

SOUTHWESTERN CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

***WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS***

SOUTHWESTERN CENTRAL SCHOOL DISTRICT

2014 FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Southwestern Central School District
Jamestown, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of *Southwestern Central School District* as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the *Southwestern Central School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Southwestern Central School District* as of June 30, 2014, as displayed in the District's basic financial statements.

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 the *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, and each major fund of *Southwestern Central School District* as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the *Southwestern Central School District's* June 30, 2013 financial statements, and our report dated October 8, , expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 33 through 34, 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 **Southwestern Central School District's** basic financial statements as a whole. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules 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 combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014 on our consideration of **Southwestern Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Southwestern Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 30, 2014**

I. Discussion and Analysis

The following is a discussion and analysis of the *Southwestern Central School District's* financial performance for the 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 based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the *Southwestern Central School District* during the fiscal year ended June 30, 2014:

- Overall net position of the District increased during the current year in the amount of \$1,176,000 as compared to an decrease of \$217,000 during the prior fiscal year.
- The District's enrollment was 1,431 students as compared with 1,441 during the prior year.
- The District's total revenue increased 3% from \$24,813,000 during June 30, 2013 to \$25,553,000 during June 30, 2014. This increase was primarily the result of an increase in property tax revenues and state aid.
- The District's total expenses decreased approximately 3% from \$25,030,000 during the year ended June 30, 2013 to \$24,377,000 during the year ended June 30, 2014. This decrease was primarily the result of the write-off of bond issuance costs in accordance with GASB 65.
- The District had capital outlays during the current year in the amount of \$207,000, which primarily related to the purchase of new buses.

III. Overview of the Financial Statements

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

III. Overview of the Financial Statements (continued)

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 10) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and the District's 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 position 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.

III. Overview of the Financial Statements (continued)

B. Reporting the District's Most Significant Funds (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. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. 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 the balances left at year-end that are available for spending. Consequently the governmental funds

III. Overview of the Financial Statements (continued)

B. Reporting the District's Most Significant Funds (Fund Financial Statements)(continued):

1. Governmental Funds (continued)

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, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

2. Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the 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.

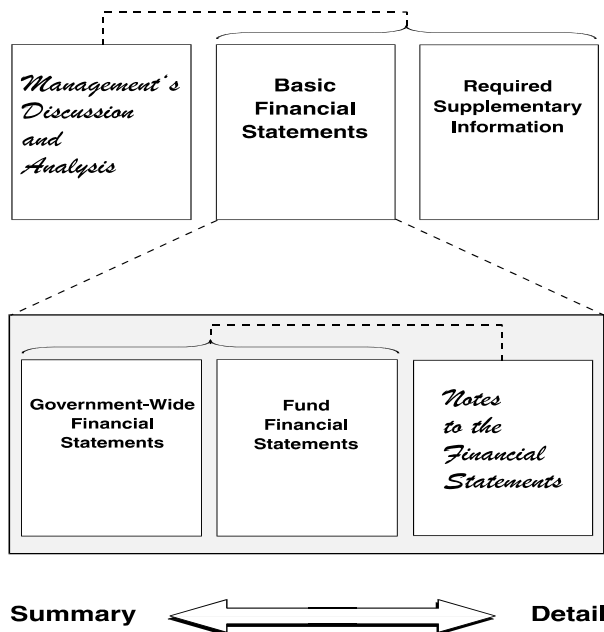
Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	Fund Financial Statements		
	District-Wide	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 activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources /liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

III. Overview of the Financial Statements (continued)

B. Reporting the District's Most Significant Funds (Fund Financial Statements)(continued):

Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as a Whole (continued)

Changes in Net Position (continued)

The total cost of all programs and services of the District decreased 3% to \$24,377,000. The District's expenses cover a range of services, with 76% related to instruction and 13% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 3%, while total expenses decreased 3%. The District's total net position increased approximately \$1,176,000 during the fiscal year ended June 30, 2014 as a result of current year operations.

Revenue

Figure A-4 presents the major sources of revenue of the District. Total revenue of the District totaled \$25,553,000 for the fiscal year ended June 30, 2014. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 49% of the District's total revenue for governmental activities increased approximately 2% during the year ended June 30, 2014 as a result of an increase in the tax levy.
- One of the District's most significant revenue is state sources which represent \$11,497,000 or 45% of total governmental revenue. State sources increased by approximately 5%.
- During the year ended June 30, 2014, the District saw a decrease in program revenue, which mostly resulted from a decrease in operating grants of \$75,000 and a decrease of charges for services which decreased by \$6,000, as compared with the prior year revenue. The decrease in operating grants resulted from a decrease in federal grants, specifically the IDEA monies allocated to the District was significantly less than in the prior year.

IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$12,574,000. The components of net position include: net investment in capital assets, of \$11,009,000; restricted net position of \$2,317,000; and unrestricted net deficit of \$ 752,000 .

Changes in Net Position

The District's total government-wide revenue increased by approximately 3% to \$25,553,000. Approximately 49%, 4% and 45% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 2% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**IV. Financial Analysis of the School District as a Whole
(continued)**

Expenses

Figure A-8 presents the cost of each of the District's six largest expenditure-type, which include; general support, instruction, transportation, debt service, community services and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$24,377,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$114,000 or 4% which was the result of increases in BOCES services and employee benefit costs.
- The District's instruction costs decreased by approximately \$157,000 or 1% which was the result of decreases in wages and BOCES services offset by increases in employee benefit costs.
- Debt service of the District decreased approximately \$607,000 during the year ended June 30, 2014. This decrease was primarily the result of the write-off of bond issuance costs in the prior year in accordance with GASB 65.
- Transportation costs of the District increased 4% or \$51,000 during the year ended June 30, 2014.
- The Districts cost of sales (food service fund) totaled \$362,000 during the current year as compared to \$415,000 during the fiscal year ended June 30, .
- The District received approximately \$1,192,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the Districts net costs (\$23 million) were financed by real property taxes and state aid.

IV. Financial Analysis of the School District as a Whole (continued)

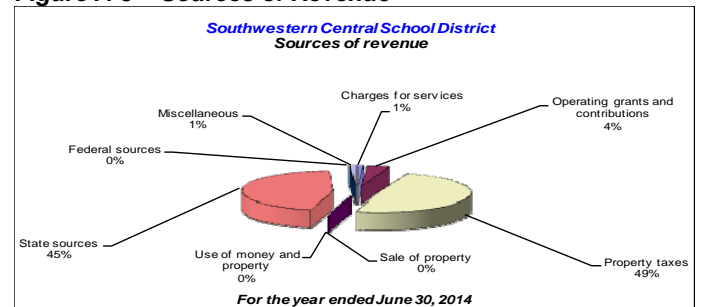
Figure A-3 – Condensed Statement of Net Position

<i>Southwestern Central School District</i>			
Condensed Statement of Net Position (in thousands of dollars)			
Governmental Activities and Total District-wide			
	2014	2013	% Change
Assets			
Current and other assets	\$ 6,519	\$ 6,035	8%
Capital assets	39,799	41,014	-3%
Total assets	\$ 46,318	\$ 47,049	-2%
Liabilities			
Other liabilities	\$ 2,987	\$ 2,511	19%
Long-term debt outstanding	30,757	33,142	-7%
Total liabilities	33,744	35,653	-5%
Net position			
Invested in capital assets, Net of related debt	11,009	9,255	19%
Restricted	2,317	2,067	12%
Unrestricted (deficit)	(752)	74	-1116%
Total net position	12,574	11,396	10%
Total liabilities and net position	\$ 46,318	\$ 47,049	-2%

Figure A-4 – Changes in Net Position

<i>Southwestern Central School District</i>			
Changes in Net Position from Operating Results (in thousands of Dollars)			
Governmental Activities and Total District-wide			
	2014	2013	% Change
Revenue			
Program revenue			
Charges for services	\$ 214	\$ 220	-3%
Operating grants and contributions	978	1,053	-7%
General revenue			
Real property taxes	12,488	12,227	2%
Use of money & property	28	10	180%
Sale of property & comp for loss	18	7	157%
State sources	11,497	10,937	5%
Federal sources	94	98	-4%
Miscellaneous	236	261	-10%
Total revenue	25,553	24,813	3%
Expenses			
General support	3,190	3,076	4%
Instruction	18,570	18,727	-1%
Transportation	1,357	1,306	4%
Community services	27	28	-4%
Debt service - interest	871	1,478	-41%
Cost of sales	362	415	-13%
Total expenses	24,377	25,030	-3%
Change in net position	\$ 1,176	\$ (217)	-642%

Figure A-5 – Sources of Revenue



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**IV. Financial Analysis of the School District as a Whole
(continued)**

