

**NISKAYUNA CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2013**

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To the President and Members
of the Board of Education of the
Niskayuna Central School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 *Governmental 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 the Niskayuna Central School District, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1 - A9, budgetary comparison information on pages C1 and C2 and schedule of funding progress for retiree health plan on page C3 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 (GASB), 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. Although our opinions on the basic financial statements are not affected, the results of the limited procedures have raised doubts about whether material modifications should be made to the schedule of funding progress for retiree health plan information for it to be presented in accordance with guidelines established by GASB.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Niskayuna Central School District's basic financial statements. The supplemental information on pages D1 – D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY

November 1, 2013

NISKAYUNA CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2013

INTRODUCTION

The Niskayuna Central School District offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

- During the past year, a concentrated effort was made by the District to re-establish a reasonable unassigned fund balance. Districts are allowed to carry up to 4% of the following year's budget in unassigned fund balance. Niskayuna was able to increase its unassigned fund balance to \$2,204,736 or 2.9% of next year's budget.
- Voter approval was obtained in March 2013 to purchase property at 1301 Hillside Avenue for \$3.2M where the District houses its transportation facility as well as its operations and maintenance department. The purchase is projected to save taxpayers \$4.2M over the next 15 years. The District issued 15 year bonds with an average interest rate of 1.1% to fund the purchase.
- For the 2012-13 school year, the District reduced staffing by 8.2% from 770 employees to 707 resulting in \$2M in reduced salary costs. These reduced salary costs also resulted in lower overall expenditures for benefits such as pension contributions and health insurance claims.
- The district self-insures 800+ employees and retirees for medical, prescription, dental and vision coverage. The claims experience within the plan continues to trend favorably resulting in modest plan increases (4-6%) compared to the industry average (10-15%).
- For 2013-14, the District has contracted with First Student to provide all student transportation. The District maintained ownership of its bus fleet and mechanics. The District has a one year contract with options to renew annually for up to an additional 4 years at the lower of 2% or the Consumer Price Index for the past 12 months.
- During the 2013-14 budget development, the Board of Education initiated a Facilities Utilization Advisory Committee to review possible building configurations to promote instructional practice and long term sustainability for the district. A recommendation to the Board of Education is expected by December 1, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. District-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to these statements, this report also includes other supplemental information.

Our auditor has provided assurance in the independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified below. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

District-wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

Niskayuna Central School District

Net Position

June 30, 2013 and 2012

	Governmental Activities		Variance Increase/ (Decrease)
	<u>2013</u>	<u>2012</u>	<u>(Decrease)</u>
Current Assets	\$14,194,579	\$12,667,917	\$1,526,662
Capital Assets	100,460,472	102,048,643	(1,588,171)
Total Assets	<u>114,655,051</u>	<u>114,716,560</u>	<u>(61,509)</u>
Deferred Outflows of Resources	82,427	0	82,427
Total Assets and Deferred Outflows of Resources	<u>\$114,737,478</u>	<u>\$114,716,560</u>	<u>\$20,918</u>
Current Liabilities	7,073,305	14,089,405	(7,016,100)
Noncurrent Liabilities	121,189,578	110,959,662	10,229,916
Total Liabilities	<u>128,262,883</u>	<u>125,049,067</u>	<u>3,213,816</u>
Deferred Inflows of Resources	0	0	0
Total Liabilities and Deferred Inflows of Resources	<u>128,262,883</u>	<u>125,049,067</u>	<u>3,213,816</u>
Net Position:			
Investments in Capital Assets, Net of Related Debt	16,671,346	14,799,045	1,872,301
Restricted for Debt, Employee Benefits & Taxes	3,323,679	3,221,143	102,536
Unrestricted	<u>(33,520,430)</u>	<u>(28,352,695)</u>	<u>(5,167,735)</u>
Total Net Position	<u>(\$13,525,405)</u>	<u>(\$10,332,507)</u>	<u>(\$3,192,898)</u>

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

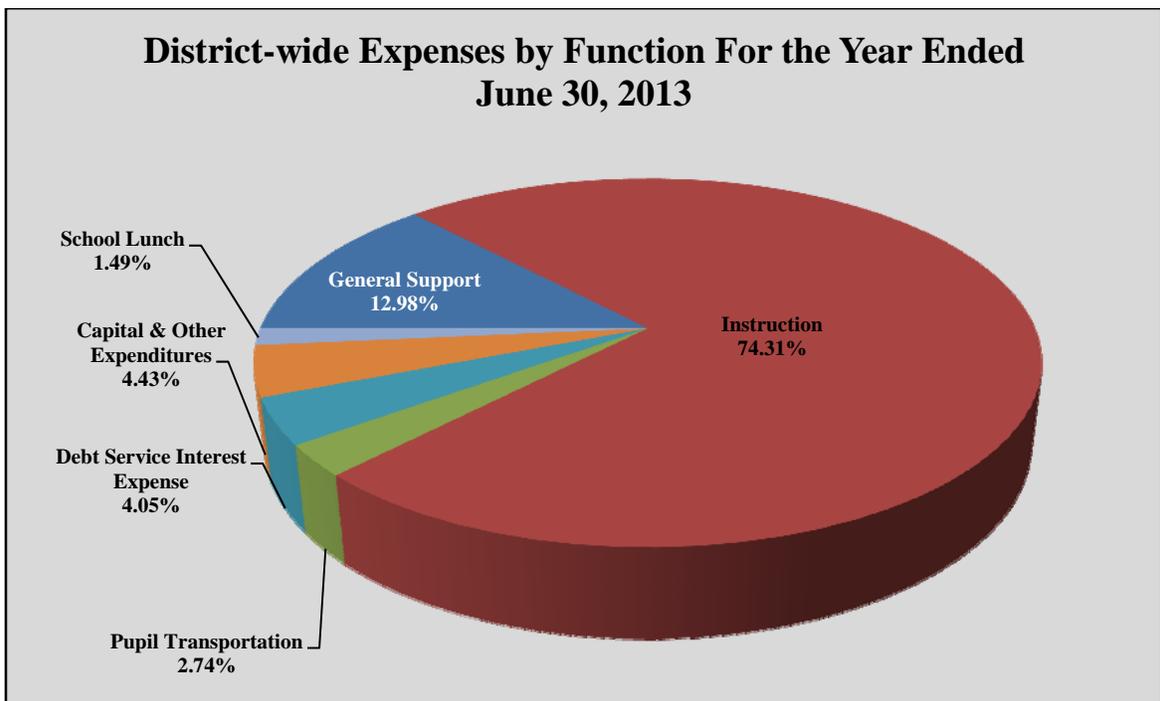
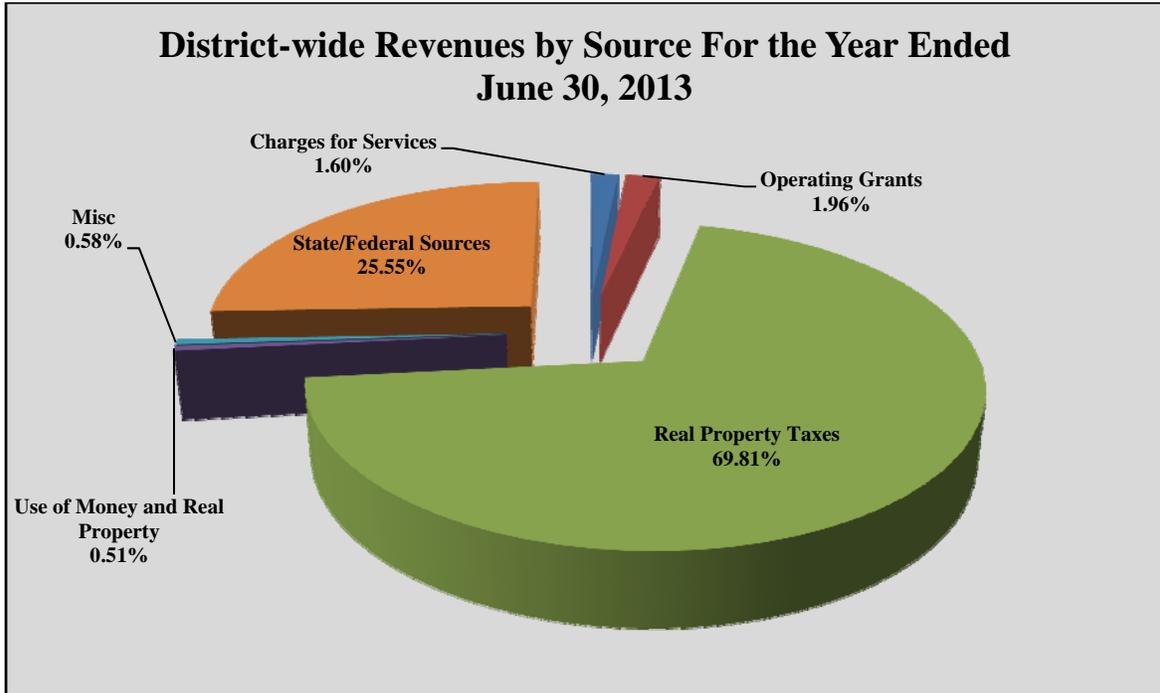
**Niskayuna Central School District
Changes in Net Position
For the Years Ended June 30, 2013 and 2012**

