

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
FINANCIAL REPORT  
JUNE 30, 2014**

# BALLSTON SPA CENTRAL SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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To the President and Members  
of the Board of Education of the  
Ballston Spa 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 Ballston Spa Central School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

## **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 – A10, 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, 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.

### *Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ballston Spa 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 October 29, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other

matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Marvin and Company, P.C.*

Latham, NY

October 29, 2014

**BALLSTON SPA CENTRAL SCHOOL DISTRICT, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2014**

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**Introduction**

Our discussion and analysis of the Ballston Spa Central School District's (the District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. It should be read in conjunction with the basic financial statements, which immediately follows this section, to enhance understanding of the School District's financial performance.

**Financial Highlights**

Financial highlights for fiscal year 2014 are as follows:

- The liabilities of the School District exceeded assets by \$11,122,840 on the district wide financial statements. This is due in most part to an increase in post employment employee benefit liability and an increase in serial bonds payable.
- The District is in the midst of a capital improvement project and the Capital Fund shows a deficit balance due to short term debt issuances in advance of permanent financing. The deficit will be eliminated when the BANs are redeemed or converted to permanent financing.
- The School District's bonds payable totaled \$45,815,000 at the end of the fiscal year, an increase of \$26,730,000.
- New York State Law limits the amount of unreserved and undesignated fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year, the undesignated fund balance of the General Fund was \$3,284,587. This amount does not exceed the limit.

## Overview of the Financial Statements

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

### *District-Wide Financial Statements*

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

- The statement of net assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.
- The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- The governmental activities of the School District include instruction, pupil transportation, community services, cost of food sales, other, interest and general support.

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

### *Fund Financial Statements*

- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.
- Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.



- Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.
- The School District maintains six individual governmental funds; General Fund, Special Aid Fund, School Lunch Fund, Special Purpose Fund, Debt Service Fund and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each fund, since the School District has elected to report them as major funds.
- The School District adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.
- The Fiduciary Funds are used to account for assets held by the School District in an agency capacity, which accounts for assets held by the School District on behalf of others. Fiduciary funds are not reflected in the district-wide financial statements because the resources of these funds are not available to support the School District's programs.

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

#### *Notes to the Financial Statements*

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

## District-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the School District's financial position. In the case of the Ballston Spa Central School District, liabilities exceeded assets by \$11,122,839 at the close of the current fiscal year.

| <b>Net Assets</b>                                  |                     |                       |
|--|---------------------|-----------------------|
|  | <u>2013</u>         | <u>2014</u>           |
| Current Assets and Deferred Outflows               | \$25,490,956        | \$42,369,092          |
| Capital Assets, net of depreciation                | <u>79,108,617</u>   | <u>89,537,064</u>     |
| Total Assets and Deferred Outflows                 | \$104,599,573       | \$131,906,156         |
| Current Liabilities                                | 37,108,857          | 38,743,191            |
| Long-term Liabilities                              | <u>66,899,657</u>   | <u>104,285,805</u>    |
| Total Liabilities                                  | \$104,008,514       | \$143,028,996         |
| <b>Net Assets</b>                                  |                     |                       |
| Invested in Capital Assets,<br>Net of Related Debt | \$35,983,467        | \$28,912,663          |
| Restricted for:                                    |                     |                       |
| Debt Service                                       | 1,684,581           | 1,621,468             |
| Unemployment Benefits                              | 292,775             | 290,000               |
| Workers' Compensation                              | 508,476             | 900,000               |
| Employees' Retirement System                       | 1,625,000           | 1,620,000             |
| Tax Certiorari                                     | 3,350,000           | 1,175,000             |
| Employee Benefit Accrued Liability                 | <u>100,000</u>      | <u>100,000</u>        |
|  | <u>7,560,832</u>    | <u>5,706,468</u>      |
| Unrestricted                                       | <u>(42,953,240)</u> | <u>(45,741,971)</u>   |
| Total Net Assets                                   | <u>\$591,059</u>    | <u>(\$11,122,840)</u> |

By far, the largest component of the School District's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

## Changes in Net Assets

|  | 2013         | 2014            |
|--|--------------|-----------------|
| Program Revenues:                          |              |                 |
| Charges for Services                       | \$ 1,185,289 | \$ 1,834,636    |
| Operating Grants and Contributions         | 3,078,342    | 3,146,890       |
| Total Program Revenues                     | 4,263,631    | 4,981,526       |
| General Revenues:                          |              |                 |
| Real Property Taxes                        | 36,543,362   | 37,235,645      |
| Other Tax Items                            | 14,828,081   | 14,780,224      |
| Use of Money and Property                  | 172,738      | 101,342         |
| Sale of Property and Compensation for Loss | (34,607)     | 8,539           |
| Unrestricted State Aid                     | 22,695,769   | 24,054,322      |
| Federal Aid                                | 454,839      | 386,633         |
| Miscellaneous                              | 1,186,586    | 648,745         |
| Total Other Revenues                       | 75,846,768   | 77,215,468      |
| Total Revenues                             | 80,110,399   | 82,196,976      |
| Program Expenses:                          |              |                 |
| General Support                            | 7,842,641    | 9,033,840       |
| Instruction                                | 41,899,902   | 42,636,808      |
| Pupil Transportation                       | 3,053,223    | 3,385,686       |
| Community Services                         | 25,312       | 20,026          |
| Employee Benefits                          | 28,724,380   | 31,396,806      |
| Capital Outlay                             | 0            | 377,000         |
| Cost of Food Sales                         | 1,048,316    | 1,373,755       |
| Depreciation                               | 3,618,747    | 3,951,689       |
| Debt Service                               | 859,157      | 1,735,264       |
| Total Expenses                             | 87,071,678   | 93,910,874      |
| Change in Net Position                     | (6,961,279)  | (\$11,713,899)  |
| Net Position - Beginning                   | 7,552,338    | 591,059         |
| Net Position - Ending                      | \$ 591,059   | (\$ 11,122,840) |

Governmental activities decreased the School District's net assets by \$11,713,898  
The major changes are as follows:

Revenues:

- Real property tax revenues increased by \$692,283. Other tax items decreased by \$47,857.
- Under General Revenues, State aid increased by \$1,358,553 and federal aid decreased by \$68,206.
- Program revenues increased by \$714,895.

Expenses:

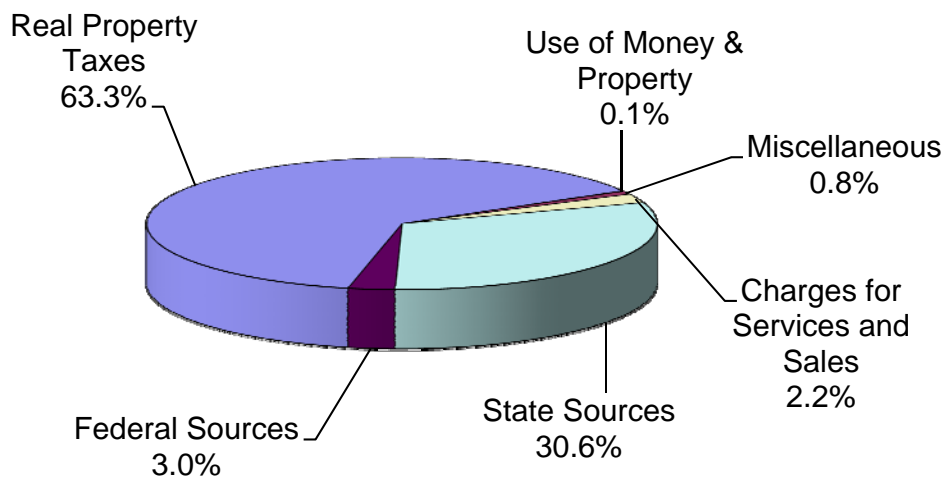
- Instruction program expenses increased by \$736,925 mostly due to salary increases.
- Employee benefits costs increased by \$2,672,426 due largely to increases in retirement system funding.

As indicated on the following graphs, the School District relies upon real property taxes and State aid (shown as State Sources) as its primarily revenue sources.

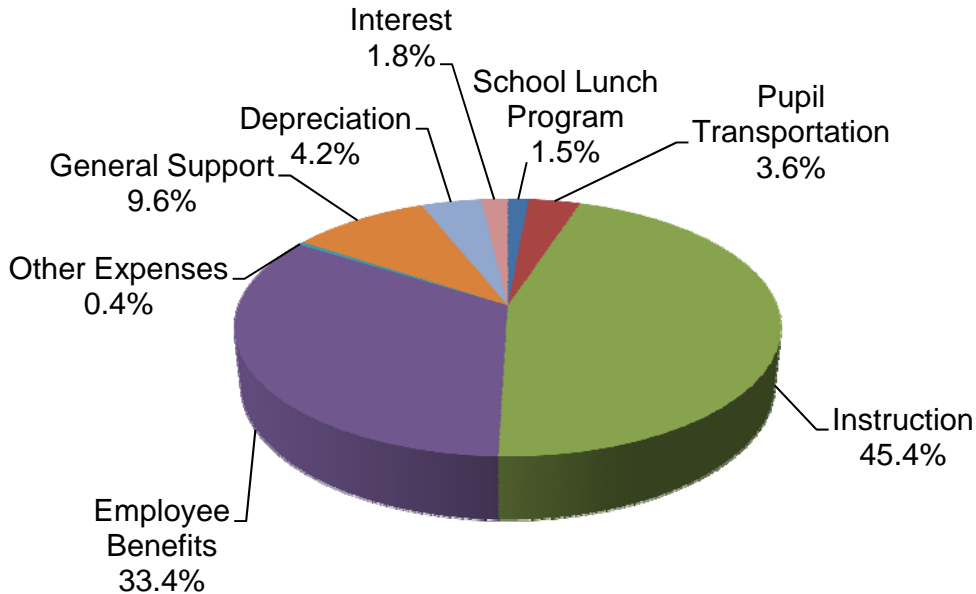
On the expenditure side, the School District's instruction costs and employee benefits account for 79% of all expenses.

