

SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis,  
Financial Statements  
and Supplementary Information  
June 30, 2014  
(With Independent Auditors' Report Thereon)

# SCARSDALE UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education  
Scarsdale Union Free School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of Scarsdale Union Free 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.

## Restatement of Beginning Net Position

As indicated in note 15, net position as of July 1, 2013 has been restated. Our opinions are not modified with respect to this matter.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund on pages 48 through 49, and the schedule of funding progress other postemployment benefits plan on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

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

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 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.

Toski & Co., CPAs, P.C.

Williamsville, New York  
December 3, 2014

## SCARSDALE UNION FREE SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2014

The management of the Scarsdale Union Free School District (SUFSD) provides the following narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2014.

#### **Financial Highlights**

At June 30, 2014, total assets of the SUFSD exceeded liabilities by \$15,948,179 (net position). Total net position compared to the prior year decreased by \$10,761,479. The decrease is primarily a result of one item that continues to decrease our "Net Position," the long-term liability for Other Post-Employee Benefits (OPEB). The District recorded an increase to its long term liability for Other Post-Employee Benefits (OPEB) of \$9,739,803 in accordance with the Governmental Accounting Standards Board (GASB) Statement 45, which reduced net position. This is the fifth year in which the OPEB charge has been recorded in the financial statements. The District will continue to incur annual charges of approximately \$9,700,000 (adjusted annually), for the next 25 years, in accordance with GASB 45, and continue to contribute to a deficit Governmental Fund Equity. In addition, beginning net position was adjusted downward as a result of a \$2,191,820 prior period adjustment, which is described more fully in note 15.

Offsetting the above reduction in the Net Position is the net reduction of long-term debt at a rate faster than the related depreciation, resulting in a \$2,850,964 addition to Net Position.

The District recorded a decrease in fund balance in the General Fund of \$3,020,358, primarily as a result of budgeting more surplus to offset taxes than was actually generated from General Fund operations.

As of June 30, 2014, SUFSD's General Fund reports ending fund equity of \$14,296,118, a decrease of \$3,020,358 compared to prior year. This decrease consists of budgetary losses in revenue of approximately \$6.9 million offset in part by budgetary gains in expenditures of approximately \$3.9 million. Approximately \$1.8M of the budgetary gains in expenditures was planned. The remainder arose primarily from a \$792,673 budgetary gain in teaching salaries and a \$385,220 budgetary gain in the District's self-insured health plan, offset by a significant charge related to tax certiorari refunds of approximately \$885,000.

Unassigned fund balance (the amount available for use at the government's discretion) for the General Fund is reported at \$5,537,414 or 3.7% of the 2014-15 General Fund Budget.

Compared to the prior year, governmental fund revenues (primarily property taxes) increased by approximately \$3.9 million. Governmental fund expenditures increased by approximately \$3.5 million.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

As noted on page 38, capital assets, net of accumulated depreciation, decreased by \$2,945,440. This is primarily attributable to spending related to the \$1,128,000 invested in the technology lease, offset by the depreciation on all assets.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Scarsdale Union Free School District's basic financial statements. SUFSD's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The statement of activities presents information showing how the government's net position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected State Aid, earned but unused vacation leave, and other post-employment benefits other than pensions).

Both of the government-wide financial statements distinguish functions of SUFSD that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of the costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, pupil services, administration, debt and interest payments, transportation of students and the acquisition or enhancement of assets to further student education. There are no business-type activities for SUFSD.

The government-wide financial statements include the General Fund, the School Lunch Fund, the Special Aid Fund, the Debt Service Fund, and the Capital Projects Fund. Special Revenue Funds are projects funded totally by State and/or Federal Aid. Sales of breakfast and lunch to students and faculty primarily support the School Lunch Fund. The Capital Projects Fund accounts for costs to improve/construct fixed assets.

The government-wide financial statements can be found on pages 15-16 of this report.



SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

## **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. SUFSD, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the District can be divided into two categories: governmental funds and fiduciary funds.

### Governmental 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 government-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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government 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 balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

SUFSD maintains a General Fund, a Capital Fund, a Special Revenue Fund, a Debt Service Fund, an Agency Fund and a School Lunch 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 these funds, which are considered major funds.

The District puts forward to the voters an annual appropriated budget for its General Fund, as required by law. A budgetary comparison statement has been provided for this fund on pages 47-48 to demonstrate compliance with the voter-approved budget.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. For example, they hold payroll taxes to be paid; extra-classroom activities funds; monies collected to be used for athletic competitions; and endowment scholarships. Fiduciary funds are not reflected in the government-wide financial statement. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. SUFSD assets exceeded liabilities by \$15,948,179 at the close of the most recent fiscal year.

The largest portion of the SUFSD's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less related outstanding debt used to acquire those assets. The District uses these capital assets to house and provide services to its students. Consequently, these assets are not available for future spending. Although the 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 future budgets since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>2014</u>	<u>2013</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 43,607,032	31,678,708	11,928,324
Capital assets	<u>91,902,723</u>	<u>94,848,163</u>	<u>(2,945,440)</u>
Total assets	\$ <u>135,509,755</u>	<u>126,526,871</u>	<u>8,982,884</u>
Current liabilities	\$ <u>18,988,911</u>	<u>25,246,734</u>	<u>(6,257,823)</u>
Long-term liabilities	\$ <u>100,572,665</u>	<u>74,570,479</u>	<u>26,002,186</u>
Net position:			
Net investment in capital assets	\$ 41,708,502	46,545,826	(4,837,324)
Restricted	4,422,122	6,241,814	(1,819,692)
Unrestricted	<u>(30,182,445)</u>	<u>(26,077,982)</u>	<u>(4,104,463)</u>
Total net position	\$ <u>15,948,179</u>	<u>26,709,658</u>	<u>(10,761,479)</u>

Since the adoption of GASB 45 for OPEBs in 2009, the District's total net position and total unrestricted net position have decreased by \$43.5M. This decrease is mainly the result of the recognition of the \$46.3M long-term liability associated with GASB 45 (currently there is no legal mechanism for funding this liability). In accordance with GASB 45, this liability will be incrementally recorded on the District's books over the next 25 years at approximately \$9.7M per year, net of anticipated annual budgeted related expenditures (See page 43). This has resulted in a negative unrestricted net position and will ultimately result in a negative total net position, unless the District begins to fund this liability.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,054,623	1,933,582
Operating grants and contributors	1,337,723	1,599,826
General revenues:		
Property taxes	130,650,863	127,045,773
State Formula Aid	5,967,488	5,800,016
Other	<u>1,479,193</u>	<u>1,421,347</u>
Total revenues	<u>141,489,890</u>	<u>137,800,544</u>
Expenses:		
General support	20,070,784	18,026,562
Instruction	117,288,530	114,776,459
Pupil transportation	4,994,778	4,975,477
Community service	388,409	341,926
Debt service	1,199,727	1,976,694
School lunch expenditures	1,157,169	1,121,473
Depreciation	<u>4,960,152</u>	<u>4,931,165</u>
Total expenditures	<u>150,059,549</u>	<u>146,149,756</u>
Change in net position	<u>(8,569,659)</u>	<u>(8,349,212)</u>
Net position - beginning of year, as originally reported	26,709,658	35,058,870
Prior period adjustment	<u>(2,191,820)</u>	<u>-</u>
Net position - beginning of year, as restated	<u>24,517,838</u>	<u>35,058,870</u>
Net position - ending	\$ <u>15,948,179</u>	<u>26,709,658</u>

SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

In the district-wide financial statements, all of the activities of the District are considered governmental activities. Governmental activities decreased the District's net position by \$8,569,659 during fiscal year ending 2014. Key elements of the changes are as follows:

- Expenditures increased by \$3,909,793 (2.68%) compared to last year, whereas revenue increased \$3,689,346 (2.7%) compared to last year. This difference of \$220,447 implies that the District is growing the budget in line with the related expenditure increase. However, the District continues to have a "built-in" budget deficit of \$5,212,000 in the 2013-14 fiscal year. This "built-in" deficit comes from revenue items which balance the budget with fund balances rather than other revenues, primarily tax revenue.
- \$3,605,090 of the increase in revenues is from property taxes which make up 92.3% of our revenues. The District has few sources of other revenue.
- Although health insurance costs year-to-year decreased by \$574,973, the total Employee Benefit Expenditures increased by \$2,604,202. This increase in total Employee Benefit Expenditures represents 65% of the total increase in expenditures compared to the prior year. This is primarily a result of an increase in benefit costs relating to pension.
- The District's plan is to continue to decrease the "built-in" budget deficits in the future. The 2014-15 Budget reduces this amount to \$4,192,715, a small but positive step in achieving this goal.