	Governmental Activities		Variance Increase/ (Decrease)
	<u>2013</u>	<u>2012</u>	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$1,195,588	\$1,119,003	\$76,585
Operating Grants	1,539,966	2,536,920	(996,954)
Total Program Revenues	<u>2,735,554</u>	<u>3,655,923</u>	<u>(920,369)</u>
General Revenues			
Real Property Taxes	52,237,883	50,629,200	1,608,683
Use of Money and Real Property	379,933	342,709	37,224
Sale of Property & Compensation for Loss	237	5,312	(5,075)
Miscellaneous	430,891	583,203	(152,312)
State Sources	18,651,464	20,587,328	(1,935,864)
Federal Sources	469,218	208,518	260,700
Total General Revenues	<u>72,169,626</u>	<u>72,356,270</u>	<u>(186,644)</u>
Total All Revenues	<u>\$74,905,180</u>	<u>\$76,012,193</u>	<u>(\$1,107,013)</u>
<u>Gross Expenses:</u>			
General Support	\$9,923,358	\$10,497,381	(\$574,023)
Instruction	58,630,080	59,475,154	(845,074)
Pupil Transportation	2,295,180	5,678,419	(3,383,239)
Community Service	0	198,817	(198,817)
Debt Service Interest Expense	2,916,398	3,222,097	(305,699)
Capital & Other Expenditures	3,192,249	323,973	2,868,276
School Lunch	1,140,813	1,173,531	(32,718)
Total Expenses	<u>\$78,098,078</u>	<u>\$80,569,372</u>	<u>(\$2,471,294)</u>
Change in Net Position	<u>(\$3,192,898)</u>	<u>(\$4,557,179)</u>	<u>\$1,364,281</u>

The statement of revenue, expense and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants earned but not yet received, unused vacation/sick leave, and proceeds from Revenue Anticipation Notes and related interest).

All of the District's services are reported in the district-wide financial statements as governmental activities, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, sales tax, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

The following charts provide the percentage breakdown of all revenues by source and all expenses by function for the entire District:



Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds.

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using

certain revenues (such as federal grants). All of the funds of the District can be divided into two categories; governmental funds, and fiduciary funds.

- ***Governmental funds:*** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to 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 districtwide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- ***Fiduciary funds:*** The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship 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 districtwide financial statements because it cannot use these assets to finance its operations.

Fund Equity (Deficit) Analysis

The District's governmental funds (as presented on the balance sheet) reported combined fund equity of approximately \$7.4M. The fund equity in the capital fund is (1,271,188) due to the \$1,378,939 EXCEL grant that had not been drawn down in the 2012-2013 school year. The submission of the approved EXCEL grant disbursement agreement took place on August 14, 2013. The EXCEL grant disbursements were received and deposited on September 12, 2013 relieving the capital of the deficit. Residual capital fund equity will be transferred to the general fund for use in the debt service reserve to offset debt related to the most recent construction projects.

The schedule below indicates the fund equity and the total change in fund equity by fund type as of June 30, 2013 and 2012.

Fund	Fund Equity		Variance Increase/ (Decrease)
	2013	2012	
General	\$8,619,718	\$7,378,813	\$1,240,905
Capital	(1,271,188)	(1,278,939)	7,751
Debt Service	0	0	0
School Lunch	85,280	117,198	(31,918)
Special Aid	1,729	0	1,729
Totals	\$7,435,539	\$6,217,072	\$1,218,467

General Fund

The following tables are provided to illustrate the balance sheet changes within the general fund for the past five school years.

Niskayuna Central School District					
Balance Sheets - General Fund					
For the Period July 1, 2008 to June 30, 2013					
	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Assets					
Cash	\$ 11,350,149	\$ 7,977,842	\$ 8,919,076	\$ 7,410,951	\$ 10,419,716
Other Assets	3,925,759	5,710,628	7,201,225	8,426,972	4,020,598
Total Assets	\$ 15,275,908	\$ 13,688,470	\$ 16,120,301	\$ 15,837,923	\$ 14,440,314
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 2,606,410	\$ 2,234,506	\$ 1,844,245	\$ 1,479,911	\$ 785,722
Due to Teachers' Retirement System	3,582,183	3,600,780	2,931,168	2,007,130	2,335,809
Due to Employees' Retirement System	434,692	394,866	366,698	259,140	163,155
Other Liabilities	32,905	79,505	3,333,503	454,885	509,900
Total Liabilities	6,656,190	6,309,657	8,475,614	4,201,067	3,794,586
Fund Equity (Deficiency)					
Non-spendable	204,154	272,167	322,600	443,653	935,078
Restricted	3,323,679	3,221,143	4,085,943	4,959,989	4,070,166
Committed	-	-	-	-	-
Assigned	2,887,149	3,867,843	4,759,346	4,747,677	3,196,546
Unassigned	2,204,736	17,660	(1,523,202)	1,485,538	2,443,938
Total Fund Equity (Deficiency)	8,619,718	7,378,813	7,644,687	11,636,856	10,645,728
Total Liabilities and Fund Equity (Deficiency)	\$ 15,275,908	\$ 13,688,470	\$ 16,120,301	\$ 15,837,923	\$ 14,440,314

The following tables are provided to illustrate the major revenue and expenditure activities of the general fund.

<u>Revenues</u>	<u>2013</u>	<u>2012</u>	<u>Variance Increase/ (Decrease)</u>
Taxes	\$52,237,883	\$50,629,200	\$1,608,683
Charges for Services	291,223	288,119	3,104
Use of Money and Property	379,901	344,222	35,679
State/Federal Sources	19,120,682	20,795,846	(1,675,164)
Other	489,877	583,163	(93,286)
Totals	<u>\$72,519,566</u>	<u>\$72,640,550</u>	<u>(\$120,984)</u>

<u>Expenses</u>	<u>2013</u>	<u>2012</u>	<u>Variance Increase/ (Decrease)</u>
General Support	\$7,179,575	\$7,887,444	(\$707,869)
Instruction	\$35,566,083	36,541,039	(974,956)
Pupil Transportation	3,490,023	3,905,731	(415,708)
Community Service	0	0	0
Employee Benefits	14,751,262	14,358,564	392,698
Debt Service	10,200,693	10,150,627	50,066
Totals	<u>\$71,187,636</u>	<u>\$72,843,405</u>	<u>(\$1,655,769)</u>

The expenditures for 2012-2013 decreased by approximately 2.27% due to due to staffing reductions and operational efficiencies imposed by the District. Employee benefits expense continues to increase each year due to increases in the employer contribution rates for the New York State Employees' Retirement System and New York State Teachers' Retirement System, and health insurance obligations.

General Fund Budget Information

The District's budget is prepared in accordance with New York State Education law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances.

The most significant budgeted fund is the General Fund. The budget process begins in October of each school year. Meetings are held with building administrators and curriculum directors along with a series of board meetings and community forums that are open to the public from late February to early April. The process is culminated when the statewide school budget vote is held on the Third Tuesday in May of each year.

Capital Assets

The District's capital assets (net of accumulated depreciation) as of June 30, 2013 are as follows:

<u>Asset Description</u>	<u>Net Book Value</u>
Land	\$895,205
Buildings and Improvements	90,232,841
Machinery and Equipment	2,997,267
Vehicles	6,335,159
Total	<u>\$100,460,472</u>

Indebtedness

The District had outstanding debt in the form of serial and statutory bonds, workers' compensation claims (the District self-insures), compensated absences required due to contractual obligations, as well as energy performance contracts and installment purchases. The outstanding debt as of June 30, 2013 is summarized as follows:

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bond Issues	\$83,789,125
Unamortized Bond Premiums	\$182,325
Judgments and Claims	2,393,635
Workers' Compensation	574,722
Compensated Absences	593,570
Other Post-Employment Benefits (OPEB)	33,656,201
Total	<u>\$121,189,578</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 10% of the average full valuation of taxable real property. At June 30, 2013 the District's general obligation debt represented 4.39% of the 5 year average full valuation of taxable real property.