Figure A-6 – Expenses

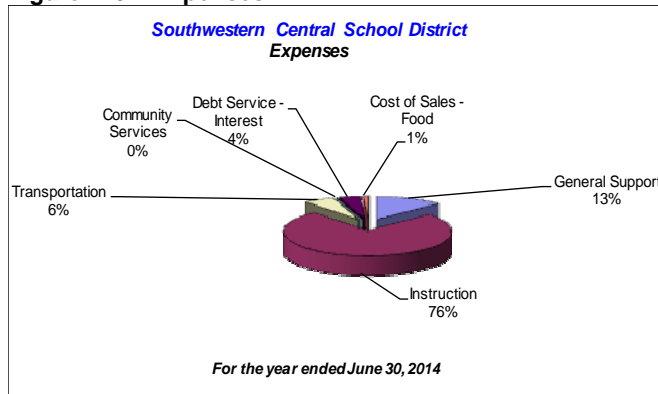


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2014		2013	
Expenditures supported with general revenue (from taxes & other sources)	\$ 23,185	95%	\$ 23,757	95%
Expenditures supported with program revenue	1,192	5%	1,273	5%
Total expenditures related to governmental activities	\$ 24,377	100%	\$ 25,030	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2014	2013	Change	2014	2013	Change
General support	\$ 3,190	\$ 3,076	\$ 114	\$ 3,190	\$ 3,076	\$ 114
Instruction	18,570	18,727	(157)	17,788	17,902	(114)
Transportation	1,357	1,306	51	1,343	1,294	49
Community Services	27	28	(1)	27	28	(1)
Debt service - interest	871	1,478	(607)	871	1,478	(607)
Cost of sales - food	362	415	(53)	(34)	(21)	(13)
Total	\$ 24,377	\$ 25,030	\$ (653)	\$ 23,185	\$ 23,757	\$ (572)

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, 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. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund expenditures exceeded its revenues by approximately \$115,000.
- The District's general fund unassigned fund balance equated to approximately \$1,043,000 as of June 30, 2014.
- The District had many fund balance reserves which totaled approximately \$1,939,000 as of June 30, 2014.
- The District's total assets increased approximately \$461,000 as of June 30, 2014 primarily due to increases in cash on hand and an increase in amounts owed from other funds. The District's liabilities increased approximately \$576,000 primarily due to an increase in accrued expenses due to the estimated liability for a retroactive pay due to ongoing contract negotiations as well as an increase in the due to the teachers retirement system.
- Total revenue in the District's general fund increased \$461,000 due to an increase in property tax revenues and state aid.
- Total expenditures in the District's general fund increased \$167,000.

Food Service Fund

- The District's food service fund experienced a \$34,000 increase in fund equity during the current fiscal year. Revenue in the District's food service fund was \$396,000 during 2014 as compared with \$437,000 in 2013. Expenditures decreased approximately \$74,000 as compared with the prior year. The decrease in expenditures was related to a decrease in food costs due to a drop in meals served to students.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**V. Financial Analysis of the School District's Funds
(continued)**

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$71,000 or 9% which was primarily related to a decrease in the IDEA allocation.

Capital Projects Fund

- Total expenditures incurred during the current year amounted to \$209,000 which was the primarily result of the purchase of new buses.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$1,563,000 below the revised budget. The most significant positive variance was in the area of instruction which totaled \$823,000 below that budgeted. Resources available for appropriations were approximately \$44,000 above the final budgeted amount. Significant variance of revenue items consisted of state sources which was approximately \$286,000 above that budgeted and was the result of the increase in general aids.

Figure A-9 – Budget vs. Actual Comparison

<i>Southwestern Central School District</i>					
<i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i>					
	Revised				
	Budget	Actual	Difference	%	
Revenue					
Local sources	\$ 12,723	\$ 12,782	\$ 59	0%	
State sources	11,211	11,497	286	3%	
Federal sources	25	94	69	276%	
Other sources	414	44	(370)	-89%	
Total revenue	\$ 24,373	\$ 24,417	\$ 44	0%	
Expenditures					
General support	\$ 2,804	\$ 2,465	\$ 339	12%	
Instruction	12,315	11,492	823	7%	
Transportation	932	771	161	17%	
Community services	30	27	3	10%	
Employee benefits	5,954	5,717	237	4%	
Debt service	4,048	4,048	-	0%	
Operating transfers	13	13	-	0%	
Total expenditures	\$ 26,096	\$ 24,533	\$ 1,563	6%	

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2014, the District had invested approximately \$39,799,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2014, totaled approximately \$207,000 and consisted of the purchase of transportation vehicles. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2014, the District had approximately \$30,757,000 in serial bonds and energy performance contracts, a decrease of approximately 7% as compared with the previous year. The decrease in bonds payable was the result of the District making regular principal payments during the year. In addition, other post-employment benefits increased \$502,000 as a result of the District choosing to amortize the total liability over a period of years.

Figure A-10 – Capital Assets

<i>Southwestern Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2014	2013	Change
Land	\$ 2,265,450	\$ 2,265,450	0%
Cost basis	54,272,837	54,203,642	0%
Accumulated depreciation	(16,739,358)	(15,455,474)	8%
Total Capital Assets, net	\$ 39,798,929	\$ 41,013,618	-3%

Figure A-11 – Outstanding Long-term Debt

<i>Southwestern Central School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2014	2013	Change
Bonds payable	\$ 27,645,891	\$ 30,406,805	-9%
Energy performance bonds	266,399	391,697	-32%
Other post-employment benefits	2,844,584	2,343,485	21%
Total Long-Term Debt	\$ 30,756,874	\$ 33,141,987	-7%

VIII. Factors Bearing on the District's Future

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 economic status of the State could put additional strain upon the District.

IX. Contacting the District's Financial Management

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

Southwestern Central School District
District Administrative Offices
Attention: Mr. Scott Hoot, Business Administrator
600 Hunt Road
Jamestown, New York 14701

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

Schedule 1

Page 10

	<u>2014</u>	<u>2013</u>
Assets		
Cash		
Unrestricted	\$ 1,943,082	\$ 2,592,182
Restricted	2,317,075	2,067,104
Receivables		
State and federal aid	905,595	1,115,264
Accounts receivable	1,015	70,112
Due from other governments	40,120	1,306
Due from fiduciary funds	1,253,577	133,731
Inventories	7,885	7,105
Cash to be used for capital assets	50,488	48,866
Capital assets, net	39,798,929	41,013,618
Total assets	<u>\$ 46,317,766</u>	<u>\$ 47,049,288</u>
Liabilities		
Current liabilities		
Accounts payable and retainage payable	\$ 242,787	\$ 207,510
Accrued liabilities	197,455	106,032
Accrued interest	152,000	159,000
Due to retirement systems	1,553,019	1,202,976
Unearned revenue	84,455	7,115
Bond anticipation notes payable	757,353	828,289
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	2,450,000	2,395,000
Energy performance contract	130,404	125,298
Portion due or payable after one year		
Bonds payable	25,195,891	28,011,805
Energy performance contract	135,995	266,399
Other post-employment benefits	2,844,584	2,343,485
Total liabilities	<u>33,743,943</u>	<u>35,652,909</u>
Net Position		
Invested in capital assets, net of related debt	11,008,491	9,254,913
Restricted	2,317,075	2,067,104
Unrestricted (deficit)	(751,743)	74,362
Total net position	<u>12,573,823</u>	<u>11,396,379</u>
Total liabilities and position	<u>\$ 46,317,766</u>	<u>\$ 47,049,288</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Schedule 2

Page 11

	Expenses	Indirect Expenses Allocation	Program Revenues		2014 Net (Expense) Revenue and Changes in Net Position	2013 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
Functions/Programs						
General support	\$ 2,992,343	\$ 197,322	\$ -	\$ -	\$ (3,189,665)	\$ (3,076,285)
Instruction	17,650,693	919,173	61,205	720,792	(17,787,869)	(17,902,247)
Pupil transportation	1,051,892	305,245	-	14,603	(1,342,534)	(1,293,872)
Community services	26,950	-	-	-	(26,950)	(28,426)
Debt service	871,356	-	-	-	(871,356)	(1,477,497)
Food service program	361,580	-	152,898	243,038	34,356	21,300
Depreciation	1,421,740	(1,421,740)	-	-	-	-
Total functions and programs	<u>\$ 24,376,554</u>	<u>\$ -</u>	<u>\$ 214,103</u>	<u>\$ 978,433</u>	<u>(23,184,018)</u>	<u>(23,757,027)</u>
General Revenues						
Real property taxes					12,488,155	12,227,134
Use of money and property					28,348	9,720
Sale of property and compensation for loss					17,524	6,586
Miscellaneous and donations					236,179	261,481
State sources					11,497,405	10,936,773
Federal sources					93,851	97,761
Total general revenues					<u>24,361,462</u>	<u>23,539,455</u>
Change in net position					1,177,444	(217,572)
Net position - beginning of year					<u>11,396,379</u>	<u>11,613,951</u>
Net position - end of year					<u>\$ 12,573,823</u>	<u>\$ 11,396,379</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014

