in this area will ensure there is a clear understanding as to what reimbursements are appropriate.

We recommend that the District establish a formal employee expense reimbursement policy. In this manner, internal control over expense reimbursement related expenditures may be enhanced.

PRIOR YEAR RECOMMENDATIONS:

1. Recommendation: We recommended that all inactive clubs and activities of the Extraclassroom Activity Funds be investigated as to propriety, and any available funds be reclassified.

Status: We noted that this recommendation has not been implemented.

2. Recommendation: We recommended that the District implement policies and procedures to ensure all interfund account balances are cleared within a reasonable amount of time.

Status: We noted that this recommendation has been implemented.

3. Recommendation: We recommended that the District conduct more frequent physical inventories of its fixed assets to ensure the propriety of its fixed assets records.

Status: We noted that this recommendation has been implemented.

4. Recommendation: We recommended that procedures be established whereby unsettled tax certiorari claims are tracked, analyzed and accounted for.

Status: We noted that this recommendation has not been implemented.

5. Recommendation: We recommended that the District review and formally close out completed projects and redirect the fund balances as deemed appropriate.

Status: We noted that this recommendation has been implemented.

6. Recommendation: We recommended that controls and procedures be in place to ensure that purchase orders are completed and available for information and reference on a timely basis.

Status: We noted that this recommendation has been implemented.

7. Recommendation: We recommended that the District develop policies and procedures to include limiting the amount of time a vendor can remain in "active" status but not be used, and review the vendor database to reconcile duplicate vendor names, addresses and phone numbers.

Status: We noted that this recommendation is in the process of being implemented.

8. Recommendation: We recommended the permissions for Business Office employees be reviewed and updated to include only permissions that are necessary for performing their job duties.

Status: We noted that this recommendation has not been implemented.

9. Recommendation: We recommended that audit trail reports for all modules of the Finance Manager System and user maintenance reports be reviewed on a periodic basis by management, and any suspicious activity should be investigated and resolved.

Status: We noted that this recommendation has not been implemented.

10. Recommendation: We recommend that unclaimed payroll checks be returned to the Human Resource Department.

Status: We noted that this recommendation has not been implemented.