Because any planned reduction in this "built-in" budget imbalance will have a negative impact on the "Tax Cap" calculation, future reductions will be harder to achieve. Management believes these reductions are necessary, however, and will likely propose them in future budgets.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

### Governmental Funds

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

SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

The table below summarizes the changes in the fund balance of the District's governmental funds.

	<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>Debt Service</u>	<u>Capital</u>	<u>Total</u>
Fund balances June 30, 2012	\$ 20,743,167	-	205,916	-	(32,534)	20,916,549
Revenues	135,049,018	1,599,826	1,160,310	-	-	137,809,154
Expenditures	(137,134,069)	(1,755,257)	(1,123,689)	-	(1,454,387)	(141,467,402)
Other financing sources (uses)	<u>(1,341,640)</u>	<u>155,431</u>	<u>-</u>	<u>-</u>	<u>2,106,209</u>	<u>920,000</u>
Fund balances June 30, 2013	17,316,476	-	242,537	-	619,288	18,178,301
Revenue	138,933,082	1,337,723	1,208,138	-	-	141,478,943
Expenditures	(141,729,256)	(1,426,152)	(1,157,169)	(102,040)	(1,438,733)	(145,853,350)
Other financing sources (uses)	<u>(224,184)</u>	<u>88,429</u>	<u>-</u>	<u>102,040</u>	<u>1,263,755</u>	<u>1,230,040</u>
Fund balances June 30, 2014	\$ <u>14,296,118</u>	<u>-</u>	<u>293,506</u>	<u>-</u>	<u>444,310</u>	<u>15,033,934</u>

At the end of the fiscal year, SUFSD's governmental funds reported combined ending fund balance of \$15,033,934, a decrease of \$3,144,367 compared to prior year. This decrease is primarily the result of a planned decrease in fund balance noted elsewhere.

The General Fund is the District's chief operating fund. At June 30, 2014, General Fund unassigned fund balance was \$5,537,414 while total fund balance was \$14,296,118; these amounts increased by \$459,583 and decreased \$3,020,358, respectively, compared to the prior year.

Most (75.3%) of the fund balance is reserved to indicate it is not available for new spending, as it is already committed: 1) to liquidate contracts and purchase orders of the prior period (\$1,311,683); 2) to pay tax certiorari settlements (\$2,593,011); 3) to pay for voter-approved debt service (\$316,863) and 4) to fund the 2014-15 budget (\$3,762,715).

### GENERAL FUND ANALYSIS

A measure of the General Fund's liquidity is a comparison of both unassigned fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 3.7% of 2014-15 total General Fund expenses, while total fund balance represents 9.6% of the same amount. The comparable amounts from the prior year were 3.7% and 10.0%, respectively.

In the current fiscal year, the District's fund balance within the General Fund decreased by \$3,020,358. As stated prior, most of this current year decrease was planned. Key factors contributing to this decrease are:

- Revenue budgets were on or close to budget without exception.
- A significant portion of revenues comes from prior year fund balance. In the 2013-14 year, \$4,300,000 in expenditures was funded by appropriation of prior year fund balance.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

- Teaching salaries were under-budget by approximately \$793,000 or approximately 1.4% of total teaching salaries. This was a direct result of more retirement savings than originally budgeted.
- Special education costs were approximately \$240,000 less than budgeted due primarily to state aid reimbursements from earlier years. Without these additional funds, special education costs would have been slightly under-budget.
- Heating costs were \$46,909 above budgeted levels as a result of an unusually cold winter that caused a spike in both heating oil and natural gas prices. In addition, the District is restricted, by contract, from using natural gas during exceptionally cold periods, which forces the District to use heating oil to heat the buildings. The cost of heating oil last year was almost three times the comparable cost of natural gas.
- The self-insured health insurance plan was under-budget by \$385,220 in the current year.
- Tax certiorari refunds were \$884,880 in 2013-14.
- As planned, the District budgeted a \$1,850,000 expenditure surplus and achieved a \$1,683,730 actual expenditure surplus in these line items.
- In addition to the expenditures noted on page 15, the District ended the year with encumbrances totaling \$1,311,683, down from the prior year encumbrances totaling \$1,939,368.

Overall, the net results for 2013-14 were very close to the plan developed as part of the 2013-14 budget. In addition, during the 2014-15 budget development, the District was able to reduce its reliance on fund balance, somewhat, by budgeting prior year surplus revenue in the amount of \$3,762,715, down from the \$4,300,000 level in 2013-14.

The School Lunch Fund has operated with a profit of 5% or less during the past five years. Lunch prices are set to produce a "break-even" result for the overall fund. As a percentage of total expenditures, the 2013-14 school lunch program activities produced a 4.2% profit, while the prior year produced a 3.3% profit. At June 30, 2014, the School Lunch Fund had a fund balance equal to 25% of the fund expenditures.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**GENERAL FUND BUDGETARY HIGHLIGHTS**

<b>General Fund Revenues</b>				
	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual 2014</u>	<u>Actual 2013</u>
Revenues:				
Real property tax	\$ 122,189,885	126,551,470	126,395,551	122,661,907
School tax relief - STAR	4,230,489	4,099,393	4,255,312	4,383,866
Non-property taxes	1,186,893	888,557	915,257	865,613
Charges for services	399,449	797,785	846,996	773,936
Sale of property and compensation for loss	-	-	-	8,658
Use of money and property	160,563	300,563	331,289	352,987
Miscellaneous	501,364	261,364	221,189	202,035
State sources	<u>10,019,069</u>	<u>5,788,580</u>	<u>5,967,488</u>	<u>5,800,016</u>
Total revenue	138,687,712	138,687,712	138,933,082	135,049,018
Other sources:				
Operating transfers in	-	-	-	10,096
Reserve revenues	912,000	912,000	-	-
Appropriated fund balance	<u>4,300,000</u>	<u>6,239,368</u>	<u>-</u>	<u>-</u>
Total revenues and other sources	\$ <u>143,899,712</u>	<u>145,839,080</u>	<u>138,933,082</u>	<u>135,059,114</u>

SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**General Fund Expenditures**

	Original <u>Budget</u>	Modified <u>Budget</u>	Actual <u>2014</u>	Actual <u>2013</u>
Expenditures:				
General support	\$ 14,127,354	16,184,776	15,572,138	13,885,225
Instruction	78,046,536	79,450,523	77,108,880	76,919,144
Pupil transportation	3,850,129	3,732,196	3,513,472	3,518,266
Community services	347,195	388,409	388,409	341,926
Employee benefits	37,897,268	36,212,963	35,544,956	32,940,755
Debt service	<u>9,587,195</u>	<u>9,646,029</u>	<u>9,601,401</u>	<u>9,528,753</u>
Total expenditures	143,855,677	145,614,896	141,729,256	137,134,069
Other uses - operating transfers out	<u>44,035</u>	<u>224,184</u>	<u>224,184</u>	<u>1,351,736</u>
Total expenditures and other uses	\$ <u>143,899,712</u>	<u>145,839,080</u>	<u>141,953,440</u>	<u>138,485,805</u>

Major differences between the original budget and the final actual amounts are summarized on the previous pages.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The District continues to pay down its debt at a rate faster than the assets purchased with that debt are depreciated. By itself, this factor would produce a positive addition to a Net Asset Position. However, because of OPEB, the District will continue to look less positive on paper than its actual operating results have produced. The District issued \$8,575,000 in serial bonds in the fiscal year ending June 30, 2014, at a premium of \$1,481,877. As discussed more fully in note 8, the proceeds of this debt issuance will be used to refund the remaining outstanding balance of the bonds issued in 2007.