Schedule 3

Page 12

	Governmental Funds					2014	2013
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Assets							
Unrestricted cash	\$ 1,939,557	\$ 595	\$ 3,830	\$ -	\$ -	\$ 1,943,982	\$ 2,218,070
Restricted cash	1,939,371	-	-	376,804	50,488	2,366,663	2,490,082
Accounts receivable	-	-	1,015	-	-	1,015	70,112
Due from other funds	1,233,291	-	191,765	900	-	1,425,956	1,112,275
State and federal aid receivable	730,700	154,808	20,087	-	-	905,595	1,115,264
Due from other governments	40,120	-	-	-	-	40,120	1,306
Inventories	-	-	7,885	-	-	7,885	7,105
Total assets	<u>\$ 5,883,039</u>	<u>\$ 155,403</u>	<u>\$ 224,582</u>	<u>\$ 377,704</u>	<u>\$ 50,488</u>	<u>\$ 6,691,216</u>	<u>\$ 7,014,214</u>
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 211,985	\$ 2,307	\$ 28,495	\$ -	\$ -	\$ 242,787	\$ 207,510
Accrued liabilities	189,447	-	8,008	-	-	197,455	106,032
Bond anticipation notes payable	-	-	-	-	757,353	757,353	828,289
Due to other funds	-	153,096	-	-	19,283	172,379	978,544
Unearned revenue	76,570	-	7,885	-	-	84,455	7,115
Due to Teachers' Retirement System	1,457,618	-	-	-	-	1,457,618	1,102,441
Due to Employees' Retirement System	95,401	-	-	-	-	95,401	100,535
Total liabilities	<u>2,031,021</u>	<u>155,403</u>	<u>44,388</u>	<u>-</u>	<u>776,636</u>	<u>3,007,448</u>	<u>3,330,466</u>
Fund Equity							
Restricted	1,939,371	-	-	377,704	-	2,317,075	2,067,104
Assigned	870,010	-	180,194	-	-	1,050,204	1,433,423
Unassigned (deficit)	1,042,637	-	-	-	(726,148)	316,489	183,221
Total fund equity (deficit)	<u>3,852,018</u>	<u>-</u>	<u>180,194</u>	<u>377,704</u>	<u>(726,148)</u>	<u>3,683,768</u>	<u>3,683,748</u>
Total liabilities and fund equity	<u>\$ 5,883,039</u>	<u>\$ 155,403</u>	<u>\$ 224,582</u>	<u>\$ 377,704</u>	<u>\$ 50,488</u>	<u>\$ 6,691,216</u>	<u>\$ 7,014,214</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Schedule 4

Page 13

	Governmental Funds					2014	2013
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Revenue							
Real property taxes	\$ 12,488,155	\$ -	\$ -	\$ -	\$ -	\$ 12,488,155	\$ 12,227,134
Charges for services	61,205	-	-	-	-	61,205	33,486
Use of money and property	22,823	-	-	5,525	-	28,348	9,720
Sale of property compensation for loss	17,524	-	-	-	-	17,524	17,021
Miscellaneous	192,202	-	222	-	-	192,424	216,537
State sources	11,497,405	185,247	8,944	-	-	11,691,596	11,146,203
Federal sources	93,851	550,148	199,203	-	-	843,202	898,324
Surplus food	-	-	34,891	-	-	34,891	42,970
Sales (school food service)	-	-	152,676	-	-	152,676	186,697
Total revenue	24,373,165	735,395	395,936	5,525	-	25,510,021	24,778,092
Expenditures							
General support	2,464,868	-	-	-	-	2,464,868	2,395,905
Instruction	11,491,508	532,113	-	-	-	12,023,621	12,371,250
Pupil transportation	770,563	14,603	-	-	207,051	992,217	1,015,195
Community services	26,950	-	-	-	-	26,950	28,426
Employee benefits	5,716,871	201,822	-	-	-	5,918,693	5,542,418
Debt service	4,048,155	-	-	-	-	4,048,155	4,055,863
Capital outlay	-	-	-	-	1,481	1,481	499,047
Cost of sales	-	-	306,236	-	-	306,236	345,038
Other expenses	-	-	55,344	-	-	55,344	89,046
Total expenditures	24,518,915	748,538	361,580	-	208,532	25,837,565	26,342,188
Excess (deficiency) of revenue over expenditures	(145,750)	(13,143)	34,356	5,525	(208,532)	(327,544)	(1,564,096)
Other sources and uses							
Proceeds from bond refunding	-	-	-	-	-	-	14,455,000
Premiums earned on bond refunding	-	-	-	-	-	-	2,524,710
Payment to escrow agent	-	-	-	-	-	-	(16,979,710)
BANs redeemed from appropriations	-	-	-	-	283,587	283,587	290,298
Operating transfers in	43,977	13,143	-	-	-	57,120	436,708
Operating transfers out	(13,143)	-	-	-	-	(13,143)	(391,725)
Total other sources (uses)	30,834	13,143	-	-	283,587	327,564	335,281
Excess (deficiency) of revenue and other sources over expenditures and other uses	(114,916)	-	34,356	5,525	75,055	20	(1,228,815)
Fund equity (deficit), beginning of year	3,966,934	-	145,838	372,179	(801,203)	3,683,748	4,912,563
Fund equity (deficit), end of year	\$ 3,852,018	\$ -	\$ 180,194	\$ 377,704	\$ (726,148)	\$ 3,683,768	\$ 3,683,748

See accompanying independent auditor's report and notes to financial statements.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF JUNE 30, 2014

Schedule 5

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	Private Purpose Trusts	Agency Funds	Total 6/30/2014	Total 6/30/2013
Assets				
Cash	\$ 540,280	\$ 1,425,131	\$ 1,965,411	\$ 862,070
Other assets	-	109	109	-
Total assets	\$ 540,280	\$ 1,425,240	\$ 1,965,520	\$ 862,070
Liabilities				
Accrued liabilities	\$ -	\$ 188,109	\$ 188,109	\$ 168,993
Due to other funds	88,960	1,164,617	1,253,577	133,731
Student extraclassroom activity funds	-	72,514	72,514	63,764
Total liabilities	88,960	1,425,240	1,514,200	366,488
Net position				
Reserved for scholarships	1,479	-	1,479	2,426
Reserved for foundation endowment	449,841	-	449,841	493,156
Total net position	451,320	-	451,320	495,582
Total liabilities and net position	\$ 540,280	\$ 1,425,240	\$ 1,965,520	\$ 862,070

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Schedule 6

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	<u>6/30/2014</u>	<u>6/30/2013</u>
Additions		
Gifts and contributions	\$ 730	\$ -
Interest earnings	662	806
Total additions	<u>1,392</u>	<u>806</u>
Deductions		
Scholarships awarded	1,677	2,110
Transfer to general fund	43,977	44,983
Total deductions	<u>45,654</u>	<u>47,093</u>
Change in net position	(44,262)	(46,287)
Net position - beginning of year	<u>495,582</u>	<u>541,869</u>
Net position - end of year	<u>\$ 451,320</u>	<u>\$ 495,582</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
 RECONCILIATION OF GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 AS OF JUNE 30, 2014**

Total fund balances - governmental funds \$ 3,683,768

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 56,538,287	
Accumulated depreciation	<u>(16,739,358)</u>	39,798,929

Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(152,000)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable, net	(27,645,891)	
Energy performance contract, net	(266,399)	
Other post-employment benefits	<u>(2,844,584)</u>	<u>(30,756,874)</u>

Total net position - governmental activities	\$ <u><u>12,573,823</u></u>
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	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 4,310,645	\$ -	\$ -	\$ -	\$ 4,310,645
Due from other funds	1,425,956	-	-	(172,379)	1,253,577
State and federal aid receivable	905,595	-	-	-	905,595
Accounts receivable	1,015	-	-	-	1,015
Due from other governments	40,120	-	-	-	40,120
Inventories	7,885	-	-	-	7,885
Capital assets, net	-	39,798,929	-	-	39,798,929
Total assets	\$ 6,691,216	\$ 39,798,929	\$ -	\$ (172,379)	\$ 46,317,766
Liabilities and Fund Equity					
Liabilities					
Accounts payable	\$ 242,787	\$ -	\$ -	\$ -	\$ 242,787
Accrued liabilities	197,455	-	-	-	197,455
Accrued interest	-	-	152,000	-	152,000
Due to other funds	172,379	-	-	(172,379)	-
Unearned revenue	84,455	-	-	-	84,455
Due to retirement systems	1,553,019	-	-	-	1,553,019
Bond anticipation notes payable	757,353	-	-	-	757,353
Bonds payable, net	-	-	27,645,891	-	27,645,891
Energy performance bonds, net	-	-	266,399	-	266,399
Other post-employment benefits	-	-	2,844,584	-	2,844,584
Total liabilities	3,007,448	-	30,908,874	(172,379)	33,743,943
Fund equity and net position	3,683,768	39,798,929	(30,908,874)	-	12,573,823
Total liabilities and fund equity	\$ 6,691,216	\$ 39,798,929	\$ -	\$ (172,379)	\$ 46,317,766

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Total net change in fund balances - governmental funds	\$	20
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:</p>		
Capital outlays	\$ 207,051	
Depreciation expense	<u>(1,421,740)</u>	(1,214,689)
Repayment of bonds, BANs and energy performance contract principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,803,884
Bond anticipation notes redeemed from appropriations is recorded as revenue and other sources in the governmental funds, whereas the repayment reduces short-term liabilities in the statement of net position.		(283,587)
Premiums earned from the issuance of long-term debt are recorded as revenue in governmental funds. However, in the statement of activities, premiums earned the issuance of long-term debt is not recorded as revenue but rather the amount is recorded as a liability in the statement of net position. This liability is amortized over the life of the debt instrument.		365,915
In the statement of activities, other post-employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, other post-employment benefits earned changed by this amount.		(501,099)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		<u>7,000</u>
Change in net position of governmental activities	\$	<u>1,177,444</u>