**Sources of Revenue for Fiscal Year 2014**

**Governmental Activities**



### Expenditures for Fiscal Year 2014 Governmental Activities



### Financial Analysis of the School District's Funds

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

#### *Governmental Funds*

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the School District's financial requirements. In particular, *unreserved fund* balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined fund balances of \$3,999,455. Of the total combined fund balances, \$1.175 million of unassigned fund balance and \$550,000 of reserves have been designated for subsequent year's expenditures and represents the amount estimated for use in the 2014-2015 budget. The remainder of fund balance is assigned (reserved) to indicate that is not available for new spending because it has already been committed.

The reserves include a reserve for workers compensation of \$900,000, a reserve for debt services of \$1,621,468, a reserve for unemployment benefits of \$290,000, a reserve for tax certiorari of \$1,175,000, a reserve for employee benefit accrued liability of \$100,000 and a reserve for retirement contributions of \$1,620,000.

The General Fund is the primary operating fund of the School District. At the end of the current fiscal year, the total fund balance of the General Fund was \$9.47 million, of which \$3.28 million (or 3.90% of the ensuing year's budget) was unassigned.

As previously stated, New York State Law limits the amount of unassigned fund balance that can be retained to 4.0% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. The District was within this limit.

Legislation enacted in 2011 creates a property tax limit for school districts starting in 2012-13. For districts other than the "Big Five" cities, tax levy growth, with certain exemptions, is limited to the lesser of two percent or the annual increase in the CPI. A district may exceed the cap, with the approval of 60% of the voters.

### General Fund Budgetary Highlights

The change from the original budget to the final budget was \$13,920. Actual revenues were above budgetary expectations by \$252,412.

Actual expenditures and other financing uses were \$753,699 less than the final budget.

### Capital Assets

At June 30, 2014, the School District had \$89,537,064, net of accumulated depreciation invested in a broad range of capital assets, including land, buildings and improvements and machinery and equipment. Capital assets, net of accumulated depreciation, are as follows:

| Class                                 | June 30,            |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | 2013                | 2014                |
| Land                                  | \$ <u>1,541,204</u> | \$ <u>1,541,204</u> |
| Buildings and Improvements            | 115,522,791         | 128,270,644         |
| Machinery and Equipment               | 10,054,534          | 10,728,156          |
| Vehicles                              | <u>7,128,445</u>    | <u>7,524,598</u>    |
| Total                                 | \$132,705,770       | \$146,523,398       |
| Buildings and Improvements, Accum Dep | \$(43,040,863)      | \$(45,837,696)      |
| Machinery and equipment, Accum Dep    | (8,649,013)         | (9,065,287)         |
| Vehicles, Accumulated Depreciation    | <u>(3,448,481)</u>  | <u>(3,624,555)</u>  |
| Total Depreciation                    | \$ 55,138,357       | \$ 58,527,538       |

|  |                      |                      |
|--|----------------------|----------------------|
| Total Capital Assets, net of<br>accumulated depreciation | <u>\$ 79,108,617</u> | <u>\$ 89,537,064</u> |
|--|----------------------|----------------------|

More detailed information about the School District's capital assets is presented in Note 3 to the financial statements.

### Long-Term Liabilities

At June 30, 2014, the School District had \$104,285,805 in general obligation and other long-term liabilities outstanding, as follows:

|  | June 30,             |                      |
|--|----------------------|----------------------|
|  | 2013                 | 2014                 |
| Bonds Payable, net                     | \$ 18,120,862        | \$ 48,171,255        |
| Energy Performance Contract Payable    | 1,666,315            | 797,156              |
| Claims Payable                         | 332,210              | 308,669              |
| Other Post Employment Benefits Payable | 44,350,785           | 54,376,603           |
| Compensated Absences                   | <u>498,770</u>       | <u>632,122</u>       |
| Total                                  | <u>\$ 64,968,942</u> | <u>\$104,285,805</u> |

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

## **Requests for Information**

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

**Ballston Spa Central School District  
Attn: Brian Sirianni  
Assistant Superintendent for Business and Support Services  
70 Malta Avenue  
Ballston Spa, New York 12020**



**BALLSTON SPA CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**ASSETS**

|   |                       |
|---|-----------------------|
| Current Assets:                                 |                       |
| Cash and Investments                            | \$ 36,630,357         |
| Accounts Receivable                             | 202,124               |
| Due From Fiduciary Funds                        | 248,871               |
| State and Federal Aid Receivable                | 2,130,711             |
| Due From Other Governments                      | 1,089,511             |
| Inventories                                     | 32,350                |
| Prepaid Expenditures                            | 676,242               |
| Capital Assets, net                             | <u>89,537,064</u>     |
| Total Assets                                    | <u>130,547,230</u>    |
| Deferred Outflows of Resources                  |                       |
| Unamortized Bond Issuance Costs                 | 99,105                |
| Unamortized Loss on Refunding                   | <u>1,259,821</u>      |
| Total Assets and Deferred Outflows of Resources | <u>\$ 131,906,156</u> |

**LIABILITIES**

|   |                       |
|---|-----------------------|
| Current Liabilities:                                    |                       |
| Accounts Payable  | \$ 2,144,465          |
| Accrued Liabilities                                     | 413,913               |
| Bond Interest Accrued                                   | 373,554               |
| Due to Other Governments                                | 713                   |
| Due to Teachers' Retirement System                      | 5,550,478             |
| Due to Employees' Retirement System                     | 390,810               |
| Bond Anticipation Notes                                 | 28,461,000            |
| Refundable Advances                                     | 49,332                |
| Long-Term Liabilities - Due and Payable Within One Year |                       |
| Bonds   | 3,305,000             |
| Energy Performance Contract Payable                     | 390,266               |
| Long-Term Liabilities                                   |                       |
| Bonds   | 42,510,000            |
| Unamortized Bond Premium                                | 3,715,181             |
| Energy Performance Contract Payable                     | 406,890               |
| Compensated Absences                                    | 632,122               |
| Judgments and Claims - Workers Compensation             | 308,669               |
| Other Post Employment Benefits Payable                  | 54,376,603            |
| Total Liabilities                                       | <u>\$ 143,028,996</u> |
| Deferred Inflows of Resources:                          | <u>-</u>              |

**NET POSITION**

|   |                       |
|---|-----------------------|
| Net Investment in Capital Assets                                  | 28,912,663            |
| Restricted  | 5,706,468             |
| Unrestricted  | <u>(45,741,971)</u>   |
| Total Net Position  | <u>(11,122,840)</u>   |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 131,906,156</u> |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

|   |                        | <b>Program Revenues</b>                |                                    | <b>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</b> |
|---|------------------------|--|------------------------------------|--|
|   | <u><b>Expenses</b></u> | <u><b>Charges for<br/>Services</b></u> | <u><b>Operating<br/>Grants</b></u> |  |
| <b>FUNCTIONS/PROGRAMS</b>   |                        |  |                                    |  |
| General Support   | \$ 9,033,840           | \$ -                                   | \$ -                               | \$ (9,033,840)   |
| Instruction   | 42,636,809             | 1,356,747                              | 2,475,404                          | (38,804,658)   |
| Pupil transportation  | 3,385,686              | -                                      | -                                  | (3,385,686)  |
| Community Service   | 20,026                 | -                                      | -                                  | (20,026)   |
| Employee benefits   | 31,396,806             | -                                      | -                                  | (31,396,806)   |
| Debt service  | 1,735,264              | -                                      | -                                  | (1,735,264)  |
| Depreciation - unallocated (excludes direct expense<br>of various functions and programs) | 3,951,689              | -                                      | -                                  | (3,951,689)  |
| Other expenditures  | -                      | -                                      | -                                  | -  |
| Capital Outlay  | 377,000                | -                                      | -                                  | (377,000)  |
| School lunch program  | 1,373,755              | 477,889                                | 671,486                            | (224,380)  |
|   | <u>\$ 93,910,875</u>   | <u>\$ 1,834,636</u>                    | <u>\$ 3,146,890</u>                | <u>(88,929,349)</u>  |
| <b>GENERAL REVENUES</b>   |                        |  |                                    |  |
| Real property taxes and other tax items   |                        |  |                                    | 52,015,869   |
| Use of money and property   |                        |  |                                    | 101,342  |
| Sale of property and compensation for loss  |                        |  |                                    | 8,539  |
| State sources   |                        |  |                                    | 24,054,322   |
| Federal sources   |                        |  |                                    | 386,633  |
| Miscellaneous   |                        |  |                                    | 648,745  |
|   |                        |  |                                    | <u>77,215,450</u>  |
| Total General Revenues  |                        |  |                                    | <u>77,215,450</u>  |
| Change in Net Position  |                        |  |                                    | (11,713,899)   |
| Total Net Position - Beginning of Year  |                        |  |                                    | <u>591,059</u>   |
| Total Net Position - End of Year  |                        |  |                                    | <u>\$ (11,122,840)</u>   |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