Items Impacting the District's Future

The greatest concerns facing the district over the next several years will be the tax cap, flat or declining state aid, and the loss of \$3.1M due to the State's "Gap Elimination Adjustment". The ongoing sustainability of all NYS school districts will become a widespread conversation over the next few years as we grapple with the effects of declining revenue and increases in expenditures for mandated items such as pension, contract raises and health insurance costs.

The District's primary revenue sources are school taxes (70%) and State Aid (24%). The state's "Tax Cap" limits the amount of school tax revenue that can be generated. State aid continues to be flat or with minimal increases. The state's Gap Elimination Adjustment redistributed school funding away from schools and back to the state to balance the state budget.

As a result of these funding changes, the district continues to seek areas for cost containment as well as areas to explore for revenue generation. Revenue generation can potentially preserve or expand program offerings. The challenge will be to identify significant, sustainable revenue to supplement our school budget as we compete for the same revenue dollars with other districts across the state.

Contacting the District's Financial Management

It is the intent of this report to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Niskayuna Central School District
Assistant Superintendent for Business
1239 Van Antwerp Road
Niskayuna, New York 12309

**NISKAYUNA CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

ASSETS

Current Assets:	
Cash and Investments	\$ 11,644,972
Accounts Receivable	307,715
Due From Fiduciary Funds	-
State and Federal Aid Receivable	1,517,533
Due From Other Governments	505,162
Inventories	15,043
Prepaid Expenditures	204,154
Capital Assets, net	100,460,472
Total Assets	<u>114,655,051</u>

DEFERRED OUTFLOWS OF RESOURCES

Amounts Deferred on Defeasance of Debt	<u>82,427</u>
Total Assets and Deferred Outflows of Resources	\$ <u>114,737,478</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 815,319
Accrued Liabilities	1,864,872
Note Payable - Bond Anticipation Notes	-
Due to Fiduciary Funds	32,904
Due to Other Governments	35
Overpayments	-
Bond Interest Accrued	314,265
Due to Teachers' Retirement System	3,582,183
Due to Employees' Retirement System	434,692
Deferred revenue	29,035
Long-Term Liabilities - Due and Payable Within One Year	
Bonds	7,579,750
Unamortized Bond Premiums	42,471
Installment Purchase Debt	-
Judgments and Claims	-
Long-Term Liabilities	
Bonds	76,209,375
Unamortized Bond Premiums	139,854
Installment Purchase Debt	-
Compensated Absences	593,570
Workers' Compensation	574,722
Judgments and Claims	2,393,635
Other Post Employment Benefits Payable	33,656,201
Total Liabilities	<u>128,262,883</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources	<u>-</u>
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NET POSITION

Invested in Capital Assets, Net of Related Debt	16,671,347
Restricted Net Position	3,323,679
Unrestricted Net Position (Deficit)	<u>(33,520,431)</u>
Total Net Position	<u>(13,525,405)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ <u>114,737,478</u>

See accompanying notes to financial statements.

B1.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General Support	\$ 9,923,358	\$ 39,117	\$ -	\$ (9,884,241)
Instruction	58,630,080	252,106	1,341,616	(57,036,358)
Pupil transportation	2,295,180	-	-	(2,295,180)
Community Service	-	-	-	-
Employee benefits	-	-	-	-
Debt service - interest	2,916,398	-	-	(2,916,398)
Depreciation - unallocated (excludes direct expense of various functions and programs)	-	-	-	-
Other expenditures	-	-	-	-
Capital Outlay	3,192,249	-	-	(3,192,249)
School lunch program	1,140,813	904,365	198,350	(38,098)
	<u>1,140,813</u>	<u>904,365</u>	<u>198,350</u>	<u>(38,098)</u>
Total Functions and Programs	\$ <u>78,098,078</u>	\$ <u>1,195,588</u>	\$ <u>1,539,966</u>	<u>(75,362,524)</u>
GENERAL REVENUES				
Real property taxes				46,740,994
Other tax items				5,496,889
Use of money and property				379,933
Sale of property and compensation for loss				237
State sources				18,651,464
Federal sources				469,218
Miscellaneous				430,891
				<u>72,169,626</u>
Total General Revenues				<u>72,169,626</u>
Change in Net Position				(3,192,898)
Total Net Position - Beginning of Year				<u>(10,332,507)</u>
Total Net Position - End of Year				\$ <u>(13,525,405)</u>

See accompanying notes to financial statements.

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

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets						
Unrestricted Cash	\$ 8,026,470	\$ -	\$ -	\$ -	\$ -	\$ 8,026,470
Restricted Cash	3,323,679	5,746	249,175	39,902	-	3,618,502
Temporary Investments	-	-	-	-	-	-
Investments in Securities	-	-	-	-	-	-
Investments in Securities-Restricted	-	-	-	-	-	-
State and Federal Receivable, net	522,221	966,935	28,377	-	-	1,517,533
Due From Other Governments	505,162	-	-	-	-	505,162
Due From Other Funds	2,386,507	-	-	-	-	2,386,507
Accounts Receivable	307,715	-	-	-	-	307,715
Inventories	-	-	15,043	-	-	15,043
Prepaid Expenditures	204,154	-	-	-	-	204,154
Total Assets	\$ 15,275,908	\$ 972,681	\$ 292,595	\$ 39,902	\$ -	\$ 16,581,086
Liabilities						
Accounts and Retainages Payable	\$ 741,538	\$ 57,617	\$ 16,164	\$ -	\$ -	\$ 815,319
Accrued Liabilities	1,864,872	-	-	-	-	1,864,872
Note Payable - Bond Anticipation Notes	-	-	-	-	-	-
Due to Other Funds	32,905	913,335	162,081	1,311,090	-	2,419,411
Due to Other Governments	-	-	35	-	-	35
Due to Teachers' Retirement System	3,582,183	-	-	-	-	3,582,183
Due to Employees' Retirement System	434,692	-	-	-	-	434,692
Overpayments	-	-	-	-	-	-
Deferred Revenues	-	-	29,035	-	-	29,035
Total Liabilities	6,656,190	970,952	207,315	1,311,090	-	9,145,547
Fund Equity (Deficiency)						
Non-spendable	204,154	-	15,043	-	-	219,197
Restricted	3,323,679	-	-	-	-	3,323,679
Committed	-	-	-	-	-	-
Assigned	2,887,149	1,729	70,237	-	-	2,959,115
Unassigned	2,204,736	-	-	(1,271,188)	-	933,548
Total Fund Equity (Deficiency)	8,619,718	1,729	85,280	(1,271,188)	-	7,435,539
Total Liabilities and Fund Equity (Deficiency)	\$ 15,275,908	\$ 972,681	\$ 292,595	\$ 39,902	\$ -	

Amounts reported for governmental activities in the statement of net assets are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	100,460,472
Government funds report the effect of Issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	82,427
Accrued interest expense is reported under the accrual basis.	(314,265)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(121,189,578)
Net Position of Governmental Activities	\$ (13,525,405)

See accompanying notes to financial statements.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

Revenues	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Real Property Taxes and Tax Items	\$ 52,237,883	\$ -	\$ -	\$ -	\$ -	\$ 52,237,883
Nonproperty Taxes	-	-	-	-	-	-
Charges for Services	291,223	-	-	-	-	291,223
Use of Money and Property Forfeitures	379,901	-	32	-	-	379,933
Sale of Property and Compensation for Loss	237	-	-	-	-	237
Miscellaneous	489,640	-	6,148	-	-	495,788
Interfund Revenues	-	-	-	-	-	-
State Sources	18,651,464	371,912	9,564	-	-	19,032,940
Federal Sources	469,218	969,704	188,786	-	-	1,627,708
Sales	-	-	904,365	-	-	904,365
Total Revenues	<u>72,519,566</u>	<u>1,341,616</u>	<u>1,108,895</u>	<u>-</u>	<u>-</u>	<u>74,970,077</u>
Expenditures						
General Support	7,179,575	10,823	485,199	-	-	7,675,597
Instruction	35,566,083	1,306,329	-	-	-	36,872,412
Pupil Transportation	3,490,023	45,504	-	-	-	3,535,527
Community Services	-	-	-	-	-	-
Employee Benefits	14,751,262	67,142	145,700	-	-	14,964,104
Debt Service	10,200,693	-	-	-	-	10,200,693
Cost of Sales	-	-	509,914	-	-	509,914
Other	-	-	-	-	-	-
Capital Outlay	-	-	-	3,792,863	-	3,792,863
Total Expenditures	<u>71,187,636</u>	<u>1,429,798</u>	<u>1,140,813</u>	<u>3,792,863</u>	<u>-</u>	<u>77,551,110</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,331,930</u>	<u>(88,182)</u>	<u>(31,918)</u>	<u>(3,792,863)</u>	<u>-</u>	<u>(2,581,033)</u>
Other Financing Sources And (Uses)						
Interfund Transfers, net	(690,525)	89,911	-	600,614	-	-
Proceeds of Long Term Debt	599,500	-	-	3,200,000	-	3,799,500
Proceeds from Advanced Refunding	-	-	-	-	5,550,932	5,550,932
Payment to Escrow Agent	-	-	-	-	(5,550,932)	(5,550,932)
BANs Redeemed From Appropriations	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(91,025)</u>	<u>89,911</u>	<u>-</u>	<u>3,800,614</u>	<u>-</u>	<u>3,799,500</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>1,240,905</u>	<u>1,729</u>	<u>(31,918)</u>	<u>7,751</u>	<u>-</u>	<u>1,218,467</u>
Fund Equity, Beginning of Year	<u>7,378,813</u>	<u>-</u>	<u>117,198</u>	<u>(1,278,939)</u>	<u>-</u>	<u>6,217,072</u>
Fund Equity, End of Year	<u>\$ 8,619,718</u>	<u>\$ 1,729</u>	<u>\$ 85,280</u>	<u>\$ (1,271,188)</u>	<u>\$ -</u>	<u>\$ 7,435,539</u>