**ECONOMIC FACTORS IMPACTING THE DISTRICT'S FUTURE BUDGETS**

The employees of the District are covered under either the New York State Employees' Retirement System (ERS) or the New York State Teachers' Retirement System (TRS) for their pension benefits. The total pension costs for both systems are paid for by contributions from employees and from the District. The contribution rates for the 2013-14 school year for TRS and ERS are 17.53% and 20.1% of related salaries, respectively.



SCARSDALE UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

Since 2005-06, the District has had relatively stable health insurance costs with the exception of the last year. The actual annual costs for 2007-08 through 2013-14 were \$9.5M, \$10.3M, \$12.3M, \$11.5M, \$12.7M, \$15.0M and \$14.2M, respectively. The District has been able to maintain a per enrollee cost that is less than "less commensurate" health plans in the Metropolitan area. Because the plan is self-insured and actual claims are paid as incurred, the actual costs in any one year may be more or less than budgeted. Recently, the health insurance reserve was reduced to \$15,000; therefore future unanticipated overages will be funded by the undesignated reserve after exhausting the \$15,000 reserve balance. In addition, the District has invested in Stop-Loss insurance in order to limit the risk of an over-budget exposure.

Last year, the District negotiated a three year contract with the Scarsdale Teachers' Association, which expires at June 30, 2016. In the current year, all other group contracts have been finalized, with contracts expiring through June 30, 2017.

2008-09 was the first year of the OPEB charge as per the Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. We anticipate that the District will continue to incur charges of approximately \$9.7M for the foreseeable future in accordance with the standards' guidelines. Currently this long-term liability is unfunded, in accordance with state law. If it is not funded in the future, the Total Net Position, Government-wide will decrease accordingly.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Scarsdale Union Free School District's finances for all those with an interest in them. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office of the Scarsdale Union Free School District, 2 Brewster Road, Scarsdale, New York, 10583.

SCARSDALE UNION FREE SCHOOL DISTRICT

Statement of Net Position

Governmental Activities

June 30, 2014

Assets:

Cash and cash equivalents - unrestricted	\$ 14,664,404
Cash and cash equivalents - restricted	3,328,497
Investments	12,970,320
Assets held by escrow agent	9,954,837
Receivables:	
Due from fiduciary funds	61,755
State and federal aid	1,526,593
Other receivables	1,100,626
Capital assets, net	<u>91,902,723</u>
Total assets	<u>135,509,755</u>

Liabilities:

Payables:

Accounts payable and accrued liabilities	4,469,189
Accrued interest	370,650
Due to retirement systems	11,040,000
Other liabilities	3,109,072

Long-term liabilities:

Due and payable within one year:

Leases payable	1,987,701
Bonds payable	6,420,000
Unamortized bond premiums	446,972

Due and payable after one year:

Leases payable	5,411,520
Bonds payable	36,375,000
Unamortized bond premiums	2,652,317
Compensated absences	978,936
Other postemployment benefits	<u>46,300,219</u>

        Total liabilities 119,561,576

Net position:

Net investment in capital assets	41,708,502
Restricted	4,422,122
Unrestricted	<u>(30,182,445)</u>
Total net position	<u>\$ 15,948,179</u>

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT

Statement of Activities

Governmental Activities

Year Ended June 30, 2014

		<u>Program Revenues</u>		Net (expense)
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	revenue and
		<u>services</u>	<u>grants</u>	changes in
				<u>net position</u>
Functions/programs:				
General support	\$ 20,070,784	-	-	(20,070,784)
Instruction	117,288,530	846,996	1,337,723	(115,103,811)
Community services	388,409	-	-	(388,409)
Pupil transportation	4,994,778	-	-	(4,994,778)
Debt service	1,199,727	-	-	(1,199,727)
School lunch program	1,157,169	1,207,627	-	50,458
Depreciation - unallocated	4,960,152	-	-	(4,960,152)
Total functions and programs	<u>\$ 150,059,549</u>	<u>2,054,623</u>	<u>1,337,723</u>	<u>(146,667,203)</u>
General revenue:				
Real property taxes				130,650,863
Non property taxes				915,257
Use of money and property				331,800
State sources				5,967,488
Miscellaneous				232,136
Total general revenue				<u>138,097,544</u>
Change in net position				<u>(8,569,659)</u>
Net position at beginning of year, as originally reported				26,709,658
Prior period adjustments				<u>(2,191,820)</u>
Net position at beginning of year, as restated				<u>24,517,838</u>
Net position at end of year				<u>\$ 15,948,179</u>

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2014

	<u>General</u>	<u>Special aid</u>	<u>School food service</u>	<u>Debt Service</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
<u>Assets</u>						
Cash and cash equivalents - unrestricted	\$ 14,574,543	-	89,861	-	-	14,664,404
Cash and cash equivalents - restricted	3,328,497	-	-	-	-	3,328,497
Investments	12,970,320	-	-	-	-	12,970,320
Assets held by escrow agent	-	-	-	9,954,837	-	9,954,837
Receivables:						
Due from other governmental funds	628,641	-	516,993	-	519,316	1,664,950
Due from fiduciary funds	61,755	-	-	-	-	61,755
State and federal aid	700,003	826,590	-	-	-	1,526,593
Other receivables	1,100,626	-	-	-	-	1,100,626
Total assets	<u>\$ 33,364,385</u>	<u>826,590</u>	<u>606,854</u>	<u>9,954,837</u>	<u>519,316</u>	<u>45,271,982</u>
<u>Liabilities, Deferred Inflows and Fund Balance</u>						
Payables:						
Accounts payable	3,761,035	197,949	204,276	-	23,087	4,186,347
Accrued liabilities	282,842	-	-	-	-	282,842
Due to other governmental funds	984,390	628,641	-	-	51,919	1,664,950
Due to retirement systems	11,040,000	-	-	-	-	11,040,000
Other liabilities	3,000,000	-	109,072	-	-	3,109,072
Total liabilities	<u>19,068,267</u>	<u>826,590</u>	<u>313,348</u>	<u>-</u>	<u>75,006</u>	<u>20,283,211</u>
Deferred inflows - unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,954,837</u>	<u>-</u>	<u>9,954,837</u>
<u>Fund Balance</u>						
Restricted	3,684,306	-	293,506	-	444,310	4,422,122
Assigned	5,074,398	-	-	-	-	5,074,398
Unassigned	5,537,414	-	-	-	-	5,537,414
Total fund balance	<u>14,296,118</u>	<u>-</u>	<u>293,506</u>	<u>-</u>	<u>444,310</u>	<u>15,033,934</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 33,364,385</u>	<u>826,590</u>	<u>606,854</u>	<u>9,954,837</u>	<u>519,316</u>	<u>45,271,982</u>