|   | <u>General<br/>Fund</u> | <u>Special Aid<br/>Fund</u> | <u>School<br/>Lunch<br/>Fund</u> | <u>Capital<br/>Fund</u> | <u>Debt Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|-----------------------------|----------------------------------|-------------------------|------------------------------|---|
| <b>Assets</b>   |                         |                             |                                  |                         |                              |   |
| Unrestricted Cash                                     | \$ 9,907,876            | \$ 1,005,106                | \$ 472,207                       | \$ 4,350,760            | \$ -                         | \$ 15,735,949                           |
| Restricted Cash                                       | 4,085,000               | -                           | -                                | 16,805,010              | 4,398                        | 20,894,408                              |
| State and Federal Receivable, net                     | 744,658                 | 1,328,905                   | 57,148                           | -                       | -                            | 2,130,711                               |
| Due From Other Governments                            | 1,089,511               | -                           | -                                | -                       | -                            | 1,089,511                               |
| Due From Other Funds                                  | 2,864,003               | 16,212                      | 2,076                            | 1,375,344               | 1,953,279                    | 6,210,914                               |
| Accounts Receivable                                   | 202,124                 | -                           | -                                | -                       | -                            | 202,124                                 |
| Inventories   | -                       | -                           | 32,350                           | -                       | -                            | 32,350                                  |
| Prepaid Expenditures                                  | -                       | -                           | -                                | 676,242                 | -                            | 676,242                                 |
| <b>Total Assets</b>                                   | <b>\$ 18,893,172</b>    | <b>\$ 2,350,223</b>         | <b>\$ 563,781</b>                | <b>\$ 23,207,356</b>    | <b>\$ 1,957,677</b>          | <b>\$ 46,972,209</b>                    |
| <b>Liabilities</b>                                    |                         |                             |                                  |                         |                              |   |
| Accounts and Retainages Payable                       | \$ 327,931              | \$ 76,160                   | \$ 91,223                        | \$ 1,649,151            | \$ -                         | \$ 2,144,465                            |
| Accrued Liabilities                                   | 405,831                 | 2,526                       | 5,556                            | -                       | -                            | 413,913                                 |
| Due to Other Funds                                    | 2,743,632               | 2,242,828                   | 36,095                           | 603,279                 | 336,209                      | 5,962,043                               |
| Due to Other Governments                              | -                       | -                           | 713                              | -                       | -                            | 713                                     |
| Due to Teachers' Retirement System                    | 5,550,478               | -                           | -                                | -                       | -                            | 5,550,478                               |
| Due to Employees' Retirement System                   | 390,810                 | -                           | -                                | -                       | -                            | 390,810                                 |
| Refundable Advances                                   | 6,340                   | 28,709                      | 14,283                           | -                       | -                            | 49,332                                  |
| Bond Anticipation Notes                               | -                       | -                           | -                                | 28,461,000              | -                            | 28,461,000                              |
| <b>Total Liabilities</b>                              | <b>9,425,022</b>        | <b>2,350,223</b>            | <b>147,870</b>                   | <b>30,713,430</b>       | <b>336,209</b>               | <b>42,972,754</b>                       |
| <b>Fund Equity (Deficiency)</b>                       |                         |                             |                                  |                         |                              |   |
| Fund Balance (Deficit):                               |                         |                             |                                  |                         |                              |   |
| Non-spendable   | -                       | -                           | 32,350                           | 676,242                 | -                            | 708,592                                 |
| Restricted  | 4,085,000               | -                           | -                                | -                       | 1,621,468                    | 5,706,468                               |
| Committed   | -                       | -                           | -                                | -                       | -                            | -                                       |
| Assigned  | 2,098,563               | -                           | 383,561                          | -                       | -                            | 2,482,124                               |
| Unassigned  | 3,284,587               | -                           | -                                | (8,182,316)             | -                            | (4,897,729)                             |
| <b>Total Fund Equity (Deficiency)</b>                 | <b>9,468,150</b>        | <b>-</b>                    | <b>415,911</b>                   | <b>(7,506,074)</b>      | <b>1,621,468</b>             | <b>3,999,455</b>                        |
| <b>Total Liabilities and Fund Equity (Deficiency)</b> | <b>\$ 18,893,172</b>    | <b>\$ 2,350,223</b>         | <b>\$ 563,781</b>                | <b>\$ 23,207,356</b>    | <b>\$ 1,957,677</b>          | <b>\$ 46,972,209</b>                    |

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

|   |                               |
|---|-------------------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   | \$ 89,537,064                 |
| 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. | (2,356,255)                   |
| Accrued interest expense is reported under the accrual basis.   | (373,554)                     |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.  | <u>(101,929,550)</u>          |
| <b>Net Position of Governmental Activities</b>  | <b>\$ <u>(11,122,840)</u></b> |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|   | <u>General</u>      | <u>Special Aid<br/>Fund</u> | <u>School<br/>Lunch<br/>Fund</u> | <u>Capital<br/>Fund</u> | <u>Debt Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|-----------------------------|----------------------------------|-------------------------|------------------------------|---|
| <b>Revenues</b>   |                     |                             |                                  |                         |                              |   |
| Real Property Taxes and Tax Items   | \$ 52,015,869       | \$ -                        | \$ -                             | \$ -                    | \$ -                         | \$ 52,015,869                           |
| Charges for Services  | 1,356,747           | -                           | -                                | -                       | -                            | 1,356,747                               |
| Use of Money and Property   | 88,760              | -                           | 279                              | -                       | 12,303                       | 101,342                                 |
| Sale of Property and<br>Compensation for Loss   | 8,539               | -                           | -                                | -                       | -                            | 8,539                                   |
| Miscellaneous   | 410,349             | 24,418                      | 236                              | -                       | -                            | 435,003                                 |
| Interfund Revenues  | -                   | -                           | -                                | -                       | -                            | -                                       |
| State Sources   | 24,054,322          | 1,081,285                   | 26,405                           | -                       | -                            | 25,162,012                              |
| Federal Sources   | 386,633             | 1,394,119                   | 645,081                          | -                       | -                            | 2,425,833                               |
| Sales   | -                   | -                           | 477,889                          | -                       | -                            | 477,889                                 |
| <b>Total Revenues</b>   | <u>78,321,219</u>   | <u>2,499,822</u>            | <u>1,149,890</u>                 | <u>-</u>                | <u>12,303</u>                | <u>81,983,234</u>                       |
| <b>Expenditures</b>   |                     |                             |                                  |                         |                              |   |
| General Support   | 8,639,219           | -                           | 350,577                          | -                       | -                            | 8,989,796                               |
| Instruction   | 40,200,906          | 2,615,903                   | -                                | -                       | -                            | 42,816,809                              |
| Pupil Transportation  | 3,385,686           | -                           | -                                | 958,661                 | -                            | 4,344,347                               |
| Community Services  | 20,026              | -                           | -                                | -                       | -                            | 20,026                                  |
| Employee Benefits   | 21,261,177          | -                           | 6,523                            | -                       | -                            | 21,267,700                              |
| Debt Service  | 880,551             | -                           | -                                | -                       | 4,442,896                    | 5,323,447                               |
| Cost of Sales   | -                   | -                           | 1,016,655                        | -                       | -                            | 1,016,655                               |
| Other   | -                   | -                           | -                                | -                       | -                            | -                                       |
| Capital Outlay  | -                   | -                           | -                                | 13,532,250              | -                            | 13,532,250                              |
| <b>Total Expenditures</b>   | <u>74,387,565</u>   | <u>2,615,903</u>            | <u>1,373,755</u>                 | <u>14,490,911</u>       | <u>4,442,896</u>             | <u>97,311,030</u>                       |
| Excess (Deficiency) of Revenues<br>Over Expenditures  | <u>3,933,654</u>    | <u>(116,081)</u>            | <u>(223,865)</u>                 | <u>(14,490,911)</u>     | <u>(4,430,593)</u>           | <u>(15,327,796)</u>                     |
| <b>Other Financing Sources and (Uses)</b>   |                     |                             |                                  |                         |                              |   |
| Interfund Transfers, net  | (4,671,895)         | 116,081                     | 2,076                            | 400,000                 | 4,153,738                    | -                                       |
| Proceeds of Long Term Debt  | -                   | -                           | -                                | 28,945,000              | -                            | 28,945,000                              |
| Premiums on issuance of bonds   | -                   | -                           | -                                | 2,509,398               | 213,742                      | 2,723,140                               |
| BANs Redeemed From Appropriations   | -                   | -                           | -                                | 1,104,000               | -                            | 1,104,000                               |
| <b>Total Other Financing Sources (Uses)</b>   | <u>(4,671,895)</u>  | <u>116,081</u>              | <u>2,076</u>                     | <u>32,958,398</u>       | <u>4,367,480</u>             | <u>32,772,140</u>                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures<br/>and Other Financing Sources (Uses)</b> | <u>(738,241)</u>    | <u>-</u>                    | <u>(221,789)</u>                 | <u>18,467,487</u>       | <u>(63,113)</u>              | <u>17,444,344</u>                       |
| <b>Fund Equity, Beginning of Year</b>   | <u>10,206,391</u>   | <u>-</u>                    | <u>637,700</u>                   | <u>(25,973,561)</u>     | <u>1,684,581</u>             | <u>(13,444,889)</u>                     |
| <b>Fund Equity, End of Year</b>   | <u>\$ 9,468,150</u> | <u>\$ -</u>                 | <u>\$ 415,911</u>                | <u>\$ (7,506,074)</u>   | <u>\$ 1,621,468</u>          | <u>\$ 3,999,455</u>                     |

See accompanying notes to financial statements.

B4.

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

|  |                         |                            |
|--|-------------------------|----------------------------|
| Net changes in fund balance - total governmental funds   | \$                      | 17,444,344                 |
| <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 position and allocated over their useful lives as depreciation expense in the statement of activities.</p> |                         |                            |
|  | Depreciation expense \$ | (3,951,689)                |
|  | Capital outlays         | <u>14,380,136</u>          |
|  |                         | 10,428,447                 |
| <p>The net book value, cost less accumulated depreciation, of capital assets disposed of are removed from the statement of net position. 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 increase in accrued interest during 2013/14 results in more expense.</p>   |                         |                            |
|  |                         | (269,826)                  |
| <p>Proceeds of installment purchase debt is revenue in governmental funds, but proceeds increase long-term liabilities in the statement of net position.</p>   |                         |                            |
|  |                         | -                          |
| <p>Proceeds of serial bond principal is revenue in governmental funds, but proceeds increase long-term liabilities in the statement of net position.</p>   |                         |                            |
|  |                         | (31,845,243)               |
| <p>Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>   |                         |                            |
|  |                         | 2,215,000                  |
| <p>Repayments of the Energy Performanc Contract debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>  |                         |                            |
|  |                         | 869,159                    |
| <p>Amortization of bond premium, issuance costs and loss on refunding bonds are recognized as adjustments to debt service expense in the statement of activities</p>   |                         |                            |
|  |                         | (420,150)                  |
| <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>(10,135,630)</u>        |
| Change in net position - governmental activities   | \$                      | <u><u>(11,713,899)</u></u> |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2014**

|                                  | <b>Agency</b> | <b>Private<br/>Purpose<br/>Trusts</b> |
|----------------------------------|---------------|---------------------------------------|
| <b>ASSETS</b>                    |               |                                       |
| Cash - unrestricted              | \$ 390,027    | \$ -                                  |
| Cash - restricted                | 131,777       | 40,847                                |
| Accounts Receivable              | 88,666        | -                                     |
| Due from other funds             | -             | -                                     |
| Total Assets                     | \$ 610,470    | \$ 40,847                             |
| <b>LIABILITIES</b>               |               |                                       |
| Extraclassroom activity balances | 129,834       | -                                     |
| Due to other funds               | 248,871       | -                                     |
| Other liabilities                | 231,765       | -                                     |
| Total Liabilities                | \$ 610,470    | -                                     |
| <b>NET POSITION</b>              |               |                                       |
| Reserved for scholarships        |               | \$ 40,847                             |