See accompanying notes to financial statements.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES, AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF REVENUE, EXPENSE AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

Net changes in fund balance - total governmental funds	\$	1,218,467
<p>Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their useful lives as depreciation expense in the statement of activities.</p>		
	Depreciation expense \$	(5,420,525)
	Capital outlays	<u>3,832,353</u>
		(1,588,172)
<p>The net book value, cost less accumulated depreciation, of capital assets disposed of are removed from the statement of net assets. Any gain or loss resulting is recorded in the statement of activities.</p>		
		-
<p>Interest is recognized as an expense in the governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The decrease in accrued interest during 2012/13 results in less expense.</p>		
		59,320
<p>Proceeds of installment purchase debt is revenue in governmental funds, but proceeds increase long-term liabilities in the statement of net assets.</p>		
		-
<p>Proceeds of serial bond principal is revenue in governmental funds, but proceeds increase long-term liabilities in the statement of net assets.</p>		
		(3,799,500)
<p>Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		7,224,975
<p>Repayments of installment purchase debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		-
<p>Amortization of issuance costs and loss on refunding bonds</p>		
		(64,897)
<p>Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(6,243,091)</u>
Change in net position - governmental activities	\$	<u><u>(3,192,898)</u></u>

**NISKAYUNA CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2013**

	Agency	Private Purpose Trusts
ASSETS		
Cash - unrestricted	\$ 165,724	\$ -
Cash - restricted	10,961	152,638
Due from other funds	68,414	25
Investments - restricted	69,171	3,444
Total Assets	\$ 314,270	156,107
LIABILITIES		
Extraclassroom activity balances	\$ 80,132	-
Due to other funds	25	35,509
Other liabilities	234,113	-
Total Liabilities	\$ 314,270	35,509
NET ASSETS		
Reserved for scholarships		\$ 120,598

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ 550
Investment earnings	593
Total Additions	1,143
DEDUCTIONS	
Scholarships and awards	5,328
Contractual and other	-
Change in Net Assets	(4,185)
Net Assets - Beginning of year	124,783
Net Assets - End of year	\$ 120,598

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity.

The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity within its Fiduciary funds:

The Extraclassroom Activity Fund

The extraclassroom activity fund of the 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. Separate audited financial statements (cash basis) of the extraclassroom activity fund can be found at the School District's business office, located at 1239 Van Antwerp Road, Niskayuna, New York 12309. The District accounts for assets held as an agent for various student organizations in an agency fund.

B. Joint Venture

The Niskayuna Central School District is one of twenty-four component school districts in the Capital District 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.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

BOCES are organized under Section 1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1050 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n (a) of the General Municipal Law.

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

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 ended June 30, 2013, the Niskayuna Central School District was billed \$3,709,983 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,080,361. Final statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

District-wide statements

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

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

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

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:

1. General Fund

The general fund is the principal operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

a. Special Aid Fund

Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State grants.

b. School Lunch Fund

The School Lunch Fund is used to account for transactions of breakfast and lunch programs.

3. Capital Projects Fund

The capital projects fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities, or equipment.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

Other Fund Type:

Fiduciary Funds

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

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

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

D. Basis of Accounting/Measurement Focus

General Information

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 one year after the end of the fiscal year, except for real property taxes, which are considered to be available when levied. The District selected the one year time frame to match the time frame the related liabilities will be liquidated.

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.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Refundable Advances

Refundable advances arise 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 refundable advances is removed and revenue is recognized.

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 21, 2012. Taxes were collected during the period September 1 through October 31, 2012.

II. Enforcement

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

G. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

1. 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.
- b. The proposed appropriation budget for the General Fund was approved by the voters within the District.
- c. Appropriations are adopted at the program line item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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. No supplemental appropriations occurred during the year.

II. Encumbrances

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

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Budgetary Procedures and Budgetary Accounting

III. Budget Basis of Accounting

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

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District is not legally required to adopt a budget for its special revenue funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

H. Cash and Investments

The District investment policies are governed by New York State statutes. District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. 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. Investments are stated at fair value.

I. Accounts Receivable

Accounts receivable are shown net, with uncollectible amounts recognized under the allowance method. An allowance for uncollectible accounts of \$300,000 has been provided in the special aid fund to represent a portion of the summer handicapped program receivables that may be uncollectible.

J. Inventories and Prepaid Items

Inventories of food and/or supplies in the school lunch fund are recorded at cost using the first-in, first-out basis or, in the case of surplus food, at stated value, which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Interfund Transactions

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

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

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

Refer to Note 4.A.II for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

L. Short Term Debt

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

M. Equity Classifications

District-wide statements:

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

Invested in capital assets, net of related-debt - consists of net capital assets reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Fund statements:

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

Non-spendable fund balance – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes: Prepaid expenses in the General Fund of \$204,154 and Inventory recorded in the School Lunch Fund of \$15,043 for a total of \$219,197.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances: Debt Service, Employee Benefit Accrued Liability, Insurance, Retirement Contributions, Tax Certiorari, Unemployment Insurance, Workers' Compensation and Encumbrances.

Debt Service

According to General Municipal Law §6-1, 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 issue proceeds not utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Employee Benefit Accrued Liability

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

Insurance

According to General Municipal Law §6-n, this reserve must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Retirement Contributions

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

Tax Certiorari

According to Education Law §3651.1-a, this 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 amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Unemployment Insurance

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

Workers' Compensation

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

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Encumbrances

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

Restricted fund balance includes the following:

General Fund:	
Debt Service	\$ 639,177
Employee Benefit Accrued Liability	593,570
Insurance	250,000
Retirement Contributions	300,000
Tax Certiorari	1,100,000
Unemployment Insurance	157,665
Workers' Compensation	283,267
Total Restricted Funds	<u>\$3,323,679</u>

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

Assigned – includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance. Encumbrances reported in General Fund amounted to \$87,149

Assigned fund balance is comprised of:

General Fund:	
Board of Education	\$ 16,278
Central Services	9,305
Finance	67
Instructional Media	44,822
Programs for Students with Disabilities	-
Pupil Transportation	-
Teaching Regular School	16,677
Appropriated Fund Balance	2,800,000
School Lunch Fund	70,237
Special Aid Fund	1,729
Total Assigned Funds	<u>\$2,959,115</u>

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Unassigned – includes all other General fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. In the other governmental funds, however, if a government spends more on a specific purpose than the resources available for that purpose in the fund, then it may need to report a negative amount as unassigned fund balance. If a government cannot cover the deficit with amounts assigned to other purposes in that fund, then the remaining deficit should be reported on the unassigned fund balance line.

Unassigned fund balance is comprised of:

General Fund		\$2,204,736
Capital Fund		(\$1,271,188)
	Total Unassigned Funds	\$ 933,548

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

Order of Use of Fund Balance:

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance.

In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned.

N. Postemployment Benefits

The District provides retirement benefits for substantially all its regular full-time teachers and its part-time teachers who elect to participate, through contributions to the New York State Teachers Retirement System (TRS). The System provides various plans and options, some of which require employee contributions.

The District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Currently retirees meet those eligibility requirements. The District recognizes the cost of providing benefits for fiscal year 2013 by recording approximately \$6,348,652, its share of insurance premiums/ assessments as expenditures in fiscal year 2013. The cost of providing this benefit for 355 retirees was approximately \$1,756,370.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Payables, Accrued Liabilities and Long-Term Obligations

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

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

P. Capital Assets

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life In Years
Buildings	\$ 1,000	SL	15-50
Land improvements	1,000	SL	20
Machinery and equipment	1,000	SL	5-25

Q. Use of Estimates

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

R. Restricted Resources

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

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. *Vested Employee Benefits*

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first-out (LIFO) basis.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements at year-end. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

T. *Accounting Changes*

During the fiscal year ended June 30, 2013 the District adopted Governmental Accounting Standards Board Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The new statement resulted in the replacement of the District's Statement of Net Assets with a Statement of Net Position which now reports deferred outflows/inflows of resources separately from assets and liabilities.