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 12,488,155	\$ -	\$ -	\$ -	\$ 12,488,155
Charges for services	61,205	-	-	(61,205)	-
Use of money and property	28,348	-	-	-	28,348
Sale of property compensation for loss	17,524	-	-	-	17,524
Miscellaneous	192,424	-	-	43,755	236,179
State sources	11,691,596	-	-	(194,191)	11,497,405
Federal sources	843,202	-	-	(749,351)	93,851
Surplus food	34,891	-	-	(34,891)	-
Sales (school food service)	152,676	-	-	(152,676)	-
Total revenue	25,510,021	-	-	(1,148,559)	24,361,462
Expenditures					
General support	2,464,868	197,322	-	527,475	3,189,665
Instruction	12,023,621	919,173	501,099	4,343,976	17,787,869
Pupil transportation	992,217	98,194	-	252,123	1,342,534
Community services	26,950	-	-	-	26,950
Employee benefits	5,918,693	-	-	(5,918,693)	-
Debt service	4,048,155	-	(3,176,799)	-	871,356
Capital outlay	1,481	-	-	(1,481)	-
Cost of sales	306,236	-	-	(340,592)	(34,356)
Other expenses	55,344	-	-	(55,344)	-
Total expenditures	25,837,565	1,214,689	(2,675,700)	(1,192,536)	23,184,018
Excess (deficiency) of revenue over expenditures	(327,544)	(1,214,689)	2,675,700	43,977	1,177,444
Other sources and uses					
BANs redeemed from appropriations	283,587	-	(283,587)	-	-
Operating transfers in	57,120	-	-	(57,120)	-
Operating transfers out	(13,143)	-	-	13,143	-
Total other sources (uses)	327,564	-	(283,587)	(43,977)	-
Net change for year	\$ 20	\$ (1,214,689)	\$ 2,392,113	\$ -	\$ 1,177,444

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Page 18

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

The accompanying financial statements of the **Southwestern Central School District** have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

The decision to include a potential component unit in the School 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 review of certain entities included in the School District's reporting entity:

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of the **Southwestern Central School District** represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are included as supplementary information to these audited financial statements, located on pages 55-58 of this report.

B. Joint Venture

The **Southwestern Central School District** is one of 27 component school districts in the Erie 2 – Chautauqua-Cattaraugus Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. 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 General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year, the District was billed approximately \$2,474,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$1,035,000 for the year ended June 30, 2014. Financial statements for the Erie 2 – Chautauqua-Cattaraugus BOCES are available at the BOCES administrative offices in Angola, New York

C. Basis of Presentation

1. District-wide Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

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

2. Fund Financial Statements

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

The District reports the following major governmental funds:

General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid - is used to account for the proceeds of specific revenue sources such as Federal and State grants that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service - is used to account for all revenue and expenditures pertaining to the cafeteria operations.

Capital Projects - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt Service - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

Fiduciary Fund Types - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

Fiduciary Fund Types (continued) - 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. Included in the Fiduciary Fund are Private Purpose Trust Funds and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting. Private Purpose Trust Funds are accounted for on the accrual basis of accounting.

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. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period, 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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. 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.

F. Investments

Investments are stated at the lower of cost or current market value.

G. Accounts Receivable

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

H. Inventory

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

I. Due To/From Other Funds

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

J. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. During the current year, the District had a full independent appraisal of its fixed assets and as a result restated its fixed assets to reflect estimated historical cost and accumulated depreciation as determined by the appraisal group.

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 as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	40 years
Site improvements	5,000	Straight-line	20 years
Furniture and equipment	5,000	Straight-line	10-15 years
Transportation Vehicles	5,000	Straight-line	5-8 years

L. Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and governmental fund financial statements. No deferred outflows of resources affect the government-wide or governmental fund financial statements in the current year.

M. Deferred Inflows of Resources

The District reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide and governmental fund financial statements. No deferred inflows of resources affect the government-wide or governmental fund financial statements in the current year.

N. Compensated Absences

Sick leave – the District's employee groups received a negotiated number of sick days which are earned on an annual basis. These sick days may be accumulated to a maximum of 200 days under the professionals and support staff contracts and 250 days for the administrators. Upon retirement or if the employee terminates service with the District, accumulated sick days are forfeited.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

P. Unearned Revenue

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Q. Post-Employment Benefits

In addition to the retirement benefits described elsewhere in the notes to the financial statements, the District provides post-employment health insurance coverage to certain retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups.

Professional staff may become eligible for these benefits if they are eligible to retire pursuant to the New York State Teacher's Retirement System. Support staff, hired before July 1, 2006, may become eligible for these benefits if they are employed with the District for 8 years prior to retirement. The agreements give such employee groups the following options:

1. For professional staff, the District will pay 50% of the premium for single plans and 40% for family plans for life. For support staff, the District will pay 55% of the premium for both single and family plans for life.
2. Provided the District receives notice of the intent to retire and if the professional retires during the initial year he or she is eligible to retire, the District will pay 100% of the premium for single and family plans, until the retiree reaches the age of 65 years old.

Certain administrators have also negotiated provisions of post-employment benefits into their contract.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

1. Inventory Reserve

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

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

1. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserves and payments from the reserves. This reserve is accounted for in the General Fund.

2. Reserve for Retirement Contributions

This reserve is used to accumulate funds for employee retirement system contributions. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

3. Unemployment Reserve

Unemployment Insurance Reserve is used to pay the cost of reimbursement to the State Unemployment 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 be either transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

4. Tax Certiorari Reserve

Tax Certiorari Reserve is 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 amounts which 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 proceeding in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

5. Reserve for Debt Service

This reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated. These reserves are accounted for in the Debt Service Fund.

6. Endowment Scholarships and Foundation Endowment Reserve

This reserve is used to account for endowments, scholarships and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Fund Equity (continued)

1. Governmental Funds (continued)

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2014.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure.

2. Appropriated Fund Equity

General Fund - The amount of \$850,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2015 as allowed by Section 1318 of the Real Property Tax Law.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide financial statements

A. Net Investment in Capital Assets

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Fund Equity (continued)

2. Government-wide financial statements (continued)

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

S. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Budgetary Procedures and Budgetary Accounting (continued)

1. Budget Policies (continued)

- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District had no supplemental appropriations in the General Fund during the fiscal year ended June 30, 2014.

2. Budget Basis for Accounting

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for Special Revenue Funds, reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special revenue (other than School Food Service Fund) and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, expenditures and changes in fund equity - budget and actual.

T. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on October 31.

2. Enforcement

Uncollected real property taxes are subsequently enforced by the Counties, in which the School District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014**

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

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

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

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

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

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

1. Long-term Revenue Differences

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

2. Capital Related Differences

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

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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash

The *Southwestern Central School District's* investment policies are governed by State statutes. School District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District treasurer is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and U.S. 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 Federal Deposit 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.

A. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation, collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

Total financial institution (bank) balances at June 30, 2014 per the bank were approximately \$6,409,000. Deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 574,000	\$ 5,475,000	\$ -	\$ 6,409,000

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 with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2014, the District's bank deposits were fully collateralized.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

II. Interfund Transactions

Interfund balances as of June 30, 2014 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 1,233,291	\$ -
Food Service Fund	191,765	-
Special Aid Fund	-	153,096
Private Purpose Trust	-	88,960
Agency Fund	-	1,164,617
Debt Service Fund	900	-
Capital Fund	-	19,283
Total	\$ 1,425,956	\$ 1,425,956

Interfund transactions for the year ended June 30, 2014 are as follows:

	Interfund Revenue	Interfund Expenditures
General Fund	\$ 43,977	\$ 13,143
Special Aid Fund	13,143	-
Debt Service Fund	-	-
Private Purpose Trust	-	43,977
Total	\$ 57,120	\$ 57,120

During the current year, the general fund transferred \$13,143 to the special aid fund to cover the local share of certain Federal and State grant programs. The District also transferred \$43,977 from the private purpose trust fund to the general fund which represents the local share of a previous District capital project, utilized to offset related debt service costs.

III. Receivables

Receivables at June 30, 2014 consisted of the following, which are stated at gross value. District management has deemed the amounts to be fully collectible.

Fund	Description	Amount
Food Service	Accounts receivable	\$ 1,015
Food Service	State and Federal Aid	20,087
Special Aid	State and Federal Aid	154,808
General	State and Federal Aid	730,700
General	Due from Other Governments	40,120
		<u>\$ 946,730</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Capital Assets

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

	Beginning Balance 06/30/13	Change	Ending Balance 06/30/14
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 2,265,450	\$ -	\$ 2,265,450
Construction-in-Progress	-	-	-
Subtotal	2,265,450	-	2,265,450
Capital assets that are depreciated:			
Buildings and improvements	50,875,772	-	50,875,772
Furniture and equipment	3,327,870	69,195	3,397,065
Total historical cost	56,469,092	\$ 69,195	56,538,287
Less accumulated depreciation:			
Buildings and improvements	13,598,026	\$ 1,155,327	14,753,353
Furniture and equipment	1,857,448	128,557	1,986,005
Total accumulated depreciation	15,455,474	\$ 1,283,884	16,739,358
Total net book value	\$ 41,013,618		\$ 39,798,929

Depreciation expense was charged to governmental functions as follows:

General support	\$ 197,322
Instruction	919,173
Pupil transportation	305,245
	<u>\$ 1,421,740</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities

A. Pension Plans

1. General Information

The *Southwestern Central School District* participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). 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.