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

|                                  | <b>Private<br/>Purpose<br/>Trusts</b> |
|----------------------------------|---------------------------------------|
| <b>ADDITIONS</b>                 |                                       |
| Gifts and contributions          | \$ 34,238                             |
| Investment earnings              | -                                     |
| Total Additions                  | 34,238                                |
| <b>DEDUCTIONS</b>                |                                       |
| Scholarships and awards          | 28,071                                |
| Contractual and other            | -                                     |
| Change in Net Position           | 6,167                                 |
| Net Position - Beginning of year | 34,680                                |
| Net Position - End of year       | \$ 40,847                             |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Ballston Spa 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 financial statements to be misleading or incomplete.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity. 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 review of an entity included in the District's reporting entity:

The Extraclassroom Activity Funds

The extraclassroom activity funds of the District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions, and the designation of student management and the cash and investment balances are reported in the Trust and Agency Fund of the District. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office, located at 70 Malta Avenue, Ballston Spa, New York.

**B. Joint Venture**

The Ballston Spa Central School District is a component district in the Washington-Saratoga-Warren-Hamilton-Essex Counties 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. There is no authority or process by which a school district can terminate its status as a BOCES component.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***B. Joint Venture***

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, programs, 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 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.

BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2014, the District was billed \$3,597,822 for BOCES administrative and program costs. In the same period, the District received \$1,497,045 in State Aid and \$221,383 in Refund of Prior Year's Expense from BOCES. Financial statements for the Washington-Saratoga-Warren-Hamilton-Essex Counties BOCES are available from the BOCES administrative office at 10 LaCrosse Street, Hudson Falls, New York 12839-1415.

***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 nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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



**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***C. Basis of Presentation***

***Fund financial statements***

The fund financial 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.

***I. Governmental Funds***

The accounts of the District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the District are as follows:

The following are the District 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, State grants or private grants.

b. School Lunch Fund

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

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. Basis of Presentation**

**I. Governmental Funds**

3. Capital Fund

The capital 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.

4. Debt Service Fund

This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets to the balance of related bonds outstanding.

**II. Fiduciary Funds**

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 who benefits.

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

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

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***D. Basis of Accounting/Measurement Focus***

***General Information***

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 if they are collected within 60 days after the end of the fiscal year.

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

***E. 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 a refundable advance 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 7, 2013. Taxes were collected during the period September 1 through October 31, 2013.

***II. Enforcement***

Uncollected real property taxes are subsequently enforced by the County of 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.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***G. Restricted Resources***

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

***G. Budgetary Procedures and Budgetary Accounting***

***I. Budget Policies***

The budget policies are as follows:

- a. At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b. At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c. The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d. The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e. If the voters reject the budget, the Board of Education may resubmit the budget to the voters only once in revised form or as originally issued. The Board may also elect to adopt a contingent budget without voter approval. The contingent budget includes all expenditures needed to provide the minimum services legally required. Total spending under a contingency budget cannot increase by more than 4% or 120% of the Consumer Price Index, whichever is lower. In addition, the administrative budget segment, exclusive of the capital component, may not comprise a greater percentage of the budget than the lesser of either (1) the comparable percentage of the prior year's budget or (2) the comparable percentage of the last defeated budget.
- f. Formal budgetary integration is employed during the year as a management control device for General, Special Aid and Debt Service Funds.
- g. The Board of Education has established legal control of the budget at the object level of expenditures. Transfers between appropriation amounts, at the function level, require approval by the Board of Education. Any modification to appropriations, resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**G. Budgetary Procedures and Budgetary Accounting**

**I. Budget Policies**

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

Funded by Additional Estimated Revenue:

|                     |                  |
|---------------------|------------------|
| Gifts and Donations | \$ <u>13,915</u> |
| Total               | \$ <u>13,915</u> |

**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 restrictions or assignments 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.

**III. Budget Basis of Accounting**

Under GASB 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 State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. 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. Certificates of deposit are classified as investments in these financial statements.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***I. Accounts Receivable***

Accounts receivable are shown net of an allowance for uncollectible accounts. Allowances are reported when accounts are considered to be uncollectible. The allowance at June 30, 2014 is \$15,000.

***J. Inventories***

Inventories of food and supplies in the school lunch fund are recorded at cost under the consumption method or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase.

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

***K. Interfund Transfers***

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

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid with 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 3 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

***L. Deferred Charges***

Amounts represent the unamortized portion of the costs of issuance of bonds. These costs are being amortized over the term of the respective bond issuance.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***M. Equity Classification***

District-wide statements

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

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

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

Unrestricted net position - reports the balance net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

In the fund basis 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 the inventory recorded in the School Lunch Fund of \$32,350 and prepaid expenses in the Capital Fund of \$676,242.

**Restricted** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Workers' Compensation Reserve

The purpose of this reserve fund is 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.

Unemployment Insurance

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

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***M. Equity Classification***

Retirement Contributions

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

Employee Benefit Accrued Liability

This reserve is used to accumulate funds for the payment of any accrued employee benefit due an employee upon termination of service. This reserve fund was established by a majority vote of the Board of Education and is funded by budgetary appropriations, and such other reserves and funds that may be legally appropriated.

Debt Service

This reserve is used to account for remaining bond proceeds not utilized for the intended purpose. These moneys must be used to pay the debt service of the obligations from which they originated.

Restricted fund balance includes the following:

|                          |                         |
|--------------------------|-------------------------|
| General Fund:            |                         |
| Workers' Compensation    | \$ 900,000              |
| Unemployment Insurance   | 290,000                 |
| Retirement Contributions | 1,620,000               |
| Tax Certiorari           | 1,175,000               |
| Employee Benefits        | <u>100,000</u>          |
| Total General Fund       | <u>\$ 4,085,000</u>     |
| <br>Debt Service         | <br><u>\$ 1,621,468</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 School District has no committed fund balances as of June 30, 2014.



**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***M. Equity Classification***

**Assigned** - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither constricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$373,563. Appropriated fund balance in the General Fund is \$1,175,000 and appropriated reserves are \$550,000. Fund equity of other governmental funds, if not otherwise restricted, are considered assigned.

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 assigned fund balance, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Purpose of Encumbrances

|                      |                   |
|----------------------|-------------------|
| General Fund         |                   |
| General Support      | \$ 318,484        |
| Instruction          | 46,345            |
| Pupil Transportation | <u>8,734</u>      |
|                      | <u>\$ 373,563</u> |

**Unassigned** - Includes all other General Fund net position that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

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

Order of Use of Fund Balance:

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

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***N. Postemployment Benefits***

In addition to providing the retirement benefits described in Note 3.B., the District provides postemployment health insurance coverage to its retired employees 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 509 retirees meet those eligibility requirements. The cost of providing postemployment health care benefits is shared between the District and the retirees. Contributions by the District vary according to the length of service. The District recognized the cost of providing benefits for its retirees for fiscal year 2014 by recording \$3,133,747, its share of insurance premiums, as an expenditure in the General Fund for fiscal year 2014.

***O. Capital Assets***

Capital assets are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated assets are reported at estimated fair market value at the time received.

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

|                            | <u>Capitalization<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>Useful Life In<br/>Years</u> |
|----------------------------|-------------------------------------|--------------------------------|---|
| Buildings and improvements | \$ 10,000                           | SL                             | 20-50   |
| Machinery and equipment    | \$ 10,000                           | SL                             | 5-20  |

***N. Deferred Outflows and Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents an outflow of resources (expense/expenditure) until then. The government has one item recognized that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

***O. Short-Term Debt***

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

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***O. Short-Term Debt***

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

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

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

***P. 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, other postemployment benefits payable, 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.

***Q. 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.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Q. Explanation of Certain Differences between Governmental Fund Statements and District-wide Statements***

- a. Total Fund balances of governmental fund vs. net position of governmental activities:

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

- b. Statement of Revenues, Expenditures and Changes in Fund 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 broad categories.

***Long-Term Revenue and Expense Differences***

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

- c. Statement of Revenues, Expenditures and Changes in Fund Equity vs. 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 an asset on the Statement of Net Position and depreciation expense on those items as recorded in the Statement of Activities.

***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 principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Q. *Explanation of Certain Differences between Governmental Fund Statements and District-wide Statements***

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

***Long-Term Debt Transaction Differences***

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

**R. *Use of Estimates***

The preparation of financial statements in conformity with GAAP 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, liabilities for tax certiorari claims, useful lives of long-term assets, and in the computation of other postemployment benefit liability.

**S. *Compensated Absences***

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

Consistent with GASB 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***T. Implementation of New Accounting Standards***

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2014, the District implemented the following new standard issued by GASB:

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

***U. Future Changes in Accounting Standards***

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

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.

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective for the year ending June 20, 2015.

**2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY**

***A. Deficit Fund Balance***

***I. Capital Fund***

The Capital Fund has a deficit fund balance at June 30, 2014 of \$7,506,074. The deficit is caused by the District spending monies prior to issuing permanent financing. The deficit will be eliminated when the BAN's are redeemed or converted to permanent financing.

**3. DETAIL NOTES ON ALL FUNDS**

***A. Assets***

***I. Cash and Investments***

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2014 all deposits were fully insured and collateralized by the District's agent in the District's name with the exception of one account having an uncollateralized balance of \$16.5 million.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**I. Cash and Investments**

Investments

The District can participate in CLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2014, the District did not hold any amounts in investments consisting of various investments in securities issued by the United States and its agencies.