Also, during the fiscal year ended June 30, 2013, the district implemented Governmental Accounting Standards Board Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

U. *Implementation of Accounting Standards Not Yet in Effect*

The District is still evaluating the effect these accounting standards will have on the District's future financial statements and will implement them as applicable and when material.

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

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. Implementation of Accounting Standards Not Yet in Effect

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

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

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

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.

Total Fund Equity of Governmental Funds vs. Net Position of Governmental Activities

Total fund equity of the District's governmental funds differed 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.

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

Differences between the governmental funds statement of revenues, expenditures, and changes in fund equity and the statement of activities fall into one of three board categories. The amounts shown below represent:

Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue 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.

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.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position

3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. Deficit Fund Balances

There was a deficit fund balance in the Capital Projects Fund of \$1,271,188. Relief of this deficit occurred on September 3, 2013 with the receipt of EXCEL grant funding of \$1,378,939.

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

1. Cash

The District's aggregate bank balances at June 30, 2013 were \$12,604,310. All deposits were fully insured and collateralized.

2. Investments

Investments are stated at fair value and are categorized as either (1) insured or registered, or investments are held by the District or the District's agent in the District's name, (2) uninsured and unregistered, with the investments held by the financial institutions trust department in the District's name, (3) uninsured and unregistered, with investments held by the financial institution or its trust department but not in the District's name.

<u>Fund</u>	<u>Fair Value</u>	<u>Type of Investment</u>	<u>Category</u>
Private Purpose Trust Fund	\$ 3,444	Marketable Securities	(2)
Trust and Agency	34,463	Municipal Savings	(1)
Trust and Agency	34,708	Certificate of Deposit	(1)

Unrealized gains on investments for the year ended June 30, 2013 were \$569.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

3. Restricted Cash and Investments

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at year-end consists of the following:

<u>Fund</u>	<u>Amount</u>	<u>Restriction</u>
General Fund	\$ 283,267	Workers' Compensation Reserve
	157,665	Unemployment Insurance Reserve
	593,570	Reserve for Employee Benefit Accrued Liability
	300,000	ERS Reserve
	250,000	Insurance Reserve
	1,100,000	Tax Certiorari Reserve
	639,177	Reserve for Debt
Total General Fund	<u>\$ 3,323,679</u>	
Trust and Agency	\$ 10,961	Extraclassroom Activity Funds
Private Purpose Trust Fund	<u>152,638</u>	Scholarships and Memorials
Total Fiduciary	<u>\$ 163,599</u>	

Restricted investments consist of the following:

<u>Fund</u>	<u>Amount</u>	<u>Restriction</u>
Trust and Agency	<u>\$ 69,171</u>	Extraclassroom Activity Funds
Private Purpose Trust Fund	<u>\$ 3,444</u>	Scholarships

II. Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transactions and balances at June 30, 2013 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 2,386,507	\$ 32,905	\$ -	\$ 690,525
Special Aid Fund	-	913,335	89,911	-
School Lunch Fund	-	162,081	-	-
Capital Projects Fund	-	1,311,090	600,614	-
Total Governmental Activities	2,386,507	2,419,411	690,525	690,525
Fiduciary Fund	<u>68,439</u>	<u>35,535</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,454,946</u>	<u>\$ 2,454,946</u>	<u>\$ 690,525</u>	<u>\$ 690,525</u>

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Interfund Transactions

The General Fund transferred \$496,649 to the Special Aid Fund to finance the District's local share of expenditures relating to the Summer Handicapped Program. The General Fund transferred \$600,614 to the Capital Projects Fund to finance the monthly payments for the transportation facility operating lease and leasehold improvements.

III. Capital Assets

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

	<u>Balance July 1</u>	<u>Additions</u>	<u>Reclassification</u>	<u>Deletions</u>	<u>Balance June 30</u>
Governmental Activities					
Capital assets that are not depreciated:					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Land	803,989	-	91,216	-	895,205
Total Non-depreciable Capital Assets	<u>803,989</u>	<u>-</u>	<u>91,216</u>	<u>-</u>	<u>895,205</u>
Capital assets that are depreciated:					
Buildings and improvements	117,652,465	3,200,000	(243,622)	-	120,608,843
Vehicles	7,395,508	595,789	-	643,251	7,348,046
Machinery and equipment	9,885,197	36,564	99,025	2,817	10,017,969
Total Depreciable Capital Assets	<u>134,933,170</u>	<u>3,832,353</u>	<u>(144,597)</u>	<u>646,068</u>	<u>137,974,858</u>
Less accumulated depreciation:					
Buildings and improvements	26,430,760	3,998,623	(53,381)	-	30,376,002
Vehicles	4,237,872	756,158	-	643,251	4,350,779
Machinery and equipment	3,019,883	665,744	-	2,817	3,682,810
Total Accumulated Depreciation	<u>33,688,515</u>	<u>5,420,525</u>	<u>(53,381)</u>	<u>646,068</u>	<u>38,409,591</u>
Total Capital Assets, Net	<u>\$ 102,048,644</u>	<u>(\$1,588,172)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$100,460,472</u>

Depreciation Expense was charged to governmental functions as follows:

General Support	\$ 231,928
Instruction	4,413,692
Pupil Transportation	774,905
Community Services	-
	<u>\$ 5,420,525</u>

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

B. Deferred Outflows of Resources

Deferred outflows of resources consist of bond discounts, bond insurance premiums and amounts deferred from the defeasance of prior debt issues. Original issue discounts and deferred losses on refundings of long-term indebtedness are amortized over the life of the respective bond using the straight-line method. Amounts deferred on defeasance of bonds being amortized consist of the following bond series.

	June 30, 2013
Amounts Deferred on Defeasance of Bonds	
8/7/2012 Bond	\$82,427
Total	\$82,427

C. Liabilities

I. Pension Plans

General Information

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

Plan Descriptions

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 New York State 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.

Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits to plan members and beneficiaries. 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.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

I. Pension Plans

Funding Policies

Employees' Retirement System (ERS)

The Systems are noncontributory except for employees who joined the Systems between July 27, 1976 and January 1, 2010, contribute 3% of their salary for a period of ten years. Employees who joined after January 1, 2010, and are members in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. Employees who joined after April 1, 2012, and are members in NYSERS contribute between 3 and 6% of their salary throughout their active membership and those in NYSTRS contribute between 3 and 6% throughout their active membership. 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 District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

		<u>ERS</u>		<u>TRS</u>
2012-13	\$	1,738,768	\$	3,582,183
2011-12		1,579,463		3,600,780
2010-11		1,466,791		2,931,168

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

II. Indebtedness

1. Short-Term Debt

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. No bond anticipation notes were issued or redeemed during the year ended June 30, 2013.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

II. Indebtedness

2. Long-Term Debt

a. Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

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

Interest paid	\$ 2,975,718
Less interest accrued in the prior year	(373,585)
Plus current year accrued interest	314,265
Total Expense	\$ 2,916,398

b. Bond Refunding

On August 7, 2012, the District issued \$5,415,000 in bonds with an average interest rate of 2.51% to advance refund \$5,450,000 of outstanding 2003 bonds with an average interest rate 3.85%. The net proceeds of \$5,550,932 (after receipt of reoffering premium of \$220,465 and payment of \$84,532, underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government and State and Local Government Series securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result the 2003 bonds are considered defeased and the liability for those bonds has been removed from the financial statements. This advance refunding was undertaken to reduce total debt service payments over the next five years by \$233,028 and resulted in an economic gain of \$246,180.

c. Other Long-Term Debt

In addition to the above long-term debt, the District had the following noncurrent liabilities:

Compensated Absences - Represent the value of the earned and unused portion of the liability for employees' vacation and sick pay which has not been accrued in the General Fund.

Workers' Compensation - Represents the estimate of the District's share of unpaid workers' compensation claims and administrative costs due.

Judgments and Claims - The non-current portion of the estimated liability for various legal actions taken against the District

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

II. Indebtedness

2. Long-Term Debt

c. Other Long-Term Debt

Other Postemployment Benefits – Represents the net liability for other postemployment benefits calculated in accordance with GASB 45 (See Note 7).