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2014

	Total governmental funds	Long-term assets, liabilities	Reclassifications and eliminations	Statement of net position totals
Assets:				
Cash and cash equivalents - unrestricted	\$ 14,664,404	-	-	14,664,404
Cash and cash equivalents - restricted	3,328,497	-	-	3,328,497
Investments	12,970,320	-	-	12,970,320
Assets held by escrow agent	9,954,837	-	-	9,954,837
Receivables:				
Due from other governmental funds	1,664,950	-	(1,664,950)	-
Due from fiduciary funds	61,755	-	-	61,755
State and federal aid	1,526,593	-	-	1,526,593
Other receivables	1,100,626	-	-	1,100,626
Capital assets, net	-	91,902,723	-	91,902,723
Total assets	<u>\$ 45,271,982</u>	<u>91,902,723</u>	<u>(1,664,950)</u>	<u>135,509,755</u>
Liabilities:				
Payables:				
Accounts payable	4,186,347	-	-	4,186,347
Accrued liabilities	282,842	-	-	282,842
Accrued interest payable	-	370,650	-	370,650
Due to other funds	1,664,950	-	(1,664,950)	-
Due to retirement system	11,040,000	-	-	11,040,000
Other liabilities	3,109,072	-	-	3,109,072
Lease payable	-	7,399,221	-	7,399,221
Bond premiums	-	1,617,412	1,481,877	3,099,289
Bonds payable	-	34,220,000	8,575,000	42,795,000
Compensated absences	-	978,936	-	978,936
Other postemployment benefits	-	46,300,219	-	46,300,219
Total liabilities	<u>20,283,211</u>	<u>90,886,438</u>	<u>8,391,927</u>	<u>119,561,576</u>
Deferred inflows	<u>9,954,837</u>	<u>-</u>	<u>(9,954,837)</u>	<u>-</u>
Total fund balance net position	<u>15,033,934</u>	<u>1,016,285</u>	<u>(102,040)</u>	<u>15,948,179</u>
Total liabilities and fund balance/ deferred inflows/net position	<u>\$ 45,271,982</u>	<u>91,902,723</u>	<u>(1,664,950)</u>	<u>135,509,755</u>

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position, Continued  
June 30, 2014

Total fund balances - governmental funds \$ 15,033,934

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

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the  
governmental funds. The assets consist of:

Land	\$	764,800
Construction in progress		30,712
Buildings and improvements		149,935,529
Land improvements		3,453,265
Machinery, equipment and vehicles		18,304,449
Accumulated depreciation		<u>(80,586,032)</u>

Total capital assets 91,902,723

Some liabilities are not due and payable in the current  
period and therefore are not reported in the governmental  
funds.

Those liabilities consist of:

Compensated absences		(978,936)
Other postemployment benefits		(46,300,219)
Accrued interest		(370,650)

Long-term liabilities, including bonds payable and premium  
on bonds are not due and payable in the current period and  
therefore are not reported in the governmental funds.

Deferred inflows		9,954,837
Bonds payable		(42,795,000)
Unamortized bond premiums		(3,099,289)
Capital leases		<u>(7,399,221)</u>

Total net position - end of year \$ 15,948,179

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
Year Ended June 30, 2014

	<u>General</u>	<u>Special aid</u>	<u>School food service</u>	<u>Debt Service</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Revenue:						
Real property taxes	\$ 130,650,863	-	-	-	-	130,650,863
Non property taxes	915,257	-	-	-	-	915,257
Charges for services	846,996	-	-	-	-	846,996
Use of money and property	331,289	-	511	-	-	331,800
State sources	5,967,488	374,476	-	-	-	6,341,964
Federal sources	-	963,247	-	-	-	963,247
School lunch sales	-	-	1,207,627	-	-	1,207,627
Miscellaneous	221,189	-	-	-	-	221,189
Total revenue	<u>138,933,082</u>	<u>1,337,723</u>	<u>1,208,138</u>	<u>-</u>	<u>-</u>	<u>141,478,943</u>
Expenditures:						
General support	15,572,138	-	-	-	-	15,572,138
Instruction	77,108,880	1,426,152	-	-	-	78,535,032
Community services	388,409	-	-	-	-	388,409
Pupil transportation	3,513,472	-	-	-	-	3,513,472
Employee benefits	35,544,956	-	-	-	-	35,544,956
Debt service	9,601,401	-	-	102,040	-	9,703,441
Cost of sales	-	-	1,157,169	-	-	1,157,169
Capital outlay	-	-	-	-	1,438,733	1,438,733
Total expenditures	<u>141,729,256</u>	<u>1,426,152</u>	<u>1,157,169</u>	<u>102,040</u>	<u>1,438,733</u>	<u>145,853,350</u>
Excess (deficiency) of revenue over expenditures	<u>(2,796,174)</u>	<u>(88,429)</u>	<u>50,969</u>	<u>(102,040)</u>	<u>(1,438,733)</u>	<u>(4,374,407)</u>
Other financing sources and (uses):						
Proceeds from leases	-	-	-	-	1,128,000	1,128,000
Proceeds from issuance of long-term debt	-	-	-	102,040	-	102,040
Operating transfers in	-	88,429	-	-	135,755	224,184
Operating transfers (out)	(224,184)	-	-	-	-	(224,184)
Total other financing sources and (uses)	<u>(224,184)</u>	<u>88,429</u>	<u>-</u>	<u>102,040</u>	<u>1,263,755</u>	<u>1,230,040</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>(3,020,358)</u>	<u>-</u>	<u>50,969</u>	<u>-</u>	<u>(174,978)</u>	<u>(3,144,367)</u>
Fund balance at beginning of year	<u>17,316,476</u>	<u>-</u>	<u>242,537</u>	<u>-</u>	<u>619,288</u>	<u>18,178,301</u>
Fund balance at end of year	<u>\$ 14,296,118</u>	<u>-</u>	<u>293,506</u>	<u>-</u>	<u>444,310</u>	<u>15,033,934</u>

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Reconciliation of Governmental Funds - Statement of Revenues,  
Expenditures and Changes in Fund Balance to the Statement of Activities  
Year Ended June 30, 2014

	Total governmental funds	Long-term liabilities	Capital related items	Reclassifications and eliminations	Statement of activities total
Revenue:					
Real property taxes	\$ 130,650,863	-	-	-	130,650,863
Non property taxes	915,257	-	-	-	915,257
Charges for services	846,996	-	-	-	846,996
Use of money and property	331,800	-	-	-	331,800
State sources	6,341,964	-	-	-	6,341,964
Federal sources	963,247	-	-	-	963,247
School lunch sales	1,207,627	-	-	-	1,207,627
Miscellaneous	221,189	-	10,947	-	232,136
Total revenue	<u>141,478,943</u>	<u>-</u>	<u>10,947</u>	<u>-</u>	<u>141,489,890</u>
Expenditures:					
General support	15,572,138	-	-	4,498,646	20,070,784
Instruction	78,535,032	-	(463,401)	39,216,899	117,288,530
Community services	388,409	-	-	-	388,409
Pupil transportation	3,513,472	-	(101,631)	1,582,937	4,994,778
Employee benefits	35,544,956	9,753,526	-	(45,298,482)	-
Debt service	9,703,441	(8,503,714)	-	-	1,199,727
Cost of sales	1,157,169	-	-	-	1,157,169
Capital outlay	1,438,733	-	(1,438,733)	-	-
Depreciation	-	-	4,960,152	-	4,960,152
Total expenditures	<u>145,853,350</u>	<u>1,249,812</u>	<u>2,956,387</u>	<u>-</u>	<u>150,059,549</u>
Excess (deficiency) of revenue over expenditures	<u>(4,374,407)</u>	<u>(1,249,812)</u>	<u>(2,945,440)</u>	<u>-</u>	<u>(8,569,659)</u>
Other financing sources and uses:					
Proceeds from leases	1,128,000	(1,128,000)	-	-	-
Proceeds from issuance of long-term debt	102,040	(102,040)	-	-	-
Operating transfers in	224,184	-	-	(164,331)	59,853
Operating transfers (out)	<u>(224,184)</u>	<u>-</u>	<u>-</u>	<u>164,331</u>	<u>(59,853)</u>
Total other financing sources (uses)	<u>1,230,040</u>	<u>(1,230,040)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change for the year	<u>\$ (3,144,367)</u>	<u>(2,479,852)</u>	<u>(2,945,440)</u>	<u>-</u>	<u>(8,569,659)</u>

See accompanying notes to financial statements.