2. Plan Descriptions

a. Teachers' Retirement System (TRS)

The NYS TRS is administered by the New York State Teachers' Retirement Board. 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. The NYS TRS 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 the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

b. Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

3. Funding Policies

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976. Employees who joined the Teachers' Retirement System after 1976, who have less than ten years of service are required to contribute 3% of their salary. Employers are required to contribute at an actuarially determined rate, currently at 16.25%, of the annual covered payroll for the fiscal year ended June 30, 2014.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Funding Policies (continued)

Rates applicable to the fiscal years ended June 30, 2013 and 2012 were 11.84% and 11.11%, respectively. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of members' payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

The School District is required to contribute at an actuarially determined rate. The required and actual contributions for both the District and employees' for the current year and two preceding years were:

Year	TRS	ERS
2014	\$ 1,441,000	\$ 363,000
	1,102,000	367,000
	1,065,000	282,000

The School District contributions made to the Systems were equal to 100% of the contributions required for each year.

Over the years, the State Legislature authorized local governments to make available retirement incentive programs to qualifying employees. The District had no expenditures incurred or liability accrued related to the incentive programs during the year ended June 30, 2014 for retirement incentive programs.

B. Other Post-Employment Benefits

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years.

The following table summarizes the District's annual OPEB cost for 2014, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Normal Cost	\$ 492,999
Amortization of unfunded actuarial accrued liability	885,971
Interest adjustment	93,739
Annual required contribution adjustment	<u>(97,075)</u>
	1,375,634
Contributions made	<u>(874,535)</u>
Increase in net OPEB obligation	501,099
Net OPEB obligation - beginning of year	<u>2,343,485</u>
Net OPEB obligation - end of year	<u>\$ 2,844,584</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, , and are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 1,375,634	63.57%	\$ 2,844,584
6/30/13	\$ 1,416,259	57.98%	\$ 2,343,485
6/30/12	\$ 1,367,053	66.78%	\$ 1,748,408

Funding Status and Funding Progress

As of June 30, 2014, the actuarial accrued liability for benefits was \$21,561,581, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was \$10,617,810 and the ratio of unfunded actuarial liability to the covered payroll was 203.07%.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Funding Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events 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 ARC of the District are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the Plan as understood by the District and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the District and Plan members. The actuarial methods and assumptions used included 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. Valuation assumptions are as follows:

Retirement age for active employees – based on the historical average retirement age for the covered group.

Marital status – Based on actual health coverage election for active employees and retirees, with male spouses assumed to be three years older than female spouses. 70% of both male and female employees are assumed to be married at retirement.

Mortality – Life expectancies were based on the 2006 New York State Teachers' Retirement System rates.

Turnover – Utilized 2003 Society of Actuaries small plan withdrawal rates, scaled 50% for teachers and unscaled for non-teachers.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Actuarial Methods and Assumptions (continued)

Healthcare cost trend rate – The trend rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances and changes in the health status of the plan participants. A rate of 10.8% initially, reduced to an ultimate rate of 5% after ten years was used.

Health insurance premiums – 2013-14 health insurance premiums are used as the basis for calculation of the present value of total benefits to be paid.

Discount rate and valuation method - Based on the historical and expected returns of the District's general assets, a discount rate of 4.0% was used. In addition, the valuation method utilized for this plan is called the Entry Age Normal Method.

Amortization - The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over thirty years.

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. The liability for all bond anticipation notes issued by the District is included in the capital project fund. During the current year, the District redeemed from appropriations \$283,587 in bond anticipation notes related to notes issued for the purchases of transportation vehicles and capital projects. Below is a schedule of outstanding bond anticipation notes as of June 30, 2014.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

1. Short-Term Debt (continued)

a. Bond Anticipation Notes (continued)

<u>Description of Issue</u>	<u>Outstanding June 30, 2014</u>
Bond anticipation notes, issued on August 1, 2013 with maturity date of July 30, 2014, bonds carry interest rate of 1.5%	\$ 757,353

b. Revenue Anticipation Note

Notes issued in the anticipation of revenue is recorded as a current liability of the fund that will actually receive proceeds from the issuance of the notes. The revenue anticipation note represents a liability that will be extinguished through the use of expendable available resources of the fund. There were no revenue anticipation notes issued or redeemed during the fiscal year ended June 30, 2014.

c. Short-term interest

During the fiscal year ended June 30, 2014, the District had interest on short-term debt in the amount of \$6,773, which is included in the General Fund.

2. Long-Term Debt

a. Debt Limit

At June 30, 2014, the total indebtedness represents approximately 39% of its debt limit.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

b. Changes

The changes in the School District's indebtedness during the year ended June 30, 2014 are summarized as follows:

	Balance June 30, 2014	Balance June 30, 2013	Amounts Due Within One Year
General obligation bonds, net	\$ 27,645,891	\$ 30,406,805	\$ 2,450,000
Energy performance notes, net	266,399	391,697	130,404
Other post-employment benefit liability	2,844,584	2,343,485	-
	<u>\$ 30,756,874</u>	<u>\$ 33,141,987</u>	<u>\$ 2,580,404</u>

c. Summary

The following is a summary of maturity of indebtedness:

Description of Issue	Outstanding June 30, 2014
General Obligation Bonds, issued in 2001 (refunded in 2010) with a maturity date of June 2021, bonds carry interest from 2.25%-5%.	\$ 1,625,000
General Obligation Bonds, issued in 2008 with a maturity date of January 2024, bonds carry interest from 3.75%-4.0%.	2,125,000
General Obligation Bonds, issued in 2008 with a maturity date of June 2023, bonds carry interest from 3.38%-4.0%.	4,165,000
General Obligation Bonds, issued in 2010 with a maturity date of May 2024, bonds carry interest from 2.375%-4%.	1,940,000
General Obligation Bonds, issued in 2010-2011 with a maturity date of April 2025, bonds carry interest from 3.125%-4%.	3,765,000
General Obligation Bonds, issued in 2012 (which refunded 2003 bond) with a maturity date of June 2028, bonds carry interest of 5%.	12,215,000
	25,835,000
Plus: premiums earned on refunding, net of amortization	1,810,891
	<u>\$ 27,645,891</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity

1. The following is a summary of maturity of serial bonds indebtedness on June 30, 2014.

Year	General Obligation Bond- 2001 Refunded in 2010	
	Principal	Interest
	\$ 255,000	\$ 73,363
	255,000	64,137
	260,000	51,388
	260,000	38,387
	255,000	27,037
2020-2021	340,000	17,975
Total	<u>\$ 1,625,000</u>	<u>\$ 272,287</u>

Year	General Obligation Bond- 2008B	
	Principal	Interest
	\$ 180,000	\$ 84,306
	185,000	77,331
	190,000	70,163
	200,000	62,800
	205,000	54,800
2020-2024	1,165,000	143,600
Total	<u>\$ 2,125,000</u>	<u>\$ 493,000</u>

Year	General Obligation Bond- 2008A	
	Principal	Interest
	\$ 400,000	\$ 160,238
	410,000	145,738
	425,000	130,875
	445,000	114,938
	460,000	98,250
2020-2023	2,025,000	206,200
Total	<u>\$ 4,165,000</u>	<u>\$ 856,239</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity (continued)

Year	General Obligation Bond-2010	
	Principal	Interest
	\$ 165,000	\$ 66,344
	170,000	60,981
	175,000	55,456
	185,000	49,769
	190,000	43,756
2020-2024	1,055,000	119,125
Total	\$ 1,940,000	\$ 395,431

Year	General Obligation Bond-2011	
	Principal	Interest
	\$ 290,000	\$ 127,763
	300,000	118,700
	310,000	109,325
	320,000	99,638
	330,000	89,638
2020-2024	1,810,000	281,675
2025	405,000	16,200
Total	\$ 3,765,000	\$ 842,939

Year	General Obligation Bond-2012	
	Principal	Interest
	\$ 1,160,000	\$ 610,750
	1,220,000	552,750
	1,280,000	491,750
	1,340,000	427,750
	1,410,000	360,750
2020-2024	5,010,000	750,500
2025-2028	795,000	101,750
Total	\$ 12,215,000	\$ 3,296,000

e. Capital Lease (Energy Performance Contract)

During the fiscal year ended June 30, 2003, the *Southwestern Central School District* entered into a capital lease with Real Lease. The lease is related to an energy performance contract whereby the District has entered into agreements with contractors who will install equipment necessary for the District to achieve energy efficiencies.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

e. Capital Lease (Energy Performance Contract) (continued)

The following is a schedule of future lease payments under the capital lease.

Year Ending June 30,	Principal	Interest
2016	\$ 130,404	\$ 8,736
	135,995	3,422
Subtotal	\$ 266,399	\$ 12,158

f. Long-Term Debt Interest

Interest on long-term debt for the year ended June 30, 2014 amounted to \$1,237,499 and is included in the General Fund.