3. Changes

The changes in the District's indebtedness during the year ended June 30, 2013 are summarized as follows:

<u>Fund/Type</u>	<u>Balance July 1, 2012</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>Balance June 30, 2013</u>
<u>General Long-Term Debt</u>				
Bonds Payable	\$ 87,249,600	\$ 9,214,500	\$ 12,674,975	\$ 83,789,125
Less: Deferred Amounts on Refunding	-	(100,932)	(18,505)	(82,427)
	<u>87,249,600</u>	<u>9,113,568</u>	<u>12,656,470</u>	<u>83,706,698</u>
Unamortized Bond Premium	-	220,464	38,139	182,325
Judgments and Claims	1,987,421	484,630	78,416	2,393,635
Workers' Compensation	319,213	255,509	-	574,722
Compensated Absences	635,771	-	42,201	593,570
Other Postemployment Benefits	28,032,632	7,379,939	1,756,370	33,656,201
Total General Long-Term Debt	<u>\$ 118,224,637</u>	<u>\$ 17,454,110</u>	<u>\$ 14,571,596</u>	<u>\$ 121,107,151</u>

Additions and deletions to compensated absences and workers' compensation are shown net since it is impractical to determine these amounts separately.

4. Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2013</u>
<u>Serial Bonds:</u>				
Renovations	2008	2023	3.125 - 4.000%	\$ 35,800,000
Renovations	2009	2024	2.50 - 4.00%	32,035,000
Renovations	2010	2024	2.50 - 4.00%	6,440,000
Finance School Buses	2011	2015	2.59%	712,500
Finance School Buses	2012	2015	1.10%	562,125
Finance School Buses	2012	2016	1.285%	599,500
Renovations – Advanced Refunding	2012	2017	2.00 – 3.00%	4,440,000
Acquisition of Bus Garage	2013	2028	1.10%	3,200,000
				<u>\$ 83,789,125</u>

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

II. Indebtedness

The following is a summary of maturing debt service requirements for bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 7,579,750	\$ 2,903,988	\$ 10,483,738
2015	7,779,750	2,693,727	10,473,477
2016	8,059,750	2,468,620	10,528,370
2017	7,884,875	2,229,901	10,114,776
2018	7,560,000	1,987,700	9,547,700
2019-2023	39,510,000	5,822,919	45,332,919
2024-2028	5,415,000	297,025	5,712,025
Total	<u>\$ 83,789,125</u>	<u>\$ 18,403,880</u>	<u>\$ 102,193,005</u>

5. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit do not exceed 10% of the average full valuation of taxable real estate within such District. At June 30, 2013 the District has exhausted 31.32% of its constitutional debt limit.

III. Self-Insurance

Workers' Compensation Insurance

The District is self-insured for workers' compensation benefits on a cost-reimbursement basis. Under the program, the District is responsible for claim payments.

All known claims filed and an estimate of all incurred but unreported claims existing at June 30, 2013 have been recorded as other liabilities.

Health & Dental Insurance

The District is self-insures for health insurance benefits, on a cost-reimbursement basis. Under the program, the District is responsible for claim payments. Empire HealthChoice Assurance, Inc. is the third party claims administrator for the District's health plan. The cost of medical care is paid out of employee and employer contributions and is held in a separate bank account. The District pays the medical claims and related administrative fees on monthly basis by funding the separate bank account. The total cash in the account amounted to (\$5,350) at June 30, 2013. The District estimates the liability for unpaid health insurance claims to be \$1,276,632 for the year ended June 30, 2013.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

III. Self-Insurance

Health & Dental Insurance

The District self-funds the health insurance plan, but has purchased both aggregate and specific stop loss coverage from HM Life Insurance Company of New York. The aggregate insurance provides full coverage for aggregate claims in excess of 125% of expected claims. The specific stop loss insurance assumes the risk for claims on any individual in excess of \$225,000 paid during a calendar year.

The District is self-insured for dental insurance benefits on a cost-reimbursement basis. Under the program, the District is responsible for claim payments. Delta Dental of New York is the third party claims administrator for the District's dental plan. The cost of dental care is paid out of employee and employer contributions. The District pays the dental claims and related administrative fees on monthly basis by wiring funds to Delta Dental. The District estimates the liability for unpaid dental insurance claims to be \$67,591 for the year ended June 30, 2013. The District has not purchased stop loss insurance on the self-funded dental plan. The District's maximum liability is limited to the annual dental allowance per covered individual, which is \$1,500 per covered individual for the year ended June 30, 2013.

All known claims filed and an estimate of all incurred but unreported claims existing at June 30, 2013 pertaining to both health and dental insurance have been recorded as other liabilities.

The District establishes health and dental claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

III. Self-Insurance

Health & Dental Insurance

As discussed above, the District establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the District during the past two years:

	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 1,043,516	\$ 1,206,516
Incurred claims and claim adjustment expenses:		
Provision for incurred claims expenditures for events of the current year	6,649,359	6,158,806
Increase (decrease) in provision for incurred events of prior years	-	-
Total incurred claims and claim adjustment expenses	<u>7,692,875</u>	<u>7,365,322</u>
Payments made for claims during the current year	<u>6,348,652</u>	<u>6,321,806</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 1,344,223</u>	<u>\$ 1,043,516</u>

Workers' Compensation Insurance

The District establishes workers compensation claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

C. Liabilities

III. Self-Insurance

Workers' Compensation Insurance

As discussed above, the District establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the District during the past two years:

	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 319,213	\$ 279,902
Incurred claims and claim adjustment expenses:		
Provision for incurred claims expenditures for events of the current year	446,597	186,563
Increase (decrease) in provision for incurred events of prior years	-	-
	<u>765,810</u>	<u>466,465</u>
Total incurred claims and claim adjustment expenses		
Payments made for claims during the current year	<u>191,088</u>	<u>147,252</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 574,722</u>	<u>\$ 319,213</u>

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

4. DETAIL NOTES ON ALL FUNDS

D. Deferred Inflows of Resources

Deferred inflows of resources on the balance sheet-governmental funds arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period.

5. COMMITMENTS AND CONTINGENCIES

A. Litigation

The District has been named as defendant in various actions. A review of these actions by District Management indicates that they are either fully covered by insurance or not substantial enough to materially affect the financial position of the District.

B. Federal and State Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies or expenditures disallowed under the terms of the grant.

C. Risk Financing and Related Insurance

The Niskayuna Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. 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 three years.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

6. OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Plan Description

The District administers the postretirement benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits. The Plan provides for continuation of medical and/or dental/vision benefits for certain retirees and their survivors and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the Plan members, employers and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are eligible for the retiree health benefits upon meeting the following requirements: 1) retire from the District, 2) enrolled in District provided health care at time of retirement and 3) working .5 FTE for members of the Niskayuna Teachers' Association or 30 hours a week for other staff members having at least 5 years of service under the New York State Teachers' or Employees' Retirement Systems and at least 5 years of service with the District. The District currently funds the plan to satisfy current obligations on a pay-as-you-go basis. The cost of providing this benefit for 355 retirees was approximately \$1,756,370.

The contribution requirements of Plan members and the District are established by the Board of Education. Until changes are made in the NYS law to permit funding, there is no legal authority to fund OPEB, other than "pay as you go".

Actuarial Methods and Assumptions

The District obtained an actuarial valuation dated July 1, 2012 which indicated that the total liability for other post-employment benefits totaled \$84,801,570. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates about the future.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

6. OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Actuarial Methods and Assumptions

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

The actuarial funding method used to calculate the costs of the Plan is known as the Projected Unit Credit Method. Under this method, the present value of each employee's future retiree health benefit claims costs is allocated over a portion of the employee's employment, the "attribution period." The attribution period for this group begins with the employee's date of employment and ends with the date on which the employee is expected to retire. The accrued liability for active employees is the portion of benefit liability attributed to service years to date. Normal cost is the amount of benefit liability attributed to the current employment year. Normal cost for retired employees is zero. The initial accrued liability is amortized over a 30-year period using the level dollar method. Actuarial gains and losses will be determined annually and amortized over a fixed 30-year period.

The following assumptions were used in the calculation: a) a 4.00% discount rate baseline compounded annually, b) dental annual trend of 5%, c) initial medical cost trend of 9% that is downgraded over a 30 year period to an ultimate rate of 5%, d) mortality tables from RP 2000 Combined, sex distinct, with full generational projection using Scale AA, e) assumed that no employee will retire before the age of 70 without attaining at least 5 years of service, f) active employee and spousal coverage – it is assumed the female spouse is 3 years younger and 80% will be covered, dependent coverage is considered immaterial, g) coverage elections – it is assumed 85% of covered employees will elect coverage upon retirement, 60% of eligible married employees will elect spousal coverage and 100% of surviving spouses will continue coverage for 10 years after the retiree's death, h) a payroll growth assumption of 4% and i) termination, retirement and disability assumptions based on a blend of assumptions for all employees under ERS and female employees under TRS.