SCARSDALE UNION FREE SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance - Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (3,144,367)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Additions of assets	\$ 2,025,659	
Depreciation	(4,960,152)	
Disposition of capital assets	<u>(10,947)</u>	(2,945,440)

Repayment of bond is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal paid on bonds	6,080,000
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Payment of lease is an expenditure in the government funds but the repayment reduces long-term liabilities in the statement of net position.	1,731,116
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Bond proceeds and premium on bonds and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Amortized bond premium	574,408	
Proceeds from issuance of debt	(102,040)	
Capital lease proceeds	<u>(1,128,000)</u>	(655,632)

Compensated absences represent the value of the earned and unused portion of the liability for the vacation and compensatory time. They are reported in the statement of activities but do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds. This is the net change of compensated absences.	(13,723)
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due.	118,190
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Other postemployment benefits represent the value of the unfunded portion of the cost of benefits for current employees upon retirement. They are reported in the statement of activities but do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>(9,739,803)</u>
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Change in net position of governmental activities	<u>\$ (8,569,659)</u>
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See accompanying notes to financial statements.

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014

	Private Purpose <u>Trust Funds</u>	Agency <u>Funds</u>	Total Fiduciary <u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 120,339	610,881	731,220
Due from general fund	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>120,339</u>	<u>610,881</u>	<u>731,220</u>
Liabilities:			
Accounts payable and agency liabilities	2,050	344,818	346,868
Due to general fund	59,522	2,233	61,755
Extraclassroom activity balance	<u>-</u>	<u>263,830</u>	<u>263,830</u>
Total liabilities	<u>61,572</u>	<u>610,881</u>	<u>672,453</u>
Net position - reserved for scholarships and family support	<u>\$ 58,767</u>	<u>-</u>	<u>58,767</u>

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2014

	<u>Private Purpose Trust Funds</u>
Additions:	
Gifts and donations	\$ 41,593
Total additions	41,593
Deductions - scholarships and program grant awards	<u>50,556</u>
Change in net position	(8,963)
Net position at beginning of year	<u>67,730</u>
Net position at end of year	<u><u>\$ 58,767</u></u>

See accompanying notes to financial statements.

# SCARSDALE UNION FREE SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

### (1) Summary of Accounting Policies

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

#### (a) Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management and primary accountability for all fiscal matters.

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

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

#### (i) Extraclassroom Activity Funds

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

## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (1) Summary of Accounting Policies, Continued

##### (b) Joint Venture

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

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

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

During the year, the District was billed \$2,606,413 for BOCES administrative and program costs and recognized \$174,220 in revenue as the District's share of BOCES aid.

Participating school districts issue debt on behalf of BOCES. As of year-end, there was no debt issued by the District on behalf of BOCES.

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

##### (c) The Scarsdale Schools Education Foundation

The Scarsdale Schools Education Foundation (the Foundation) is a not-for-profit 501(c)(3) organization formed to increase the financial resources available to support programs in the District. It was organized by local residents and is operated by a nine member board of directors, two of whom are appointed by the Board of Education. During the year ended June 30, 2014 the Foundation made contributions to the District amounting to \$90,000. For more information about the Foundation see [www.scarsdaleschoolseducationfoundation.org](http://www.scarsdaleschoolseducationfoundation.org).

## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (1) Summary of Accounting Policies, Continued

##### (d) Basis of Presentation

###### (i) District-Wide Statements

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

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

###### (ii) Funds Statements

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and school store operations or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds or by outside parties. The District reports the special aid fund and the school food service fund as major special revenue funds.

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest related to the refunding of existing debt obligations.

## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (1) Summary of Accounting Policies, Continued

##### (d) Basis of Presentation, Continued

##### (ii) Funds Statements, Continued

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

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

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

##### (e) Measurement Focus and Basis of Accounting

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Sales tax related to the current fiscal year, received after the revenue recognition period are not considered available and have been excluded from the financial statements.

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

## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (1) Summary of Accounting Policies, Continued

##### (f) Property Taxes

Real property taxes are levied annually by the Board of Education. Uncollected real property taxes are subsequently enforced by the Towns of Scarsdale and Mamaroneck. The Towns pay an amount representing uncollected real property taxes transmitted to the Towns for enforcement to the District no later than the following April 1.

##### (g) Restricted Resources

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

##### (h) Interfund Transactions

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

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

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

Refer to note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenue activity.

##### (i) Estimates

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



## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (1) Summary of Accounting Policies, Continued

##### (j) Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

##### (k) Accounts Receivable

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

##### (l) Prepaid Items

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

##### (m) Capital Assets

Capital assets are reported in the District-wide financials at actual costs or estimated historical cost. Donated assets are reported at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as construction in progress until the projects are completed.

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

SCARSDALE UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(m) Capital Assets, Continued

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight Line	50
Land improvements	5,000	Straight-line	20
Buildings and improvements	5,000	Straight-line	20
Vehicles	5,000	Straight-line	8
Computer equipment	5,000	Straight-line	5
Equipment	5,000	Straight-line	5-15

(n) Deferred Inflows

Deferred inflows are reported when potential inflows do not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arises when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, deferred inflows are removed and revenue is recorded.

The debt service fund recognized \$9,954,837 of deferred inflows pursuant to bond proceeds for a refunding to be completed subsequent to June 30, 2014. Such amounts have been deemed to measurable but not "available".

(o) Vested Employee Benefits

Compensated Absences

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

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

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

Consistent with GASB Statement No. 16 - "Accounting for Compensated Absences," the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (1) Summary of Accounting Policies, Continued

##### (p) Other Benefits

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through the District's self-insurance plan. The District pays 100% of the cost for retiree's health care insurance, excluding co-pay which is the sole responsibility of the retirees. Survivor beneficiaries reimburse the District monthly for 100% of the calculated premiums. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

##### (q) Short-Term Debt

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

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

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

##### (r) 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 within one year or due after one year in the statement of net position.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(s) Equity Classifications

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, construction or improvements to those assets.

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

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

Funds Statements

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.

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund and school food service fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement.

Employee Benefits and Accrued Liabilities

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

Retirement Contributions

According to General Municipal Law §6-r, must be used for New York State Employees' Retirement System (NYERS) 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.

# SCARSDALE UNION FREE SCHOOL DISTRICT

## Notes to Financial Statements, Continued

### (1) Summary of Accounting Policies, Continued

#### (s) Equity Classifications, Continued

##### Funds Statements, Continued

##### Tax Certiorari

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

##### Encumbrances

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

##### Restricted fund balance includes the following:

##### General fund:

Debt service	\$ 316,863
Liability insurance	20,000
Retirement contributions	754,432
Tax certiorari	<u>2,593,011</u>
Total general fund	3,684,306
School food service fund	293,506
Capital projects fund	<u>444,310</u>
Total restricted funds	\$ <u>4,422,122</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2014.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance. Encumbrances reported in the general fund amounted to \$1,311,683. Additionally, the District assigned \$3,762,715 of fund balance and reserves to reduce the tax levy for the ensuing fiscal year budget.

## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (1) Summary of Accounting Policies, Continued

##### (s) Equity Classifications, Continued

###### Funds Statements, Continued

Unassigned - Includes all other general fund net position that does not meet the definition of the above four classifications and is deemed to be available for general use by the District. Also, the deficit in capital projects fund is considered unassigned under accounting principles generally accepted in the United States of America.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. 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 and school food service fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

#### (2) Stewardship, Compliance and Accountability

##### (a) Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the general fund for which a legal (appropriated) budget is adopted.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year ended June 30, 2014.

## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (2) Stewardship, Compliance and Accountability, Continued

##### (a) Budgets, Continued

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

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

##### (b) 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 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.

The District's unreserved unassigned fund balance was within the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

#### (3) Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

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

The District's aggregate bank balances were fully collateralized as of June 30, 2014.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$3,328,497 within the general fund and \$731,220 within the fiduciary funds.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(4) Investments

Investments are stated at fair value, and are categorized as either:

- (a) Insured or registered, or investments held by the District or by the District's agent in the District's name, or
- (b) Uninsured and unregistered, with the investments held by the financial institution's trust department in the District's name, or
- (c) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District's name.

<u>Fund</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Investment Gain/Loss</u>	<u>Type of Investment</u>	<u>Category</u>
General fund	\$ 2,970,320	2,970,320	-	U.S. Treasury	A
General fund	10,000,000	10,000,000	-	CD	A

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

Investment Pool:

The District participates in multi-municipal cooperative investment pool agreements 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. The investments are highly liquid and considered to be cash equivalents.

The following amounts are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Amount</u>
General	\$ 46,228
Trust	\$ 10,840

The above amounts represent the cost of the investment pool shares and are considered to approximate market value. The investment pools are categorically exempt from the New York State collateralization requirements.



# SCARSDALE UNION FREE SCHOOL DISTRICT

## Notes to Financial Statements, Continued

### (5) Receivables

Major revenue accrued by the District at June 30, 2014 consisted of the following:

(a) Due from State, Federal and Other Governments - Represents amounts due from other units of government, such as New York State and other local governments. Amounts due to the District at June 30, 2014 are listed below:

General fund:

State aid \$ 700,003

Special aid fund:

Federal aid \$ 826,590

(b) Other Receivables - Represents amounts due for out-of-district tuition billings (in the general fund) and other minor charges.

### (6) Capital Assets

Capital asset balances and activity were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not				
Depreciated:				
Land	\$ 764,800	-	-	764,800
Construction in progress	<u>30,712</u>	<u>-</u>	<u>-</u>	<u>30,712</u>
Total nondepreciable historical cost	<u>795,512</u>	<u>-</u>	<u>-</u>	<u>795,512</u>
Capital assets that are depreciated:				
Buildings	149,247,823	689,046	(1,340)	149,935,529
Land improvements	3,446,001	7,264	-	3,453,265
Furniture and equipment	<u>17,546,882</u>	<u>1,329,349</u>	<u>(571,782)</u>	<u>18,304,449</u>
Total depreciable historical cost	<u>170,240,706</u>	<u>2,025,659</u>	<u>(573,122)</u>	<u>171,693,243</u>
Less accumulated depreciation:				
Buildings	62,084,128	3,449,498	(60)	65,533,566
Land improvements	1,568,416	112,123	-	1,680,539
Furniture and equipment	<u>12,535,511</u>	<u>1,398,531</u>	<u>(562,115)</u>	<u>13,371,927</u>
Total accumulated depreciation	<u>76,188,055</u>	<u>4,960,152</u>	<u>(562,175)</u>	<u>80,586,032</u>
Total historical cost, net	<u>94,052,651</u>	<u>(2,934,493)</u>	<u>(10,947)</u>	<u>91,107,211</u>
Governmental activities - capital assets, net	\$ <u>94,848,163</u>	<u>(2,934,493)</u>	<u>(10,947)</u>	<u>91,902,723</u>

The current year depreciation expense of \$4,960,152 was unallocated.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(7) Short-Term Debt

The District had no short-term debt in the current year.

(8) Long-Term Debt Obligations

Transactions in long-term debt for the year are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Government activities:					
Bonds payable	\$ 40,300,000	8,575,000	(6,080,000)	42,795,000	6,420,000
Premium on bond issues	<u>2,191,820</u>	<u>1,481,877</u>	<u>(574,408)</u>	<u>3,099,289</u>	<u>446,972</u>
Total government activities	<u>42,491,820</u>	<u>10,056,877</u>	<u>(6,654,408)</u>	<u>45,894,289</u>	<u>6,866,972</u>
Other liabilities:					
Capital leases	8,002,337	1,128,000	(1,731,116)	7,399,221	1,987,701
Other postemployment benefits	36,560,416	13,195,791	(3,455,988)	46,300,219	-
Compensated absences (net activity)	<u>965,213</u>	<u>13,723</u>	<u>-</u>	<u>978,936</u>	<u>-</u>
Total other liabilities	<u>45,527,966</u>	<u>14,337,514</u>	<u>(5,187,104)</u>	<u>54,678,376</u>	<u>1,987,701</u>
Total	\$ <u>88,019,786</u>	<u>24,394,391</u>	<u>(11,841,512)</u>	<u>100,572,665</u>	<u>8,854,673</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and other postemployment benefits when they become due.

General Obligation Bonds - The District issues general obligation bonds to provide funds for construction renovations and improvements of major capital facilities. The following is a summary of transactions for the year ended June 30, 2014:

Year of issue/ maturity	Interest rate	Beginning balance	Additions	Refundings/ Reductions	Ending balance
2007/2026	4.33%	\$ 11,180,000	-	580,000	10,600,000
2010/2019	1.79%	14,990,000	-	2,260,000	12,730,000
2012/2019	1.10%	10,780,000	-	1,605,000	9,175,000
2018/2014	2.84%	3,350,000	-	1,635,000	1,715,000
2014/2026	1.95%	<u>-</u>	<u>8,575,000</u>	<u>-</u>	<u>8,575,000</u>
		\$ <u>40,300,000</u>	<u>8,575,000</u>	<u>6,080,000</u>	<u>42,795,000</u>

SCARSDALE UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(8) Long-Term Debt Obligations, Continued

The following is a maturity schedule of bonded debt:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,420,000	2,076,967	8,496,967
2016	5,425,000	1,541,193	6,966,193
2017	5,665,000	1,324,394	6,989,394
2018	5,930,000	1,076,687	7,006,687
2019	6,180,000	817,300	6,997,300
2020 - 2024	8,220,000	2,127,478	10,347,478
2025 - 2027	<u>4,955,000</u>	<u>300,516</u>	<u>5,225,516</u>
	<u>\$ 42,795,000</u>	<u>9,264,535</u>	<u>52,059,535</u>

In 2014, the District issued \$8,575,000 in general obligation bonds with an average interest rate of 1.95% and received an additional premium of \$1,481,877. This bond represents a refunding for the 2007 bonds which had not been completed at June 30, 2014.

(9) Pension Plans

(a) General Information

The District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS) (collectively, 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.