The investment pool is categorically exempt from the New York State collateralization requirements.

Restricted Cash and Investments

General

Restricted cash and investments of \$4,085,000 at June 30, 2014 consist of \$290,000 restricted for Unemployment Reserve, \$1,620,000 restricted for Retirement contributions, \$900,000 restricted for Reserve for Workers' Compensation, \$100,000 restricted for Reserve for Employee Benefits, and \$1,175,000 restricted for Tax Certiorari Reserve.

Capital

Restricted cash of \$16,805,000 at June 30, 2014 is restricted for capital construction and/or debt.

Debt Service

Restricted cash of \$4,398 at June 30, 2014 is restricted for repayment of debt.

Fiduciary

Restricted cash and investments of \$172,624 at June 30, 2014 consist of \$129,834 restricted for Extraclassroom Activity Funds, \$40,847 restricted for Scholarships, and \$1,943 restricted for payroll related items.

**II. Interfund Receivables and Payables**

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.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**II. Interfund Receivables and Payables**

Interfund receivable and payable balances at June 30, 2014 are as follows:

|                                 | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> | <u>Interfund<br/>Revenues</u> | <u>Interfund<br/>Expenditures</u> |
|---------------------------------|---------------------------------|------------------------------|-------------------------------|-----------------------------------|
| General Fund                    | \$ 2,864,003                    | \$ 2,743,632                 | \$ -                          | \$ 4,671,895                      |
| Special Aid Fund                | 16,212                          | 2,242,828                    | 116,081                       | -                                 |
| School Lunch Fund               | 2,076                           | 36,095                       | 2,076                         | -                                 |
| Capital Projects Funds          | 1,375,344                       | 603,279                      | 400,000                       | -                                 |
| Private Purpose Trust           | -                               | -                            | -                             | -                                 |
| Debt Service Fund               | <u>1,953,279</u>                | <u>336,209</u>               | <u>4,153,738</u>              | <u>-</u>                          |
| <br>Total Government Activities | <br>6,210,914                   | <br>5,962,043                | <br>4,671,895                 | <br>4,671,895                     |
| <br>Fiduciary Fund              | <br><u>-</u>                    | <br><u>248,871</u>           | <br><u>-</u>                  | <br><u>-</u>                      |
| <br>Total                       | <br><u>\$ 6,210,914</u>         | <br><u>\$ 6,210,914</u>      | <br><u>\$ 4,671,895</u>       | <br><u>\$ 4,671,895</u>           |

**III. Capital Assets**

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

|  | <u>Balance<br/>July 1</u> | <u>Additions</u>     | <u>Retire-<br/>ments</u> | <u>Balance<br/>June 30</u> |
|--|---------------------------|----------------------|--------------------------|----------------------------|
| Governmental Activities                  |                           |                      |                          |                            |
| Capital assets that are not depreciated: |                           |                      |                          |                            |
| Land                                     | \$ 1,541,204              | \$ -                 | \$ -                     | \$ 1,541,204               |
| Construction in process                  | -                         | -                    | -                        | -                          |
| Total nondepreciable historical cost     | <u>1,541,204</u>          | <u>-</u>             | <u>-</u>                 | <u>1,541,204</u>           |
| Capital assets that are depreciated:     |                           |                      |                          |                            |
| Buildings and improvements               | 115,522,791               | 12,747,853           | -                        | 128,270,644                |
| Machinery and equipment                  | 10,054,534                | 673,622              | -                        | 10,728,156                 |
| Vehicles                                 | 7,128,445                 | 958,661              | 562,508                  | 7,524,598                  |
| Total depreciable historical cost        | <u>132,705,770</u>        | <u>14,380,136</u>    | <u>562,508</u>           | <u>146,523,398</u>         |
| Less accumulated depreciation:           |                           |                      |                          |                            |
| Buildings and Improvements               | 43,040,863                | 2,796,833            | -                        | 45,837,696                 |
| Machinery and equipment                  | 8,649,013                 | 416,274              | -                        | 9,065,287                  |
| Vehicles                                 | 3,448,481                 | 738,582              | 562,508                  | 3,624,555                  |
| Total accumulated depreciation           | <u>55,138,357</u>         | <u>3,951,689</u>     | <u>562,508</u>           | <u>58,527,538</u>          |
| Total Capital Assets, Net                | <u>\$ 79,108,617</u>      | <u>\$ 10,428,447</u> | <u>\$ -</u>              | <u>\$ 89,537,064</u>       |



**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

***B. 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). Collectively, ERS and TRS are referred to herein as the "Systems." These are cost-sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Descriptions

*Teachers' Retirement System*

The TRS is administered by the New York State Teachers' Retirement Board. The TRS 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 TRS issues a publicly available financial report that contains financial statements and required supplementary information for the TRS. 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*

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The ERS 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, 110 State Street, Albany, NY 12208.

Funding Policies

The Systems are noncontributory except for employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of ERS tier V and VI employees, in the System more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the comptroller certifies the rates expressed as proportions of member's payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**I. Pension Plans**

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>   |
|---------|--------------|--------------|
| 2013-14 | \$ 1,392,886 | \$ 4,002,976 |
| 2012-13 | 1,325,173    | 3,544,370    |
| 2011-12 | 1,047,082    | 2,862,280    |

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

**II. Indebtedness**

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.

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

|   |                   |
|---|-------------------|
| Interest paid                             | \$ 6,551          |
| Less interest accrued in the prior year   | (11,488)          |
| Plus interest accrued in the current year | <u>213,400</u>    |
| Total Expense                             | <u>\$ 208,463</u> |

Changes

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

|                              | <u>Balance<br/>July 1, 2013</u> | <u>New Issues/<br/>Additions</u> | <u>Maturities<br/>and/or<br/>Payments</u> | <u>Balance<br/>June 30, 2014</u> |
|------------------------------|---------------------------------|----------------------------------|---|----------------------------------|
| Bond Anticipation Notes      | \$ 29,320,000                   | \$ 28,461,000                    | \$ 29,320,000                             | \$ 28,461,000                    |
| Total Short-Term Liabilities | <u>\$ 29,320,000</u>            | <u>\$ 28,461,000</u>             | <u>\$ 29,320,000</u>                      | <u>\$ 28,461,000</u>             |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***II. Indebtedness***

Long-Term Debt

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. During the current year, the District recognized \$967,752 of expenditures for serial bonds and \$70,985 of expenditures for energy performance contracts long-term debt interest in the Debt Service Fund.

Serial Bonds and Energy Performance Contracts

Interest on long-term debt was comprised of:

|  |                     |
|--|---------------------|
| Interest paid                          | \$ 1,038,737        |
| Less interest accrued at June 30, 2013 | (92,240)            |
| Plus interest accrued at June 30, 2014 | 160,154             |
| Less amortization of bond premium      | (151,639)           |
| Plus amortization of deferred expenses | <u>571,789</u>      |
| Total Expense                          | <u>\$ 1,526,801</u> |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**II. Indebtedness**

Changes

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

|  | <u>Balance<br/>July 1, 2013</u> | <u>New Issues/<br/>Additions</u> | <u>Maturities<br/>and/or<br/>Payments</u> | <u>Balance<br/>June 30, 2014</u> |
|--|---------------------------------|----------------------------------|---|----------------------------------|
| Bonds Payable                          | \$ 19,085,000                   | \$ 28,945,000                    | \$ (2,215,000)                            | \$ 45,815,000                    |
| Plus - unamortized bond premium        | 966,577                         | 2,900,243                        | (151,639)                                 | 3,715,181                        |
| Less - unamortized bond issuance costs | (117,384)                       | -                                | 18,279                                    | (99,105)                         |
| Less - unamortized loss on refunding   | <u>(1,813,331)</u>              | <u>-</u>                         | <u>553,510</u>                            | <u>(1,259,821)</u>               |
|  | <u>18,120,862</u>               | <u>31,845,243</u>                | <u>(1,794,850)</u>                        | <u>48,171,255</u>                |
| Energy Performance Contract            | <u>1,666,315</u>                | <u>-</u>                         | <u>(869,159)</u>                          | <u>797,156</u>                   |
| Other Non-current Liabilities:         |                                 |                                  |   |                                  |
| Claims Payable                         | 332,210                         | -                                | (23,541)                                  | 308,669                          |
| Other Postemployment Benefits Payable  | 44,350,785                      | 13,159,565                       | (3,133,747)                               | 54,376,603                       |
| Compensated Absences                   | <u>498,770</u>                  | <u>133,352</u>                   | <u>-</u>                                  | <u>632,122</u>                   |
| Total Other Non-current Liabilities    | <u>45,181,765</u>               | <u>13,292,917</u>                | <u>(3,157,288)</u>                        | <u>55,317,394</u>                |
| Total Long-Term Liabilities            | <u>\$ 64,968,942</u>            | <u>\$ 45,138,160</u>             | <u>\$ (5,821,297)</u>                     | <u>\$ 104,285,805</u>            |

The above liabilities are liquidated by the General Fund.