3. Bond Premiums and amortization

Premiums resulting from bond and other debt refinancing are being amortized over the life of the relating debt using the effective interest rate method.

4. Refunding of Long-Term Debt

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

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity

A. Classification

The District's fund equity is comprised of various components.

Category / Fund	Description	Balance June 30, 2014
Restricted:		
General	Capital reserve	\$ 367,825
	Reserve for retirement contributions	1,243,595
	Tax Certiorari reserve	77,000
	Unemployment reserve	250,951
		<u>\$ 1,939,371</u>
Debt Service	Reserve for debt service	<u>\$ 377,704</u>
Trust and Agency	Reserve for endowment scholarships	\$ 1,479
	Reserve for foundation endowment	449,841
		<u>\$ 451,320</u>
Assigned:		
General	Appropriated Fund Balance	\$ 850,000
	Encumbrances	20,010
		<u>\$ 870,010</u>
Food Service	Fund equity	<u>\$ 180,194</u>

B. District-wide Net Position

Net position of the District include restricted net position of \$2,317,075 which represent restricted amounts in the general and debt service funds as presented above.

C. Deficit Fund Balances

The District's capital project fund had an accumulated deficit in the amount of \$726,148 as of June 30, 2014. It is not uncommon for school districts to have deficit fund balances in the capital project funds as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or redeemed at which time such proceeds are recorded as other financing sources revenue.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

1. General Information

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

2. Risk Sharing Pools

For its employee health and accident coverage, the *Southwestern Central School District* is a participant in the Chautauqua County School Districts' Medical Health Plan, a public entity risk pool operated for the benefit of various governmental units located within Chautauqua County. The School District pays monthly premiums to the Plan for this health coverage. The Plan is authorized to assess supplemental premiums to the participating districts. The Chautauqua County School Districts' Medical Health Plan obtains independent coverage for insured events in excess of this amount.

The *Southwestern Central School District* also participates in a risk sharing pool, Erie 2 – Chautauqua-Cattaraugus BOCES, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

B. Federal and State Grants

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

C. Compensated Absences

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 4 - COMMITMENTS AND CONTINGENCIES
(continued)

D. Litigation

The District, in the normal course of its operations, is involved in litigation. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the District's financial position.

NOTE 5 - CAPITAL PROJECT

In a special meeting held on May 27, 2008 voters of the **Southwestern Central School District** voted to adopt Phase IV authorizing various replacement, repair, renovation and building upgrade work at a maximum cost of \$4,810,557. During the years ended June 30, 2014 and 2013 the District incurred costs related to Phase IV totaling \$1,481 and \$499,047, respectively.

Funds raised during the year ended June 30, 2007 from local foundations and donors amounted to \$595,149 of which \$490,000 represents the District's best current estimate of the local share of the cost of the project. Funds in excess of the determined local share represent the amount to be set aside for turf replacement. The total funds held, which also includes accumulated interest earned, amounted to \$449,841 and \$493,156 as of June 30, 2014 and , respectively, and is recorded in the fiduciary fund/private purpose trust. During the year ended June 30, 2014, the District transferred \$43,977 of these funds to the general fund to offset debt service costs. In future years, the District intends to transfer additional funds from the fiduciary fund to the general fund to offset debt service costs not covered by state building aid (local share).

Lastly, during the years ended June 30, 2014 and 2013, the District had expenditures for the purchase of transportation vehicles in the amount of \$207,051 and \$237,095, respectively, which were recorded in the capital project fund.

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events were evaluated by Management through September 30, 2014, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Schedule SS1

	Original Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 12,486,950	\$ 12,486,950	\$ 12,488,155	\$ 1,205
Charges for services	59,200	59,200	61,205	2,005
Use of money and property	23,500	23,500	22,823	(677)
Sale of property and compensation for loss	3,100	3,100	17,524	14,424
Miscellaneous	150,000	150,000	192,202	42,202
State Sources:				
Basic formula	10,229,273	10,229,273	10,112,593	(116,680)
BOCES	841,793	841,793	911,630	69,837
Textbooks	83,880	83,880	82,715	(1,165)
All other aid	56,302	56,302	390,467	334,165
Federal Sources:				
Medicaid reimbursement	25,000	25,000	93,851	68,851
Total revenue	23,958,998	23,958,998	24,373,165	414,167
Other Sources:				
Operating transfer in	413,977	413,977	43,977	(370,000)
Total revenue and other sources	24,372,975	24,372,975	\$ 24,417,142	\$ 44,167
Appropriated fund equity - reserves	435,000	435,000		
Appropriated fund equity - subsequent years budget	1,050,000	1,287,585		
Total revenue, other sources and appropriated fund equity	\$ 25,857,975	\$ 26,095,560		

See accompanying independent auditor's report.

	Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 27,155	\$ 27,155	\$ 17,375	\$ 350	\$ 9,430
Central administration	191,323	191,323	181,999	3	9,321
Finance	283,417	302,829	267,766	-	35,063
Staff	76,393	76,393	49,612	-	26,781
Central services	1,750,449	1,918,439	1,680,524	4,845	233,070
Special items	276,642	287,642	267,592	-	20,050
Instructional:					
Instruction, administration and improvement	750,756	837,831	804,629	86	33,116
Teaching - regular school	6,827,984	6,874,616	6,601,179	9,081	264,356
Programs for children with handicapping conditions	2,080,598	2,113,584	1,713,503	-	400,081
Occupational education	756,036	760,136	745,352	-	14,784
Instructional media	768,629	707,070	726,961	488	(20,379)
Pupil services	974,249	1,021,377	899,884	1,062	120,431
Pupil Transportation	909,109	931,850	770,563	4,095	157,192
Community Services	30,295	30,295	26,950	-	3,345
Employee Benefits	6,094,784	5,953,719	5,716,871	-	236,848
Debt Service:					
Debt service principal	2,803,885	2,803,885	2,803,884	-	1
Debt service interest	1,244,271	1,244,271	1,244,271	-	-
Total expenditures	25,845,975	26,082,415	24,518,915	20,010	1,543,490
Other Uses:					
Transfer to other funds	12,000	13,145	13,143	-	2
Total other uses	12,000	13,145	13,143	-	2
Total expenditures and other uses	\$ 25,857,975	\$ 26,095,560	24,532,058	\$ 20,010	\$ 1,543,492
Excess (deficiency) revenue and other sources over expenditures and other uses			\$ (114,916)		

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Schedule SS1A

Page 34

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 10,000	\$ 8,944	\$ (1,056)
Federal sources	200,000	199,203	(797)
Sales	162,000	152,676	(9,324)
Miscellaneous	-	222	222
Surplus food	35,000	34,891	(109)
Total revenue	<u>407,000</u>	<u>395,936</u>	<u>(11,064)</u>
Expenditures			
Cost of sales	344,000	306,236	37,764
Other expenses	65,032	55,344	9,688
Total expenditures	<u>409,032</u>	<u>361,580</u>	<u>47,452</u>
Net Change	<u>\$ (2,032)</u>	34,356	<u>\$ 36,388</u>
Fund equity, beginning of year		<u>145,838</u>	
Fund equity, end of year		<u>\$ 180,194</u>	

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
ANALYSIS OF CHANGE FROM ORIGINAL
BUDGET TO REVISED BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

Schedule SS2

Page 35

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 25,857,975
Additions:	
Prior year's encumbrances	<u>237,585</u>
Original budget	26,095,560
Budget revisions:	<u>-</u>
Final budget	<u><u>\$ 26,095,560</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2014-15 voter-approved expenditure budget	
Maximum allowed (4% of 2014-15 budget)	\$ 26,171,269

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

Unrestricted fund balance:

Committed fund balance	\$ -
Assigned fund balance	870,010
Unassigned fund balance	<u>1,042,637</u>
Total unrestricted fund balance	<u>1,912,647</u>

Less:

Appropriated fund balance	850,000
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>20,010</u>
Total adjustments	<u>870,010</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	<u><u>\$ 1,042,637</u></u>
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Actual percentage	3.98%
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* Per Office of State Comptroller's "Fund Balance Reporting and Governmental Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of the General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014