(b) Provisions and Administration

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

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

SCARSDALE UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(9) Pension Plans, Continued

(c) Funding Policies

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, and before April 1, 2012 employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. For employees joining on or after April 1, 2012, employees in NYSERS are required to contribute 3% and 6%, dependent upon their salary, for their entire working career. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2013-2014	\$ 10,387,337	3,000,818
2012-2013	7,467,029	2,705,396
2011-2012	6,800,357	2,369,361

(10) Interfund Transactions - Governmental Funds

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. Interfund receivables, payables and transfers of the District as of and for the year ended June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
Governmental funds:				
General fund	\$ 628,641	984,390	-	224,184
School food service fund	516,993	-	-	-
Special aid fund	-	628,641	88,429	-
Capital projects fund	<u>519,316</u>	<u>51,919</u>	<u>135,755</u>	<u>-</u>
Total governmental funds	\$ <u>1,664,950</u>	<u>1,664,950</u>	<u>224,184</u>	<u>224,184</u>

## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (11) Other Postemployment Benefits (OPEB)

The District pays for a portion of eligible retirees' health insurance, depending on eligibility. Eligibility for postretirement benefits is based on age of retiree and years of service and depends upon associated group or union as follows: (1) Teamsters Local #264, (2) Administrators and Supervisors Association, (3) Teachers' Association, and (4) Business Administrator and Assistant Superintendent for Instruction.

The District implemented GASB Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," in the school year ended June 30, 2009. This required the District to calculate and record a net other postemployment benefit obligation at year-end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various contracts, which were ratified by the District's Board of Education. Upon retirement, the District generally pays between 50-100% of the cost of the medical plan in effect at the time of retirement for a maximum of ten years.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2014, the District recognized approximately \$3.45 million for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2012 (June 30, 2013 year end) which indicates that the total liability for other postemployment benefits is \$46,300,219 which is reflected in the statement of net position. The valuation was not related at June 30, 2014 and the liability was estimated based on the prior year valuation.

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

SCARSDALE UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(11) Other Postemployment Benefits (OPEB), Continued

Annual OPEB cost and net OPEB obligation:	
Annual required contribution	\$ 11,686,751
Interest on net OPEB obligation	1,089,602
Adjustment to annual required contribution	<u>419,438</u>
Annual OPEB cost (expense)	13,195,791
Contributions made	<u>3,455,988</u>
Increase in net OPEB obligation	9,739,803
Net OPEB obligation at beginning of year	<u>36,560,416</u>
Net OPEB obligation at end of year	\$ <u>46,300,219</u>

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

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 13,201,771	13,195,791	3,455,988	26.19%	46,300,219
6/30/2013	13,201,771	13,195,791	3,455,988	26.19%	36,560,416
6/30/2012	11,686,751	11,625,538	4,117,942	35.42%	26,820,613

**Funded Status and Funding Progress.** As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$138,426,579 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$138,426,579. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (11) Other Postemployment Benefits (OPEB), Continued

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return. An annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5.0% after 11 years. Both rates included an inflation assumption. The UAAL Is being amortized over future years in accordance with the employer's established accounting policy. The remaining amortization period at June 30, 2014 was 25 years.

#### (12) Risk Management

##### (a) General

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

##### (b) Consortiums and Self Insured Plans

The District participates in a risk sharing pool, the Southern Westchester School Cooperative Workers' Compensation Self-Insurance Plan, to insure workers' compensation claims. This public entity risk pool was created under Article 5 of Workers' Compensation Law, to finance liability and risks related to workers' compensation claims.

The District pays annual premiums to the pool for its workers' compensation claims coverage. The plan has obtained an excess compensation insurance policy to buffer the effect that a single large claim may have on the Plan. Although excess compensation insurance permits recovery of a portion of such losses from the insurance carrier, it does not discharge the Plan's responsibility for payment of the claim.

The Plan established a liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Plans' total undiscounted liability for unbilled and opened claims at June 30, 2014, is \$18,721,248 which includes IBNR. Of this total liability, \$1,676,147 is associated with the District. Total plan assets were not available at the date of these financial statements. During the year ended June 30, 2014, the Districts' contribution to the Plan was approximately \$527,000.

# SCARSDALE UNION FREE SCHOOL DISTRICT

## Notes to Financial Statements, Continued

### (12) Risk Management, Continued

#### (b) Consortiums and Self Insured Plans, Continued

The Plan has not yet issued financial statements for the year ended June 30, 2014.

The District has chosen to establish a self-funded health benefit program for its employees.

The benefit programs administrator, POMCO, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the general fund of the District. At year-end, the District has a liability of \$3,000,000 which represents reported and unreported claims which were incurred on or before year end, but which were not paid by the District as of that date. This amount consists of claims reported to the District by the benefits program administrator of \$1,793,413, and the estimated incurred claims which were not reported to either the benefits program administrator or the District of \$1,206,587. Claims activity is summarized below:

Current Year Balance at Beginning of Year	Claims and Changes in Estimates	Claims Payments	Balance at End of Year
<u>\$ 2,597,409</u>	<u>14,267,153</u>	<u>13,864,562</u>	<u>3,000,000</u>

#### (b) Consortiums and Self Insured Plans, Continued

Claims reported for the fiscal year ended June 30:

2014	\$ 13,864,562
2013	\$ 15,557,395
2012	\$ 13,082,691

Incurred but not reported for the fiscal year ended June 30:

2014	\$ 3,000,000
2013	\$ 2,597,409
2012	\$ 2,293,844

### (13) Commitments and Contingencies

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

Various legal actions are pending against the District. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.



## SCARSDALE UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (14) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The requirements of this statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning July 1, 2014 for the District. Management is in the process of evaluating the potential impact due to the implementation of this statement on the financial statements of the District.

GASB Statement No. 69 - "Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards for government mergers, acquisitions and disposals. The statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning July 1, 2014 for the District. This statement is not expected to have a material effect on the financial statements of the District.

GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" addresses an issue regarding application of the transition provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions." This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this statement are effective for the same period that the District implements GASB Statement No. 68. Management is in the process of evaluating the potential impact due to the implementation of this statement on the financial statements of the District.

#### (15) Restatements

Net position as of July 1, 2013 has been restated to recognize unamortized bond premiums totaling \$2,191,820 related to bonds issued in prior years.

#### (16) Subsequent Events

The District has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

SCARSDALE UNION FREE SCHOOL DISTRICT  
 Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual - General Fund  
 Year ended June 30, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	Actual (Budgetary <u>Basis</u> )	Final Budget Variance with Budgetary <u>Actual</u>
Revenues:				
Local sources:				
Real property taxes	\$ 130,650,863	130,650,863	130,650,863	-
Non property taxes	888,557	888,557	915,257	(26,700)
Charges for services	797,785	797,785	846,996	(49,211)
Use of money and property	300,563	300,563	331,289	(30,726)
Miscellaneous	261,364	261,364	221,189	40,175
State sources	<u>5,788,580</u>	<u>5,788,580</u>	<u>5,967,488</u>	<u>(178,908)</u>
Total revenues	138,687,712	138,687,712	138,933,082	(245,370)
Appropriated reserves - repair	432,000	432,000	-	432,000
Appropriated reserves - debt service	230,000	230,000	-	230,000
Appropriated reserves - retirement contribution	250,000	250,000	-	250,000
Appropriated fund balance	4,300,000	4,300,000	-	4,300,000
Appropriated encumbrances	<u>-</u>	<u>1,939,368</u>	<u>-</u>	<u>1,939,368</u>
Total resources and appropriated fund balances	<u>\$ 143,899,712</u>	<u>145,839,080</u>	<u>138,933,082</u>	<u>6,905,998</u>

(Continued)