Annual OPRB Cost and Net OPRB Obligation

The District's annual other postretirement benefit (OPRB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

6. OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Annual OPEB Cost and Net OPEB Obligation

The following table summarizes the Annual OPEB Cost:

	<u>2013</u>	<u>2012</u>
Normal Cost	\$ 3,101,948	\$ 4,238,219
Amortization of Unfunded Actuarial Liability	4,715,465	5,582,748
ARC	<u>7,817,413</u>	<u>9,820,967</u>
Interest on Prior Net OPRB Obligation	1,121,305	1,034,762
Adjustment to ARC	<u>(1,558,779)</u>	<u>(1,282,148)</u>
OPRB Expense	<u>\$ 7,379,939</u>	<u>\$ 9,573,581</u>
Net OPRB Obligation at the beginning of the year	\$ 28,032,632	\$ 20,695,246
OPRB Expense	7,379,939	9,573,581
Net OPRB Contributions made during the fiscal year	<u>(1,756,370)</u>	<u>(2,236,195)</u>
Net OPRB Obligation at the end of the year	<u>\$ 33,656,201</u>	<u>\$ 28,032,632</u>
Percentage of Expense Contributed	23.8%	23.4%
<i>Funded Status</i>		
Accrued Liability at end of year	\$ 84,801,570	\$ 90,111,545
Plan Assets at end of year	-	-
Unfunded Accrued Liability	\$ 84,801,570	\$ 90,111,545
Percentage of Funded Accrued Liability	0%	0%

The Net OPEB Obligation at the end of the year is reflected as an operating expense in the accompanying financial statements. Prior years' comparative data is available and prior year trend information is presented below:

<u>Net OPEB Obligation:</u>	<u>Balance</u>
	<u>June 30,</u>
2011	\$83,558,735
2012	\$90,111,545
2013	\$84,801,570

7. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 1, 2013, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2013, have been incorporated into these statements herein. There are no subsequent events to report as of

NISKAYUNA CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES AND OTHER USES COMPARED TO BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Revised Budget</u>
Revenues				
Local Sources				
Real Property Taxes	\$ 50,964,276	\$ 50,964,276	\$ 51,014,355	\$ 50,079
Appropriation of Planned Balance	-	-	-	-
Real Property Tax Items	1,164,859	1,164,859	1,223,528	58,669
Nonproperty Taxes	-	-	-	-
Charges for Services	153,000	153,000	291,223	138,223
Use of Money and Property	456,700	456,700	379,901	(76,799)
Forfeitures	-	-	-	-
Sale of Property and Compensation for Loss	8,500	8,500	237	(8,263)
Miscellaneous	208,000	208,000	489,640	281,640
Interfund Revenues	-	-	-	-
State Sources	17,622,303	17,622,303	18,651,464	1,029,161
Federal Sources	310,000	310,000	469,218	159,218
Other Sources				
Interfund Transfers	-	-	-	-
Proceeds from Advance Refunding	-	-	-	-
Proceeds of Long Term Debt	599,500	599,500	599,500	-
Total Revenue and Other Sources	71,487,138	71,487,138	73,119,066	\$ <u>1,631,928</u>
Appropriated Reserve for Tax Certiorari	475,000	475,000	-	
Appropriated Fund Balance	3,392,843	3,392,843	-	
Total Revenues, Other Sources and Appropriated Fund Balance	\$ <u>75,354,981</u>	\$ <u>75,354,981</u>	\$ -	

NISKAYUNA CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES AND OTHER USES COMPARED TO BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

Expenditures	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
General Support					
Board of Education	\$ 28,300	\$ 53,929	\$ 27,757	\$ 16,278	\$ 9,894
Central Administration	515,773	540,692	523,650	-	17,042
Finance	632,339	648,212	631,091	67	17,054
Staff	458,130	517,195	492,609	-	24,586
Central Services	6,069,756	5,617,710	4,775,556	9,305	832,849
Special Items	707,635	766,597	728,912	-	37,685
Instruction					
Instruction, Administration & Improvement	2,458,761	2,509,101	2,397,647	-	111,454
Teaching - Regular School	21,206,662	21,361,758	20,371,694	16,677	973,387
Programs for Students with Disabilities	6,974,095	7,701,552	7,246,274	-	455,278
Occupational Education	405,000	445,631	445,631	-	-
Teaching - Special Schools	135,670	130,856	104,628	-	26,228
Instructional Media	2,366,855	2,532,540	2,292,213	44,822	195,505
Pupil Services	2,795,542	3,008,455	2,707,996	-	300,459
Pupil Transportation	3,078,607	3,757,507	3,490,023	-	267,484
Community Services	-	5,000	-	-	5,000
Employee Benefits	17,086,459	14,830,380	14,751,262	-	79,118
Debt Service					
Debt Service Principal	7,265,356	7,237,600	7,224,975	-	12,625
Debt Service Interest	3,060,041	2,999,741	2,975,718	-	24,023
Total Expenditures	75,244,981	74,664,456	71,187,636	87,149	3,389,671
Other Uses					
Interfund Transfer	110,000	690,525	690,525	-	-
Payment to Escrow Agent	-	-	-	-	-
Total Expenditures and Other Uses	\$ <u>75,354,981</u>	\$ <u>75,354,981</u>	<u>71,878,161</u>	\$ <u>87,149</u>	\$ <u>3,389,671</u>
Excess of Revenues and Other Sources over Expenditures and Other Uses			\$ <u>1,240,905</u>		

**NISKAYUNA CENTRAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 FOR THE YEAR ENDED JUNE 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2012	-	84,801,570	84,801,570	0%	33,055,577	256.5%
7/1/2011	-	90,111,545	90,111,545	0%	31,697,813	284.3%
7/1/2010	-	83,558,735	83,558,735	0%	27,119,202	308.1%

**NISKAYUNA CENTRAL SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
 AND THE REAL PROPERTY TAX LIMIT
 FOR THE YEAR ENDED JUNE 30, 2013**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 75,341,397
Add: Prior year's encumbrances	<u>13,584</u>
Original Budget	75,354,981
Additions: Budget Amendments	<u>-</u>
Final Budget	\$ <u><u>75,354,981</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2013-14 [subsequent year's] voter-approved expenditure budget	\$ 75,693,201
Maximum allowed (4% of 2013-14 [subsequent year's] budget)	3,185,396

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

Unrestricted Fund Balance:	
Committed Fund Balance	\$ -
Assigned Fund Balance	2,887,149
Unassigned Fund Balance	<u>2,204,736</u>
Total Unrestricted Fund Balance	\$ <u><u>5,091,885</u></u>

Less:	
Appropriated Fund Balance	\$ 2,800,000
Insurance Recovery Reserve	-
Tax Reduction Reserve	-
Encumbrances included in Committed and Assigned Fund Balance	<u>87,149</u>
Total Adjustments	\$ <u><u>2,887,149</u></u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$ <u><u>2,204,736</u></u>
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Actual percentage	2.91%
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* Per office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," Updated April 2011 (Originally Issued November 2010), the portion of [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.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2013**