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

Each governmental fund's liability for compensated absences and other postemployment benefits is liquidated by the General Fund. The District's indebtedness for bonds and the energy performance contract is satisfied by the Debt Service Fund, which is funded primarily by the General Fund.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**II. Indebtedness**

Maturity

The following is a summary of maturity of indebtedness:

| <u>Description of Issue</u>      | <u>Original<br/>Issue<br/>Date</u> | <u>Final<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Outstanding<br/>June 30,<br/>2014</u> |
|----------------------------------|------------------------------------|---------------------------|--------------------------|--|
| <u>Serial Bonds</u>              |                                    |                           |                          |  |
| Refunding Bond – 1998 Issue      | 2010                               | 2019                      | 2-4%                     | \$ 885,000                               |
| Refunding Series A               | 2012                               | 2019                      | 3.0%-4.5%                | 10,180,000                               |
| Refunding Series B               | 2012                               | 2032                      | 2.0%-3.25%               | 2,835,000                                |
| Various Improvements             | 2005                               | 2025                      | 3.8%                     | 2,970,000                                |
| DASNY Series 2014C               | 2014                               | 2024                      | 2.9%-3.76%               | <u>28,945,000</u>                        |
| <br>Total Serial Bonds           |                                    |                           |                          | <br><u>\$ 45,815,000</u>                 |
|                                  | <u>Issue<br/>Date</u>              | <u>Maturity</u>           |                          |  |
| <u>Bond Anticipation Notes</u>   |                                    |                           |                          |  |
| In General Fund:                 |                                    |                           |                          |  |
| Buses and Construction           | 9/26/13                            | 9/26/14                   |                          | <u>28,461,000</u>                        |
| Total Bond Anticipation<br>Notes |                                    |                           |                          | <u>\$ 28,461,000</u>                     |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***II. Indebtedness***

The following is a summary of maturing debt service requirements for general obligation bonds and notes:

| <u>Year</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-------------|----------------------|----------------------|----------------------|
| 2015        | \$ 3,015,000         | \$ 2,319,544         | \$ 5,334,544         |
| 2016        | 3,515,000            | 1,817,144            | 5,332,144            |
| 2017        | 3,660,000            | 1,691,007            | 5,351,007            |
| 2018        | 3,800,000            | 1,549,045            | 5,349,045            |
| 2019        | 3,935,000            | 1,400,889            | 5,335,889            |
| 2020-2024   | 8,920,000            | 5,359,131            | 14,279,131           |
| 2025-2029   | 7,340,000            | 3,252,223            | 10,592,223           |
| 2030-2034   | 4,165,000            | 2,174,962            | 6,339,962            |
| 2035-2039   | 4,340,000            | 1,399,700            | 5,739,700            |
| 2040-2042   | <u>3,125,000</u>     | <u>317,750</u>       | <u>3,442,750</u>     |
| Total       | <u>\$ 45,815,000</u> | <u>\$ 21,281,395</u> | <u>\$ 67,096,395</u> |

***III. 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 does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2014, the District has exhausted 32.5% of its constitutional debt limit.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***IV. Other Indebtedness***

The District, in June 2003, entered into a \$4,168,629 contractual agreement to install energy savings equipment and/or to upgrade existing facilities to enhance performance. The District refinanced the balance of this agreement plus accrued interest during 2002-03. The new agreement provides for annual payments of \$424,225, including interest at 4.26% through March 2016. The contract further provides that the savings in energy costs resulting from this modernization will equal or exceed the payment terms. The balance due at June 30, 2014 was \$797,156.

The following is a summary of maturing debt service requirements for energy performance contracts.

|      | <u>Principal</u>  | <u>Interest</u>  |
|------|-------------------|------------------|
| 2015 | 390,266           | 33,959           |
| 2016 | <u>406,890</u>    | <u>17,334</u>    |
|      | <u>\$ 797,156</u> | <u>\$ 51,293</u> |

**Claims Payable**

Reflects self-insured workers' compensation claim liabilities which are based upon 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 claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit because reliance is placed both on actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

An analysis of the activity of unpaid claim liabilities is as follows:

|  | <b><u>Year Ended June 30,</u></b> |                          |
|--|-----------------------------------|--------------------------|
|  | <b><u>2014</u></b>                | <b><u>2013</u></b>       |
| Balance - Beginning of Year                            | \$ 332,210                        | \$ 460,111               |
| Provision for Claims and Claims<br>Adjustment Expenses | 191,188                           | 31,672                   |
| Claims and Claims Adjustment<br>Expenses Paid          | <u>(214,729)</u>                  | <u>(159,573)</u>         |
| Balance - End of Year                                  | <b><u>\$ 308,669</u></b>          | <b><u>\$ 332,210</u></b> |

***V. Postemployment Benefits***

*Plan Description*

The District administers the postemployment 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) have at least 10 years of service with the District. The District currently funds the plan to satisfy current obligations on a pay-as-you-go basis. During the years ended June 30, 2014, \$3,133,747 was contributed on behalf of 509 retirees.



**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**V. Postemployment Benefits**

*Actuarial Methods and Assumptions*

The actuarial valuation date is as of July 1, 2013. 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. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

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 30-year period. The remaining amortization period at June 30, 2014, was 25 years.

*Actuarial Methods and Assumptions*

The following assumptions were used in the calculation: a) a 4% discount rate compounded annually, b) annual trend of 7.5% in the current year, declining to an ultimate rate of 5% per annum, c) mortality tables the RP – 2000 mortality tables and turnover rates derived from NYSERS data, d) assumed retirement age of 59, e) employee and spousal coverage – current coverage status is used for assumed coverage at retirement and all retirees will elect to keep their health insurance coverage.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**V. Postemployment Benefits**

*Annual OPEB Cost and Net OPEB Obligation*

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 of thirty years. The following table summarizes the Annual OPEB Cost:

|  | <u>2013</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| Normal Cost  | \$ 5,952,992         | \$ 6,191,112         |
| Amortization of Unfunded Actuarial Liability       | <u>7,730,711</u>     | <u>8,018,171</u>     |
| Annual Required Contribution (ARC)                 | 13,683,703           | 14,209,283           |
| Interest on OPEB Obligation                        | 1,382,437            | 1,774,031            |
| Adjustment to ARC                                  | <u>(2,183,540)</u>   | <u>(2,823,749)</u>   |
| OPEB Expense                                       | <u>\$ 12,882,600</u> | <u>\$ 13,159,565</u> |
| <br>   |                      |                      |
| Net OPEB Obligation at the beginning of the year   | \$ 34,560,935        | \$ 44,350,785        |
| OPEB Expense                                       | 12,882,600           | 13,159,565           |
| Net OPEB Contributions made during the fiscal year | <u>(3,092,750)</u>   | <u>(3,133,747)</u>   |
| Net OPEB Obligation at the End of the Year         | <u>\$ 44,350,785</u> | <u>\$ 54,376,603</u> |
| <br>   |                      |                      |
| Percentage of Expense Contributed                  | 24.0%                | 23.8%                |

*Funded Status*

|  |                       |                       |
|--|-----------------------|-----------------------|
| Accrued Liability at end of year       | \$ 128,500,497        | \$ 130,270,925        |
| Plan Assets at end of year             | <u>-</u>              | <u>-</u>              |
| Unfunded Accrued Liability             | <u>\$ 128,500,497</u> | <u>\$ 130,270,925</u> |
| <br>                                   |                       |                       |
| Percentage of Funded Accrued Liability | 0%                    | 0%                    |

The Net OPEB Obligation at the end of the year is reflected as a liability in the accompanying financial statements.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***V. Postemployment Benefits***

The District's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2014, 2013 and 2012 is as follows:

| <u>Fiscal Year Ending</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|---------------------------|-------------------------|---|----------------------------|
| June 30, 2014             | \$ 13,159,565           | 23.8%   | \$ 54,376,603              |
| June 30, 2013             | \$ 12,882,600           | 24.0%   | \$ 44,350,785              |
| June 30, 2012             | \$ 10,901,071           | 26.1%   | \$ 34,560,935              |

**4. COMMITMENTS AND CONTINGENCIES**

***A. Litigation***

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

***B. Risk Financing and Related Insurance***

General Information

The 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 two years.

1. New York State Unemployment Insurance (NYS/UI)

The District elected the direct benefits payment method for the payment of NYS/UI benefits effective July 1, 1978. For the year ended June 30, 2014, approximately \$19,000 was recorded for the payment of claims; \$90,000 has been provided in the 2014-2015 appropriations budget.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**4. COMMITMENTS AND CONTINGENCIES**

***B. Risk Financing and Related Insurance***

2. Health Insurance

The District and neighboring school districts participate in the Washington-Saratoga-Warren-Hamilton-Essex Health Insurance Plan. The purpose of the Plan is to contract for group health insurance benefits in an efficient and economical manner. The Plan currently contracts with Empire Blue Cross and Blue Shield for health insurance coverage for its employees. The governance of the Plan rests in the Board of Trustees. A majority of the total number of trustees is required to take any actions. The District has transferred all related risk to the Plan. In addition, the District offers coverage from CHCHP and MVP through HMOs that are fully insured.

3. Workers' Compensation Plan

Effective July 1, 1992, the District elected to self-insure for workers' compensation benefits. The District purchases insurance to pay individual claims which exceed \$450,000 to a maximum of \$10 million.

All known claims filed and an estimate of all incurred but unreported claims existing at June 30, 2014 have been recorded as other liabilities. See footnote 3.B.IV for further information.

***C. Other Items***

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

**5. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 29, 2014, which is the date these financial statements were issued. All subsequent events requiring recognition or disclosure as of June 30, 2014, have been incorporated into these financial statements.