Schedule SS3

Page 36

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended (Overexpended) Balance	Methods of financing			Fund Balance June 30, 2014		
			Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources		Total	
School Reconstruction Project (Phase I)	\$ 6,311,218	\$ 6,311,218	\$ 6,311,773	\$ -	\$ 6,311,773	\$ (555)	\$ 6,160,909	\$ -	\$ 150,000	\$ 6,310,909	\$ (864)	
Athletic Facilities (Phase II)	2,872,000	2,872,000	2,702,096	-	2,702,096	169,904	2,872,000	10,000	-	2,882,000	179,904	
School Reconstruction Project (Phase III)	3,161,718	3,161,718	3,161,637	-	3,161,637	81	2,667,871	493,847	-	3,161,718	81	
School Reconstruction Project (Phase IV)	4,810,557	4,810,557	5,020,646	1,481	5,022,127	(211,570)	4,788,784	21,773	51,786	4,862,343	(159,784)	
Transportation vehicles - 2007-08	254,137	254,137	254,137	-	254,137	-	254,305	-	-	254,305	168	
Transportation vehicles - 2008-09	290,667	290,667	290,667	-	290,667	-	290,859	-	-	290,859	192	
Transportation vehicles - 2009-10	312,757	312,757	312,757	-	312,757	-	314,650	-	-	314,650	1,893	
Transportation vehicles - 2010-11	305,316	305,316	305,316	-	305,316	-	306,882	-	-	306,882	1,566	
Transportation vehicles - 2011-12	287,992	287,992	284,043	-	284,043	3,949	286,492	-	-	286,492	2,449	
Transportation vehicles - 2012-13	247,808	247,808	237,095	-	237,095	10,713	237,095	-	-	237,095	-	
Transportation vehicles - 2013-14	207,051	207,051	-	207,051	207,051	-	212,651	-	-	212,651	5,600	
	<u>\$ 19,061,221</u>	<u>\$ 19,061,221</u>	<u>\$ 18,880,167</u>	<u>\$ 208,532</u>	<u>\$ 19,088,699</u>	<u>\$ (27,478)</u>	<u>\$ 18,392,498</u>	<u>\$ 525,620</u>	<u>\$ 201,786</u>	<u>\$ 19,119,904</u>	<u>31,205</u>	
											Less: Proceeds recorded as liability - BAN	<u>(757,353)</u>
											Fund equity (deficit) as of June 30, 2014	<u>\$ (726,148)</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Schedule SS4A

Page 37

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
School lunch programs	N/A	2013-14	\$ 7,219	\$ 7,219	\$ 7,219
School breakfast programs	N/A	2013-14	1,725	1,725	1,725
Universal Pre-kindergarten	0409-14-2587	2013-14	132,675	132,675	132,675
Summer school *	N/A	2013-14	65,715	65,715	65,715
Total expenditures and revenue			\$ 207,334	\$ 207,334	\$ 207,334

* Revenue includes transfer of \$13,143 from general fund for local share toward applicable expenditures.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Schedule SS4B

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Southwestern Central School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Non-monetary Federal Program

The accompanying **Southwestern Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2014, the District reported in the Schedule of Federal Awards \$34,891 of donated commodities at fair market value received and disbursed.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Schedule SS4C

Page 38

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
Passed through NYS					
Department of Education:					
Title I	84.010A	0021-14-0315	\$ 204,373	\$ 203,873	\$ 203,873
Title I - School Improvement	84.010A	0011-14-3070	5,063	115	115
Title II, Part A	84.367A	0147-14-0315	58,570	45,440	45,440
Title II, Part A	84.367A	0147-13-0315	14,934	14,934	14,934
IDEA, Part B Public Law 94-142 **	84.027A	0032-14-0096	277,510	277,510	277,510
IDEA, Part B Public Law 94-142 **	84.027A	0032-13-0096	2,563	2,563	2,563
IDEA, Pre-school Public Law 99-457 **	84.173A	0033-14-0096	5,713	5,713	5,713
US Department of Agriculture:					
Passed through NYS					
Department of Education:					
National School Lunch Program ***					
Cash assistance	10.555	N/A	171,268	171,268	171,268
National School Breakfast Program ***	10.553	N/A	27,935	27,935	27,935
Passed through NYS					
Office of General Services:					
National School Lunch Program ***					
Non-cash assistance (donated commodities)	10.555	N/A	34,891	34,891	34,891
Total expenditures and revenue				\$ 784,242	\$ 784,242

** Constitutes a cluster of Federal programs

*** Constitutes a cluster of Federal programs

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF MAJOR PROGRAMS TESTED
FOR THE YEAR ENDED JUNE 30, 2014

Schedule SS4D

Page 39

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Total expenditures of Federal Awards		<u>\$ 784,242</u>
Major Programs Tested:		
U.S. Department of Education - Title I	84.010A	203,988
U.S. Department of Agriculture - National School Lunch Program ***	10.555	206,159
U.S. Department of Agriculture - National School Breakfast Program ***	10.553	<u>27,935</u>
Total major programs tested		<u>\$ 438,082</u>
% of Federal programs tested		<u>55.9%</u>

*** Constitutes a cluster of Federal programs

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUE AND EXPENDITURES
COMPARED TO ST-3 DATA – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

Schedule SS5

Page 40

	Account Code	ST-3 Amount	Audited Amount
Revenues			
Property taxes	A-1001	\$ 12,488,155	\$ 12,488,155
Non-property taxes	AT-1199	-	-
State aid	AT-3999	11,497,405	11,497,405
Federal aid	AT-4999	93,851	93,851
Total revenue	AT-5999	24,417,142	24,417,142
Expenditures			
General support	AT-1999	2,464,868	2,464,868
Pupil transportation	AT-5599	770,563	770,563
Debt service - principal	AT-9798.6	2,803,884	2,803,884
Debt service - interest	AT-9798.7	1,244,271	1,244,271
Total expenditures	AT-9999	\$ 24,532,058	\$ 24,532,058

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2014

Schedule SS6

Page 41

Capital assets	\$	39,798,929
Less:		
Serial bonds, net		(27,645,891)
Energy performance contract, net		(266,399)
Bond anticipation notes		(757,353)
Accrued Interest		(152,000)
Plus:		
BAN proceeds less capital expenditures		<u>31,205</u>
Net Investment in Capital Assets	\$	<u>11,008,491</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2014, 2013 AND 2012

Schedule SS7

Page 42

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded Actuarial Accrued Liability ("UAAL")	Funding Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
June 30, 2014	May 1, 2014	\$ -	\$ 21,561,581	\$ 21,561,581	0.00%	\$ 10,617,810	203.07%
June 30, 2013	May 1, 2013	\$ -	\$ 20,978,971	\$ 20,978,971	0.00%	\$ 10,308,553	203.51%
June 30, 2012	September 1, 2010	\$ -	\$ 19,243,948	\$ 19,243,948	0.00%	\$ 10,683,696	180.12%

**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 President and
Members of the Board of Education
Southwestern Central School District
Jamestown, New York**

We have audited 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, the financial statements of the governmental activities and each major fund of *Southwestern Central School District* as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise *Southwestern Central School District's* basic financial statements and have issued our report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Southwestern Central School District's* financial statements are free of 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.

Other

We noted other matters that we have reported to management of *Southwestern Central School District* in a separate letter dated September 30, 2014

Southwestern Central School District's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not provided 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 30, 2014**

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

**To the President and
Members of the Board of Education
Southwestern Central School District
Jamestown, New York**

Report on Compliance for Each Major Federal Program

We have audited *Southwestern Central School District's* compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of *Southwestern Central School District's* major federal programs for the year ended June 30, 2014. *Southwestern Central School District's* major federal programs are identified in the Summary of Audit 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 *Southwestern Central School District's* major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *Southwestern Central School District's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, *Southwestern Central School District* complied, in all material respects, with the 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.

Other Matter

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item III.A.2014-002. Our opinion on each major federal program is not modified with respect to this matter.

Southwestern Central School District's Response to Finding

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

Report on Internal Control Over Compliance

Management of **Southwestern Central School District** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Southwestern Central School District's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 award 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 the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Other

We noted other matters that we have reported to management of **Southwestern Central School District** in a separate letter dated September 30, 2014.

Purpose of Report

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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 30, 2014**

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of **Southwestern Central School District**.
2. One material weakness relating to the audit of the financial statements is reported in the 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 "Governmental Auditing Standards". This weakness is described in the accompanying schedule of findings and questioned costs as item II.A.2014-001.
3. No instances of noncompliance material to the financial statements of **Southwestern Central School District** were reported upon in the 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 "Governmental Auditing Standards".
4. No significant deficiencies relating to the audit of the major federal assistance programs of the **Southwestern Central School District** are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal assistance programs for the **Southwestern Central School District** expresses an unmodified opinion. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item III.A.2014-002.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

Name	CFDA#	Program Type	Expenditures Amounts
Title I	84.010A	Type B	\$ 203,988
National School Lunch Program ***	10.555	Type B	206,159
National School Breakfast Program ***	10.553	Type B	27,935
Total tested			<u>\$ 438,082</u>
Percentage of total programs tested			<u>56%</u>

*** Constitutes a cluster of federal programs.

8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. **Southwestern Central School District** does not qualify as a low-risk auditee.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2014-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2014

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditor's and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording certain capital project fund activity and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditor's and accepted by the District.

Effect: AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to GAAP.

Auditor's Recommendation: Although auditor's may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

School District's Response: The District has received, reviewed and accepted all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and has the ability to make informed judgments based on these financial statements.

Year ended June 30,

Similar finding was reported upon during the prior fiscal year.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2014

There were no findings related to compliance and other matters during the year ended June 30, 2014.

Year ended June 30, 2014

There were no findings related to compliance and other matters during the year ended June 30, 2014.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

A. COMPLIANCE

2014-002 Eligibility & Special Tests and Provisions

US Department of Agriculture – National School Lunch/Breakfast Cluster (CFDA # 10.555 and 10.553)

Year ended June 30, 2014

Condition and Criteria: As part of our audit, we reviewed a sample of twenty-five free/reduced meal applications for proper eligibility in the program. In two out of the twenty-five applications (8%) the District qualified the students for reduced meals, however in the Food Service Software the students were incorrectly classified as free. Also, as part of our audit, we reviewed the District's completion of the "Verification of Free and Reduced Price Applications" as required by Federal Guidelines. In two out of the six (33%) families verified, the District incorrectly reported a change in status on the "School Food Authority Verification Collection Report," when in fact the family/student should have had no change in status. Also, in one out of the six (16%) families verified, after the verification was completed the family/student's status should have changed to denied, however the family incorrectly stayed as free status.