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2013
			Prior Years	Current Year	Total		Serial Installment Bonds	Local Sources	Total	
Niskayuna High School Renovation Phase 1 SED Project # 6023	\$ 31,290,628	\$ 28,998,295	\$ 29,661,992	\$ (663,697)	\$ 28,998,295	\$ -	\$ 28,998,295	\$ -	\$ 28,998,295	\$ -
Niskayuna High School Renovation Phase 2 SED Project # 6021	21,981,870	23,252,560	21,307,716	1,944,844	23,252,560	-	23,240,818	11,742	23,252,560	-
Birchwood Elementary School Renovation SED Project # 1007	5,379,093	5,377,350	5,387,351	(10,001)	5,377,350	-	5,377,350	-	5,377,350	-
Craig Elementary School Renovation SED Project # 2013	6,414,749	6,166,474	6,167,184	(710)	6,166,474	-	6,115,710	50,764	6,166,474	-
Glenclyff Elementary School Renovation SED Project # 3010	5,967,802	5,649,400	5,649,400	-	5,649,400	-	5,602,317	47,083	5,649,400	-
Rosendale Elementary School Renovation SED Project # 4011	5,382,710	5,707,702	6,002,502	(294,800)	5,707,702	-	5,382,710	324,992	5,707,702	-
Hillside Elementary School Renovation SED Project # 7011	5,706,010	5,694,704	5,694,704	-	5,694,704	-	5,682,579	12,125	5,694,704	-
Iroquois Middle School Renovation SED Project # 8013	4,335,639	3,729,477	3,734,677	(5,200)	3,729,477	-	3,729,477	-	3,729,477	-
Van Antwerp Middle School Renovation SED Project # 1011	8,041,501	5,434,892	5,434,892	-	5,434,892	-	5,434,892	-	5,434,892	-
District-wide Temperature Control System SED Project # 9002	-	2,862,367	2,842,394	19,973	2,862,367	-	2,862,367	-	2,862,367	-
District-wide Technology Upgrades Project SED Project # 9003	-	2,236,706	3,211,911	(975,205)	2,236,706	-	2,073,487	163,219	2,236,706	-
Total Projects -1/24/2006 Referendum	94,500,002	95,109,927	95,094,723	15,204	95,109,927	-	94,500,002	609,925	95,109,927	-
Birchwood Elementary School EXCEL SED Project # 1008	-	493,720	514,293	(20,573)	493,720	-	351,477	-	351,477	(142,243)
Craig Elementary School EXCEL SED Project # 2014	-	474,371	475,226	(855)	474,371	-	335,380	-	335,380	(138,991)
Glenclyff Elementary School EXCEL SED Project # 3011	-	451,299	525,662	(74,363)	451,299	-	335,380	-	335,380	(115,919)
Rosendale Elementary School EXCEL SED Project # 4012	-	462,474	573,286	(110,812)	462,474	-	343,281	-	343,281	(119,193)
Hillside Elementary School EXCEL SED Project # 7012	-	464,132	466,746	(2,614)	464,132	-	328,142	-	328,142	(135,990)
Iroquois Middle School EXCEL SED Project # 8014	-	469,940	450,221	19,719	469,940	-	346,596	-	346,596	(123,344)
Van Antwerp Middle School EXCEL SED Project # 1012	-	670,527	828,866	(158,339)	670,527	-	474,063	-	474,063	(196,464)
Niskayuna High School EXCEL SED Project # 6024	4,706,276	1,112,532	768,112	344,420	1,112,532	-	813,488	-	813,488	(299,044)
Total Projects - 2/27/2007 EXCEL Referendum	4,706,276	4,598,995	4,602,412	(3,417)	4,598,995	-	3,327,807	-	3,327,807	(1,271,188)
Niskayuna High School Gym Roof SED Project # 6022	300,000	294,918	294,918	-	294,918	-	-	294,918	294,918	-
Soil Remediation Project SED Project # 6025	454,850	1,102,576	1,102,576	-	1,102,576	-	-	1,102,576	1,102,576	-
Glenclyff Sewer Project SED Project # 3012	849,415	855,750	882,788	(27,038)	855,750	-	-	855,750	855,750	-
Glenclyff Roof Project SED Project # 3014	45,000	45,000	37,500	7,500	45,000	-	-	45,000	45,000	-
Bus Facility Building Lease SED Project # N/A	600,614	600,614	-	600,614	600,614	-	-	600,614	600,614	-
Bus Facility Building Purchase SED Project # N/A	3,200,000	3,200,000	-	3,200,000	3,200,000	-	3,200,000	-	3,200,000	-
Other Non-Major Projects	10,156,155	10,697,853	6,920,194	3,777,659	10,697,853	-	6,527,807	2,898,858	9,426,665	(1,271,188)
Totals	\$ 104,656,157	\$ 105,807,780	\$ 102,014,917	\$ 3,792,863	\$ 105,807,780	\$ -	\$ #####	\$ 3,508,783	\$ 104,536,592	\$ (1,271,188)

**NISKAYUNA CENTRAL SCHOOL DISTRICT
 INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
 JUNE 30, 2013**

Capital Assets, Net		\$	100,460,472
Add:			
Unspent bond proceeds	-		-
Deduct:			
Short-term portion of bonds payable	\$ (7,579,750)		
Long-term portion of bonds payable	(76,209,375)		
Short-term portion of capital leases	-		
Long-term portion of capital leases	-		(83,789,125)
Investment in Capital Assets, Net of Related Debt		\$	<u><u>16,671,347</u></u>

**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**

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Thomas W. Donovan, CPA
Frank S. Venezia, CPA
James E. Amell, CPA
Carol A. Hausamann, CPA
Benjamin R. Lasher, CPA
Daniel J. Litz, CPA
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To the President and Members of the Board of Education
Niskayuna Central School District

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 the Niskayuna Central School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-01 to be a material weakness.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Marvin and Company, P.C.

Latham, NY

November 1, 2013

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SINGLE AUDIT
SUPPLEMENTARY FINANCIAL REPORT
JUNE 30, 2013**

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SINGLE AUDIT**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
OMB CIRCULAR A-133**

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To the President and Members
of the Board of Education of
Niskayuna Central School District

Report on Compliance for Each Major Federal Program

We have audited the Niskayuna Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-02. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities and each major fund of the Niskayuna Central School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 1, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Marvin and Company, P.C.

Latham, NY

November 1, 2013

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Total Federal Expendi- tures</u>
<u>U.S. Department of Agriculture</u>			
Passed Through New York State Education Department: School Breakfast Program	10.553	Not Applicable	\$ 25,409
National School Lunch Program	10.555	Not Applicable	91,877
Food Donations	10.555	Not Applicable	<u>71,500</u>
Total U.S. Department of Agriculture			<u>188,786</u>
<u>U.S. Department of Education</u>			
Passed Through New York State Education Department: Title I - Grants to Local Educational Agencies	84.010	0021-13-2740	110,564
Title I - Grants to Local Educational Agencies	84.010	0021-12-2740	790
Special Education - Grants to States	84.027	0032-13-0830	752,080
Special Education - Preschool Grants	84.173	0033-13-0830	21,110
Race to the Top	84.395	5500-13-1045	10,000
Title II, Part A - Teacher and Principal Training and Recruitment	84.367	0147-13-2740	<u>85,160</u>
Total Passed Through New York State Education Department			<u>979,704</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,168,490</u>

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

2. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

The Niskayuna Central School District is an independent municipal corporation. All Federal grant awards of the District are included in the scope of the single audit.

3. FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2013, the School District received food commodities totaling \$71,500.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor’s report issued on compliance for major programs unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with government auditing standards:

Material Weakness

2013-01 Finance Manager Access

Statement of Condition: We noted that both the Assistant Superintendent of Business and the Accounting Supervisor have full access to Finance Manager and are the system administrators of the software. These rights give them the ability to change their own access along with the access of all other users.

Criteria: Internal Controls should be in place to provide adequate segregation of duties.

Cause of Condition: The District has not completed the process of evaluating who should maintain system administrator rights.

Effect: The Assistant Superintendent of Business and the Accounting Supervisor perform incompatible functions and duties.

Recommendation: Ideally, system administrator rights should be held by someone outside of the accounting department. If this is not feasible, we recommend the following: 1) access to transaction screens, data tables or master files should be restricted to only those areas necessary to perform daily job functions; read-only access can be allowed for the remaining areas; and 2) each of the system administrators be prevented from changing their own access rights within the software. This will ensure that controls established in step 1) are not able to be negated. We also recommend that the Internal Claims Auditor review the change reports generated from Finance Manager and document and retain this review.

Management Response:

Discussions with the software's technical support lead the District to believe that there are no further safeguards available within the software that are not currently in use. At this time transferring the Finance Manager administrative rights to the IT Manger has been deemed impractical due to staffing cuts. The District has requested that Finance Manager develop mitigating controls that would prevent a user from having authorization to make changes to their own permissions. In the meantime, the District shall continue to have our business office administrators provide permissions and /or make permission modifications as necessary to complete the day to day operations of the district as staff are reduced and/or reassigned.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs for Federal awards as defined in OMB Circular A-133 Section __.510a:

2013-02 Certification of Salaries Charged to the Special Education Program Cluster

Statement of Condition: Our audit procedures revealed that the District did not obtain the required semi-annual payroll certifications for employees whose salary is paid through the Special Education Program Cluster.

Criteria: Employees working on a federally funded program, or their supervisor, must periodically certify that they are aware that they are in fact working on a program that is federally funded. These certifications should be prepared at least semi-annually and should be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. For employees working on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documentation and the employee must certify monthly.

Cause of Condition: The District did not provide the certification forms to the employees.

Effect: The District was not in compliance with the employee certification requirement for Special Education employees.

Recommendation: We recommend that the District follow through with their established procedures to ensure that required certifications are obtained and retained.

Management Response:

The District has already instituted a process to ensure that employee certifications are obtained as required. They will continue to follow up with employees in order to remain in compliance with OMB Circular A-133 guidelines.

**NISKAYUNA CENTRAL SCHOOL DISTRICT
NISKAYUNA, NEW YORK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 2012-01 Finance Manager Access

Current Status

This finding was not addressed during 2012/13 as both individuals are still system administrators to the Finance Manager software. It will be repeated as Finding 2013-01.