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

|  | <u>Adopted<br/>Budget</u> | <u>Prior Year<br/>Encumbrances</u> | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Final Budget<br/>Variance<br/>With Actual</u> |
|--|---------------------------|------------------------------------|----------------------------|-------------------------|----------------------|--|
| <b>Revenues</b>  |                           |                                    |                            |                         |                      |  |
| Local Sources  |                           |                                    |                            |                         |                      |  |
| Real Property Taxes  | \$ 43,142,700             | \$ -                               | \$ 43,142,700              | \$ 43,142,700           | \$ 43,136,646        | \$ (6,054)                                       |
| Real Property Tax Items  | 9,037,552                 | -                                  | 9,037,552                  | 9,037,552               | 8,879,223            | (158,329)  |
| Nonproperty Taxes  | -                         | -                                  | -                          | -                       | -                    | -  |
| Charges for Services   | 388,729                   | -                                  | 388,729                    | 388,729                 | 1,356,747            | 968,018  |
| Use of Money and Property                                      | 139,500                   | -                                  | 139,500                    | 139,500                 | 88,760               | (50,740)   |
| Sale of Property and Compensation for Loss                     | -                         | -                                  | -                          | -                       | 8,539                | 8,539  |
| Miscellaneous  | 250,000                   | -                                  | 250,000                    | 263,915                 | 410,349              | 146,434  |
| Interfund Revenues   | -                         | -                                  | -                          | -                       | -                    | -  |
| State Sources  | 24,796,411                | -                                  | 24,796,411                 | 24,796,411              | 24,054,322           | (742,089)  |
| Federal Sources  | 300,000                   | -                                  | 300,000                    | 300,000                 | 386,633              | 86,633   |
| <b>Other Sources</b>   |                           |                                    |                            |                         |                      |  |
| Interfund Transfers  | -                         | -                                  | -                          | -                       | -                    | -  |
| Proceeds of Long Term Debt                                     | -                         | -                                  | -                          | -                       | -                    | -  |
| Total Revenue and Other Sources                                | <u>78,054,892</u>         | <u>-</u>                           | <u>78,054,892</u>          | <u>78,068,807</u>       | <u>\$ 78,321,219</u> | <u>\$ 252,412</u>                                |
| Appropriated Fund Balance                                      | <u>1,580,000</u>          | <u>537,910</u>                     | <u>2,117,910</u>           | <u>2,117,915</u>        |                      |  |
| Total Revenues, Other Sources and Appropriated<br>Fund Balance | <u>\$ 79,634,892</u>      | <u>\$ 537,910</u>                  | <u>\$ 80,172,802</u>       | <u>\$ 80,186,722</u>    |                      |  |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

| <b>Expenditures</b>                       | <b>Adopted<br/>Budget</b> | <b>Prior Year<br/>Encumbrances</b> | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>    | <b>Encumbrances</b> | <b>Final Budget<br/>Variance with<br/>Actual and<br/>Encumbrances</b> |
|---|---------------------------|------------------------------------|----------------------------|-------------------------|------------------|---------------------|---|
| General Support                           |                           |                                    |                            |                         |                  |                     |   |
| Board of Education                        | \$ 14,445                 | \$ -                               | \$ 14,445                  | \$ 14,445               | \$ 7,303         | \$ -                | \$ 7,142  |
| Central Administration                    | 245,772                   | -                                  | 245,772                    | 245,772                 | 241,063          | -                   | 4,709   |
| Finance                                   | 631,929                   | -                                  | 631,929                    | 649,479                 | 601,951          | 32,925              | 14,603  |
| Staff                                     | 521,665                   | -                                  | 521,665                    | 531,170                 | 459,528          | 970                 | 70,672  |
| Central Services                          | 6,077,332                 | 304,266                            | 6,381,598                  | 6,924,381               | 6,518,619        | 284,589             | 121,173   |
| Special Items                             | 843,010                   | -                                  | 843,010                    | 837,678                 | 810,755          | -                   | 26,923  |
| Instruction                               |                           |                                    |                            |                         |                  |                     |   |
| Instruction, Administration & Improvement | 2,976,380                 | 925                                | 2,977,305                  | 3,084,373               | 3,055,008        | 2,260               | 27,105  |
| Teaching - Regular School                 | 23,814,510                | 21,187                             | 23,835,697                 | 23,768,291              | 23,592,215       | 17,469              | 158,607   |
| Programs for Students with Disabilities   | 7,802,180                 | 1,621                              | 7,803,801                  | 7,524,780               | 7,478,760        | 1,881               | 44,139  |
| Occupational Education                    | 685,070                   | -                                  | 685,070                    | 500,590                 | 495,335          | -                   | 5,255   |
| Teaching - Special Schools                | 149,993                   | 150                                | 150,143                    | 132,143                 | 117,686          | -                   | 14,457  |
| Instructional Media                       | 1,791,266                 | 230                                | 1,791,496                  | 2,444,083               | 2,407,979        | 3,963               | 32,141  |
| Pupil Services                            | 3,128,223                 | 5,259                              | 3,133,482                  | 3,097,255               | 3,053,923        | 20,772              | 22,560  |
| Pupil Transportation                      | 3,235,558                 | 204,272                            | 3,439,830                  | 3,489,205               | 3,385,686        | 8,734               | 94,785  |
| Community Services                        | 25,741                    | -                                  | 25,741                     | 21,241                  | 20,026           | -                   | 1,215   |
| Employee Benefits                         | 22,266,438                | -                                  | 22,266,438                 | 21,488,956              | 21,261,177       | -                   | 227,779   |
| Debt Service                              |                           |                                    |                            |                         |                  |                     |   |
| Debt Service Principal                    | 874,000                   | -                                  | 874,000                    | 874,000                 | 874,000          | -                   | -   |
| Debt Service Interest                     | 19,165                    | -                                  | 19,165                     | 19,165                  | 6,551            | -                   | 12,614  |
| Total Expenditures                        | 75,102,677                | 537,910                            | 75,640,587                 | 75,647,007              | 74,387,565       | 373,563             | 885,879   |
| <b>Other Uses</b>                         |                           |                                    |                            |                         |                  |                     |   |
| Interfund Transfer                        | 4,532,215                 | -                                  | 4,532,215                  | 4,539,715               | 4,671,895        | -                   | (132,180)   |
| Total Expenditures and Other Uses         | \$ 79,634,892             | \$ 537,910                         | \$ 80,172,802              | \$ 80,186,722           | 79,059,460       | \$ 373,563          | \$ 753,699  |
| <b>Net change in fund balance</b>         |                           |                                    |                            |                         | \$ (738,241)     |                     |   |
| Fund balance - beginning                  |                           |                                    |                            |                         | 10,206,391       |                     |   |
| Fund balance - ending                     |                           |                                    |                            |                         | <u>9,468,150</u> |                     |   |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
FOR THE YEAR ENDED JUNE 30, 2014**

| Actuarial Valuation Date | Actuarial<br>Valuation of<br>Assets (a) | Actuarial<br>Accrued<br>Liability (AAL) -<br>Entry Age (b) | Unfunded<br>AAL (UAAL)<br>(b-a) | Funded<br>Ratio (a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------|---|--|---------------------------------|-----------------------|---------------------------|---|
| 7/1/2011                 | \$ -                                    | \$113,106,510  | \$113,106,510                   | NA                    | \$37,166,678              | 304.3%  |
| 7/1/2012                 | \$ -                                    | \$128,500,497  | \$128,500,497                   | NA                    | \$38,981,002              | 329.6%  |
| 7/1/2013                 | \$ -                                    | \$130,270,925  | \$130,270,925                   | NA                    | \$40,142,712              | 324.5%  |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET - GENERAL FUND  
AND SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LIMIT CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2014**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

|                                |                      |
|--------------------------------|----------------------|
| Adopted Budget                 | \$ 79,634,892        |
| Add: Prior year's encumbrances | <u>537,910</u>       |
| Original Budget                | 80,172,802           |
| Additions:                     |                      |
| Budget Amendments              | <u>13,920</u>        |
| Final Budget                   | <u>\$ 80,186,722</u> |

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

|   |               |
|---|---------------|
| 2014-15 [subsequent year's] voter-approved expenditure budget | \$ 84,198,998 |
| Maximum allowed (4% of 2014-15 [subsequent year's] budget)    | 3,367,960     |

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

|  |                     |
|--|---------------------|
| Unrestricted Fund Balance:   |                     |
| Committed Fund Balance   | \$ -                |
| Assigned Fund Balance  | 2,098,563           |
| Unassigned Fund Balance  | <u>3,284,587</u>    |
| Total Unrestricted Fund Balance  | <u>\$ 5,383,150</u> |
| Less:  |                     |
| Appropriated Fund Balance  | \$ 1,725,000        |
| Insurance Recovery Reserve   | -                   |
| Tax Reduction Reserve  | -                   |
| Encumbrances included in Committed and Assigned Fund Balance               | <u>373,563</u>      |
| Total Adjustments  | <u>\$ 2,098,563</u> |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | <u>\$ 3,284,587</u> |
| Actual percentage  | 3.90%               |

\* 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.