Effect: Because the District incorrectly categorized three families as mentioned above, the District received more federal reimbursement dollars than it was eligible for. Neither matter identified is considered material to the program.

Cause: Monitoring over the eligibility and special provisions of the National School Lunch and Breakfast Program was not performed in some instances.

Auditor's Recommendation: The District should implement a review function over the processing of free/reduced meal applications as well as the verification process.

School District's Response: The District will implement a process to review the processing of free/reduced meal applications as well as the 3% verification test.

Year ended June 30, 2013

There were no findings related to compliance during the year ended June 30, .

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2014

There were no findings related to internal control over compliance during the year ended June 30, 2014.

Year ended June 30, 2013

There were no findings related to internal control over compliance during the year ended June 30, .



**To the President and Members of the
Board of Education
and School Administration
Southwestern Central School District
Jamestown, New York**

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2014 of the District's financial statements and have issued our reports thereon dated September 30, 2014. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Southwestern Central School District* for the year ended June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the District generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2010 through June 30, 2014. In addition, we have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 30, 2014**

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
REVENUE AND EXPENDITURES COMPARISON
AND ANALYSIS OF FUND EQUITY (AMOUNTS IN \$1,000)**

	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010
Revenue and other sources					
Property taxes	\$ 12,488	\$ 12,227	\$ 11,879	\$ 11,871	\$ 11,612
State aid	11,497	10,937	10,793	10,860	11,217
All other	433	793	499	1,346	1,382
	<u>24,418</u>	<u>23,957</u>	<u>23,171</u>	<u>24,077</u>	<u>24,212</u>
Expenditures and other uses					
General support	2,465	2,394	2,374	2,510	2,484
Instruction	11,492	11,785	11,680	11,705	12,172
Transportation	771	766	765	760	754
Benefits	5,717	5,320	5,110	4,930	4,344
Debt	4,048	4,056	4,372	4,368	3,901
Community services	27	28	28	27	26
Transfers	13	17	12	7	14
	<u>24,533</u>	<u>24,366</u>	<u>24,341</u>	<u>24,307</u>	<u>23,696</u>
Excess (deficiency) of revenue over expenditures	(115)	(409)	(1,170)	(230)	516
Fund equity					
Beginning of year	3,967	4,376	5,546	5,776	5,261
End of year	<u>\$ 3,852</u>	<u>\$ 3,967</u>	<u>\$ 4,376</u>	<u>\$ 5,546</u>	<u>\$ 5,776</u>
Analysis of fund equity					
Reserve for encumbrances	\$ 20	\$ 238	\$ 214	\$ 72	\$ 46
Reserve for capital	368	367	367	366	365
Reserve for retirement system	1,244	1,077	1,270	1,445	1,365
Reserve for unemployment insurance	251	251	285	303	302
Reserve for tax certiorari	77	-	-	-	-
Next year's budget	850	1,050	1,221	1,253	1,095
Unassigned	1,042	984	1,019	2,107	2,603
	<u>\$ 3,852</u>	<u>\$ 3,967</u>	<u>\$ 4,376</u>	<u>\$ 5,546</u>	<u>\$ 5,776</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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Trust and Agency Flex Account

The District allows employees to have pre-tax withholdings for certain medical expenses under Section 125 of the Internal Revenue Code. Employees that do not submit claims for reimbursement during the allowable time period, lose the right to recover these funds. As of June 30, 2014 the District has approximately \$24,000 included in its Trust and Agency account related to the 2012-2013 school year and earlier years.

District response: The District will review this issue and any unspent monies will be returned to the general fund.

Equipment and Inventory

The District reports approximately \$40 million of capital assets. The most significant dollar amount of these assets consist of the District buildings and capital improvements that are not as susceptible to the risk of loss or misuse. Assets that are more susceptible to such risk include equipment and inventory items. It is extremely important for the District to be aware of the risks associated with these assets and have processes in place to safeguard against their loss or misuse. Internal controls that the District may consider the following:

- Continued updating of the District's fixed asset and inventory additions and disposals within its asset database;
- Obtaining a full independent appraisal every few years, that would compare the assets listed within the database compared with those physically counted;
- Maintaining a perpetual inventory system for higher risk equipment and inventory items;
- Periodically perform random spot checks of equipment and inventory and compare to asset database;
- Performing annual physical inventory counts and investigating any differences between the appraisal/inventory reports and physical count;
- Obtaining mileage logs and purchases records to determine reasonableness of gasoline usage.

District response: The Buildings and Grounds department will be asked to look into inventory programs to maintain a perpetual inventory. The District updates the inventory annually, focusing on technology and other equipment. The District will consider expanding the scope of the annual inventory to include additional physical counts.

Technology

In an ever changing technological society the District should continue to monitor the risks associated with technology so that key operational and financial data are safeguarded. Some of the general and application IT controls that should continue to be considered include the following:

- Procedures for developing, testing, documenting, reviewing, and approving systems or program changes and subsequent modification.
- Controls over access to computer equipment, software and data contained therein.
- Disaster/recovery plans, including backup procedures, off-site storage, and contingency planning.
- Developing formal procedures and guidelines for tasks performed by IT staff.
- Formal documentation of IT policies and processes.
- Identifying those individuals who have access within accounting systems and routinely monitoring such access.

We recommend that the District continue to consider its technology risks and how such risks are mitigated.

District's response: The District will review the recommendations and address those areas of deficiency.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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GASB 68 - Accounting and Financial Reporting for Pensions

The Government Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Statement No. 68 will be effective for the District in the fiscal year ending June 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

The new accounting standard will require the District to report in their government-wide financial statements their proportionate share of the net pension liability of the pension systems (Teachers' Retirement System and Employees' Retirement System). The net pension liability is equal to the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits to current employees, retirees and their beneficiaries. Once the District receives the projected net pension liability from the retirement systems, the District will be in a position to calculate its proportionate share of the liability and should begin to communicate its impact on the financial statements.

District Response: GASB 68- The District will comply with the GASB standard for the year-end 6/30/2015.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT

***EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT***

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

***WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS***

INDEPENDENT AUDITOR'S REPORT

**To the President and
Members of the Board of Education
Southwestern Central School District
Jamestown, New York**

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the **Southwestern Central School District** for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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 statements 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 and the standards applicable to financial audits contained in the *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 statement is free from 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.

Basis for Qualified Opinion

The records of the Extraclassroom funds of the **Southwestern Central School District** were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

Qualified Opinion

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the basis for qualified opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Southwestern Central School District** for the year ended June 30, 2014 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 30, 2014**

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND
JULY 1, 2013 THROUGH JUNE 30, 2014

	Balances June 30, 2013	Total Receipts	Total Receipts & Balances	Total Payments	Balances June 30, 2014
Extraclassroom activities:					
Art Club	\$ 3,285	\$ 750	\$ 4,035	\$ 118	\$ 3,917
Band	868	886	1,754	913	841
Camera Club	86	-	86	-	86
Centralian	7,702	16,861	24,563	16,470	8,093
Choir	1,578	4,911	6,489	4,984	1,505
Class of 2011	-	-	-	-	-
Class of 2013	-	-	-	-	-
Class of 2014	6,550	32,731	39,281	37,721	1,560
Class of 2015	1,935	8,751	10,686	4,657	6,029
Class of 2016	449	4,455	4,904	3,664	1,240
Class of 2017	200	5,765	5,965	3,821	2,144
DECA Club	1,225	4,365	5,590	3,805	1,785
French Club	1,752	8,765	10,517	9,812	705
MS Student Council	9,463	1,314	10,777	1,214	9,563
Musical	12,886	18,997	31,883	13,616	18,267
National Honor Society	1,190	600	1,790	651	1,139
New York State taxes	-	2,725	2,725	2,725	-
Orchestra	2,397	644	3,041	786	2,255
SADD Club	352	92	444	-	444
Science Club	-	-	-	-	-
Ski Club	110	10,392	10,502	7,513	2,989
Southwestern Key	630	410	1,040	865	175
Spanish Club	4,528	7,891	12,419	7,689	4,730
Student Council	6,538	3,294	9,832	4,825	5,007
Interest	40	-	40	-	40
Total activity fund	\$ 63,764	\$ 134,599	\$ 198,363	\$ 125,849	\$ 72,514

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of **Southwestern Central School District**. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$72,514 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

The accounts of the Extraclassroom Activity Fund of **Southwestern Central School 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 generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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During the course of our audit of the extraclassroom activities, we noted the following:

Point of Sale Records

We noted several instances where the receipt of cash lacked point of sale records. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. Due to the lack of point of sale records, cash receipts are not adequate to permit the application of the necessary auditing procedures to indicate whether receipts were recorded. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer and teacher advisor, and be verified or reviewed by the central treasurer.

District's response: The District will be developing a form for concession sales to help substantiate the cash turned into the central treasurer.