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

| PROJECT TITLE       | Original<br>Appropriation | Revised<br>Appropriation | Expenditures         |                      |                      | Unexpended<br>Balance | Methods of Financing       |                      |                      | Fund<br>Balance<br>June 30, 2014 |
|---------------------|---------------------------|--------------------------|----------------------|----------------------|----------------------|-----------------------|----------------------------|----------------------|----------------------|----------------------------------|
|                     |                           |                          | Prior<br>Years       | Current<br>Year      | Total                |                       | Proceeds of<br>Obligations | Transfers            | Total                |                                  |
| Capital Improvement | \$ 4,145,612              | \$ 4,145,612             | \$ 4,004,816         | \$ -                 | \$ 4,004,816         | \$ 140,796            | \$ 496,000                 | \$ 3,649,612         | \$ 4,145,612         | \$ 140,796                       |
| New Bus Garage      | 4,100,000                 | 4,100,000                | 4,662,528            | -                    | 4,662,528            | (562,528)             | 2,677,000                  | 1,985,528            | 4,662,528            | -                                |
| Purchase Property   | 400,000                   | 400,000                  | 381,322              | -                    | 381,322              | 18,678                | 400,000                    | -                    | 400,000              | 18,678                           |
| Buses 2004-2005     | 510,000                   | 510,000                  | 502,031              | -                    | 502,031              | 7,969                 | 510,000                    | -                    | 510,000              | 7,969                            |
| Buses 2005-2006     | 775,000                   | 775,000                  | 725,864              | -                    | 725,864              | 49,136                | 734,340                    | -                    | 734,340              | 8,476                            |
| Buses 2006-2007     | 925,000                   | 925,000                  | 924,736              | -                    | 924,736              | 264                   | 925,000                    | -                    | 925,000              | 264                              |
| Buses 2007-2008     | 916,000                   | 916,000                  | 878,929              | -                    | 878,929              | 37,071                | 916,000                    | -                    | 916,000              | 37,071                           |
| Buses 2008-2009     | 896,000                   | 896,000                  | 857,782              | -                    | 857,782              | 38,218                | 896,000                    | -                    | 896,000              | 38,218                           |
| Buses 2009-2010     | 721,100                   | 721,100                  | 713,785              | -                    | 713,785              | 7,315                 | 566,100                    | -                    | 566,100              | (147,685)                        |
| Buses 2010-2011     | 951,000                   | 951,000                  | 951,217              | -                    | 951,217              | (217)                 | 551,000                    | -                    | 551,000              | (400,217)                        |
| Buses 2011-2012     | 928,000                   | 928,000                  | 926,216              | -                    | 926,216              | 1,784                 | 353,000                    | -                    | 353,000              | (573,216)                        |
| Buses 2012-2013     | 834,000                   | 834,000                  | 752,157              | 74,950               | 827,107              | 6,893                 | 159,000                    | -                    | 159,000              | (668,107)                        |
| Buses 2013-2014     | 890,000                   | 890,000                  | -                    | 883,712              | 883,712              | 6,288                 | -                          | -                    | -                    | (883,712)                        |
| Land Acquisition    | 211,425                   | 211,425                  | 200,242              | -                    | 200,242              | 11,183                | -                          | 197,000              | 197,000              | (3,242)                          |
| Roofing Projects    | 3,700,000                 | 3,700,000                | 3,800,830            | -                    | 3,800,830            | (100,830)             | 3,700,000                  | 2,000                | 3,702,000            | (98,830)                         |
| MA Emergency Floor  | 26,000                    | 26,000                   | 16,228               | -                    | 16,228               | 9,772                 | -                          | -                    | -                    | (16,228)                         |
| Cap Improvement 3   | 488,000                   | 488,000                  | 464,959              | -                    | 464,959              | 23,041                | -                          | 464,959              | 464,959              | -                                |
| Cap Improvement 4   | 568,000                   | 568,000                  | 553,746              | -                    | 553,746              | 14,254                | -                          | 135,041              | 135,041              | (418,705)                        |
| Cap Improvement 5   | 503,000                   | 503,000                  | 502,184              | -                    | 502,184              | 816                   | -                          | -                    | -                    | (502,184)                        |
| Cap Improvement 6   | 1,500,000                 | 1,500,000                | 1,451,482            | -                    | 1,451,482            | 48,518                | 1,475,000                  | -                    | 1,475,000            | 23,518                           |
| Fuel Island Canopy  | 37,500                    | 37,500                   | 47,834               | -                    | 47,834               | (10,334)              | -                          | -                    | -                    | (47,834)                         |
| Educ Planning       | 100,000                   | 100,000                  | 110,204              | -                    | 110,204              | (10,204)              | -                          | 100,000              | 100,000              | (10,204)                         |
| Emergency Asbestos  | 4,592,021                 | 4,592,021                | 4,592,021            | -                    | 4,592,021            | -                     | -                          | 4,752,599            | 4,752,599            | 160,578                          |
| Technology Year 1   | 400,000                   | 400,000                  | 398,135              | -                    | 398,135              | 1,865                 | 400,000                    | -                    | 400,000              | 1,865                            |
| 10/19/10 Projects   | 49,300,000                | 49,300,000               | 23,000,492           | 13,532,249           | 36,532,741           | 12,767,259            | 29,979,398                 | 230,000              | 30,209,398           | (6,323,343)                      |
| 12/4/12 Projects    | 8,900,000                 | 8,900,000                | -                    | -                    | -                    | 8,900,000             | -                          | 1,400,000            | 1,400,000            | 1,400,000                        |
| Future Projects     | -                         | -                        | -                    | -                    | -                    | -                     | -                          | 750,000              | 750,000              | 750,000                          |
| <b>Totals</b>       | <b>\$ 87,317,658</b>      | <b>\$ 87,317,658</b>     | <b>\$ 51,419,740</b> | <b>\$ 14,490,911</b> | <b>\$ 65,910,651</b> | <b>\$ 21,407,007</b>  | <b>\$ 44,737,838</b>       | <b>\$ 13,666,739</b> | <b>\$ 58,404,577</b> | <b>\$ (7,506,074)</b>            |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
JUNE 30, 2014**

|  |                   |                                    |
|--|-------------------|------------------------------------|
| <b>Capital Assets, Net</b>                               |                   | \$ 89,537,064                      |
| <b>Add:</b>  |                   |                                    |
| Unamortized issuance costs and deferred loss             | \$ 1,358,926      |                                    |
| Capital projects fund - restricted cash and investments  | <u>16,805,010</u> |                                    |
|  |                   | 18,163,936                         |
| <b>Deduct:</b>   |                   |                                    |
| Bond anticipation notes payable                          | 28,461,000        |                                    |
| Short-term portion of bonds payable                      | 3,305,000         |                                    |
| Long-term portion of bonds payable                       | 42,510,000        |                                    |
| Unamortized bond premium                                 | 3,715,181         |                                    |
| Short-term portion of energy performance contract        | 390,266           |                                    |
| Long-term portion of energy performance contract         | <u>406,890</u>    |                                    |
|  |                   | <u>(78,788,337)</u>                |
| <b>Investment in Capital Assets, Net of Related Debt</b> |                   | <b>\$ <u><u>28,912,663</u></u></b> |

**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

Daniel J. Litz, CPA

Karl F. Newton, CPA

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To the President and Members of the Board of Education  
Ballston Spa Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Ballston Spa Central School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 29, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## **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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-01.

## **District's Response to Findings**

The District's response to the 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 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

October 29, 2014

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
SINGLE AUDIT  
SUPPLEMENTARY FINANCIAL REPORT  
JUNE 30, 2014**

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
BALLSTON SPA, 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**

To the Board of Education of  
Ballston Spa Central School District

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

We have audited Ballston Spa 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, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Ballston Spa 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, 2014.

## **Report on Internal Control Over Compliance**

Management of the Ballston Spa 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 Ballston Spa Central School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 29, 2014, 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 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 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Marvin and Company, P.C.*

Latham, NY  
October 29, 2014



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

| <u>Federal Grantor/Pass through Grantor<br/>Program Title</u>     | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's<br/>Number</u> | <u>Total<br/>Federal<br/>Expendi-<br/>tures</u> |
|---|------------------------------------|--|---|
| <b><u>U.S. Department of Education</u></b>                        |                                    |  |   |
| Passed Through New York State Education Department:               |                                    |  |   |
| Title I - Grants to Local Educational Agencies                    | 84.010                             | 0021-13-2735                                 | \$ 20,360                                       |
| Title I - Grants to Local Educational Agencies                    | 84.010                             | 0021-13-2735                                 | 383,435   |
| Special Education - Grants to States                              | 84.027                             | 0032-14-0022                                 | 749,088   |
| Special Education - Preschool Grants 99-457                       | 84.173                             | 0033-14-0022                                 | 37,105  |
| Title II, Part A - Teacher and Principal Training and Recruitment | 84.367                             | 0147-14-2735                                 | 122,559   |
| Education for Homeless Children and Youth                         | 84.196                             | 0212-13-0325                                 | 39,933  |
| Race to the Top - Recovery Act                                    | 84.395                             | 5500-13-2700                                 | 366   |
| Race to the Top - Recovery Act                                    | 84.395                             | 5500-14-2700                                 | <u>41,273</u>                                   |
| Total Passed Through New York State Education Department          |                                    |  | <u>1,394,119</u>                                |
| <b><u>U.S. Department of Agriculture</u></b>                      |                                    |  |   |
| Passed Through New York State Education Department:               |                                    |  |   |
| School Breakfast Program  | 10.553                             | Not Applicable                               | \$ 97,414                                       |
| National School Lunch Program                                     | 10.555                             | Not Applicable                               | 473,307   |
| Food Donations  | 10.555                             | Not Applicable                               | <u>74,360</u>                                   |
| Total U.S. Department of Agriculture                              |                                    |  | <u>645,081</u>                                  |
| TOTAL EXPENDITURES OF FEDERAL AWARDS                              |                                    |  | <u>\$ 2,039,200</u>                             |

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2014**

**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 in the schedule represent expenditures of federal funds as obtained from the appropriate federal financial reports for the applicable program and periods. The non-federal share of expenditures, if any, is excluded from the schedule.

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

The Ballston Spa Central School District is an independent municipal corporation. All federal grant operations 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, 2014, the District received food commodities totaling \$74,360.

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

**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? \_\_ x \_\_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 and 84.173 | Special Education Cluster          |
| 10.553 and 10.555 | Child Nutrition Cluster            |

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

Auditee qualified as low-risk auditee? \_\_\_ \_\_yes         no

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

**Section II: Financial Statement Findings**

*Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:*

**2014-01            Uncollateralized Bank Account**

**Condition:**

At June 30, 2014, one of the District's bank account, having a balance of \$16.8 million, was uncollateralized.

**Criteria:**

New York State General Municipal Law (GML) Section 10 (3) requires all depositories of public funds pledge securities as collateral for bank balances that exceed FDIC coverage.

**Cause:**

The account in question was established in June 2014 by the bond issuer (DASNY) to hold bond proceeds. The financial institution holding the funds for the District failed to collateralize the account

**Effect:**

A District account was not collateralized at one financial institution, allowing for the possibility of loss of assets if the financial institution were to become insolvent.

**Recommendation:**

The District should request that either adequate collateral be obtained by the bank, or request that funds be transferred to another bank that will provide the required collateral.

**Views of Responsible Officials and Planned Corrective Action:**

In order to participate in the DASNY bond issuance process, the District was required to sign documents prepared by the Dormitory Authority of the State of New York (DASNY). The DASNY document entitled *Financing Agreement* clearly stipulates in Section 3.4, Paragraph C that the proceeds of the bond issue would be deposited in accounts with a bank designated by DASNY and collateralized in compliance with Section 165.00 of the Local Finance Law and Sections 10 and 11 of General Municipal Law. The District has confirmed the requirement for collateralization with legal counsel at DASNY.

The bank DASNY's designated for holding of the bond proceeds did not collateralize the accounts in accordance with the agreement. The District does not have the power to compel compliance, but reported the bank's violation to DASNY. Subsequently, the District withdrew all funds under DASNY control.

**Section III: Federal Award Findings and Questioned Costs**

*Findings and questioned costs related to Federal awards required to be reported in accordance with OMB Circular A-133 Section \_\_.510a:*

None

**BALLSTON SPA CENTRAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

2013-01 Financial Reporting

Current Status

This finding was addressed and not repeated