SCARSDALE UNION FREE SCHOOL DISTRICT  
 Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual - General Fund, Continued  
 Year ended June 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
Expenditures:					
General support:					
Board of Education	\$ 51,235	141,086	122,547	18,539	-
Central administration	536,162	577,117	575,935	1,182	-
Finance	1,113,188	1,140,233	1,115,636	21,478	3,119
Staff	819,238	874,329	870,520	3,809	-
Central services	10,607,809	11,567,408	11,009,895	423,544	133,969
Special services	999,722	1,884,603	1,877,605	-	6,998
Instruction:					
Instruction, administration and improvement	5,086,939	5,252,759	4,939,946	120,605	192,208
Teaching - regular school	53,916,908	53,008,561	52,323,340	264,835	420,386
Special apportionment programs	11,269,388	12,239,623	11,160,111	323,583	755,929
Instructional media	1,333,206	2,471,374	2,348,689	67,215	55,470
Pupil services	6,440,095	6,478,206	6,336,794	6,833	134,579
Community services	347,195	388,409	388,409	-	-
Pupil transportation	3,850,129	3,732,196	3,513,472	40,672	178,052
Employee benefits	37,897,268	36,212,963	35,544,956	-	668,007
Debt service	9,587,195	9,646,029	9,601,401	19,388	25,240
Total expenditures	143,855,677	145,614,896	141,729,256	1,311,683	2,573,957
Other financing uses - transfers to other funds	44,035	224,184	224,184	-	-
Total expenditures and other financing uses	<u>\$ 143,899,712</u>	<u>145,839,080</u>	<u>141,953,440</u>	<u>1,311,683</u>	<u>2,573,957</u>
Net change in fund balance			(3,020,358)		
Fund balance at beginning of year			17,316,476		
Fund balance at end of year			<u>\$ 14,296,118</u>		

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

SCARSDALE UNION FREE SCHOOL DISTRICT  
 Required Supplementary Information  
 Schedule of Funding Progress  
 Other Postemployment Benefits Plan  
 For the year ended June 30, 2014

Actuarial valuation <u>date</u>	Actuarial value of <u>assets</u>	Actuarial accrued <u>liability (AAL)</u>	Unfunded <u>AAL (UAAL)</u>	Funded <u>ratio</u>	Covered <u>payroll</u>	UAAL as a percentage of covered <u>payroll</u>
July 1, 2012	\$ -	138,426,579	138,426,579	0.0%	64,903,566	213.28%
July 1, 2010	-	117,315,542	117,315,542	0.0%	65,194,367	179.95%
July 1, 2008	-	83,126,321	83,126,321	0.0%	63,997,246	129.89%

## SUPPLEMENTARY INFORMATION

SCARSDALE UNION FREE SCHOOL DISTRICT  
 Supplementary Information  
 Schedule of Change from Adopted Budget to Final Budget  
 and the Real Property Tax Law  
 Limit Calculation  
 Year ended June 30, 2014

Change from adopted budget to final budget:

Adopted budget	\$ 143,899,712
Add prior year's encumbrances	<u>1,939,368</u>
Final budget	<u>\$ 145,839,080</u>
Adopted budget 2014 - 2015	<u>\$ 148,200,685</u>

Section 1318 of Real Property Tax Law Limit Calculation:

2015 expenditure budget (maximum allowed 4% of 2015 budget)	<u>\$ 5,928,027</u>
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General fund fund balance subject to Section 1318 of  
 Real Property Tax Law\*:

Unrestricted fund balance:

Assigned fund balance	\$ 5,074,398
Unassigned fund balance	<u>5,537,414</u>

Total unrestricted fund balance	10,611,812
---------------------------------	------------

Less:

Appropriated fund balance	3,762,715
Encumbrances included in committed and assigned fund balance	<u>1,311,683</u>

Total adjustments	<u>5,074,398</u>
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General fund fund balance subject to Section 1318 of Real Property Tax Law	<u>\$ 5,537,414</u>
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Actual percentage	3.73%
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\* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," updated April 2011 (originally issued November 2010), the portion of [general fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

SCARSDALE UNION FREE SCHOOL DISTRICT  
 Supplementary Information  
 Schedule of Project Expenditures - Capital Projects Fund  
 Year ended June 30, 2014

<u>Project Title</u>	<u>Budget</u>	Revised <u>budget</u>	<u>Expenditures</u>		<u>Total</u>	Unexpended <u>balance</u>
			<u>Prior</u> <u>years</u>	<u>Current</u> <u>year</u>		
Highschool Autoshop	\$ 300,000	300,000	3,605	-	3,605	296,395
Middle School Stairs	200,000	213,466	213,466	-	213,466	-
Fitness Center	350,000	350,000	27,107	8,812	35,919	314,081
E.W. Gym Ventilation	220,000	196,438	196,438	-	196,438	-
HS Science Renovation	-	-	-	42,137	42,137	(42,137)
Cooper House Stair Replacement	-	-	-	22,736	22,736	(22,736)
E.W. Fire Alarm	-	-	-	17,124	17,124	(17,124)
Fox Meadow Fire Alarm	-	-	-	18,610	18,610	(18,610)
Other	-	-	-	1,406	1,406	(1,406)
Architectural Services	-	-	-	64,153	64,153	(64,153)
Garage Lease Payment	-	135,755	-	135,755	135,755	-
Computer Lease - Districtwide	1,128,000	1,128,000	-	1,128,000	1,128,000	-
Total	<u>\$ 2,198,000</u>	<u>2,323,659</u>	<u>440,616</u>	<u>1,438,733</u>	<u>1,879,349</u>	<u>444,310</u>



SCARSDALE UNION FREE SCHOOL DISTRICT  
Supplementary Information  
Net Investment in Capital Assets  
Year ended June 30, 2014

Capital assets, net		\$ 91,902,723
Deduct:		
Short-term portion of lease payable	\$ 1,987,701	
Short-term portion of bonds payable	6,420,000	
Long-term portion of lease payable	5,411,520	
Long-term portion of bonds payable	<u>36,375,000</u>	<u>50,194,221</u>
Net investment in capital assets		<u>\$ 41,708,502</u>

SCARSDALE UNION FREE SCHOOL DISTRICT

Federal Grant Compliance Audit

June 30, 2014

SCARSDALE UNION FREE SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>			
Passed-through NYS Education Department:			
Special Education Cluster:			
EHA, Part VI B, PL 94-142	84.027	0032-14-1097	\$ 758,489
PL 99-457, Preschool	84.173	0033-14-1097	<u>23,846</u>
Total Special Education Cluster			<u>782,335</u>
Title II A	84.367	0147-13-3805	36,337
Title II A	84.367	0147-14-3805	68,572
Title III LEP	84.365	0293-13-3805	16,389
Title III LEP	84.365	0293-14-3805	<u>12,852</u>
Total Expenditures of Federal Awards			<u>\$ 916,485</u>

See accompanying notes to schedule of expenditures of federal awards.

SCARSDALE UNION FREE SCHOOL DISTRICT  
Notes to the 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.

The District's practice is not to charge federal programs with indirect costs.

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

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

(2) Subrecipients

No amounts were provided to subrecipients.

INDEPENDENT AUDITORS' 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

The Board of Education  
Scarsdale Union Free 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, each major fund, and the fiduciary funds of Scarsdale Union Free School District (the District), as of and for the year ended June 30, 2014, and the related notes to the District's basic financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2014.

Internal Control Over Financial Reporting

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

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

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York  
December 3, 2014

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

The Board of Education  
Scarsdale Union Free School District:

Report on Compliance for Each Major Federal Program

We have audited Scarsdale Union Free 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 auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

### Opinion on Each Major Federal Program

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

### Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of 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.

*Toski & Co., CPAs, P.C.*

Williamsville, New York  
December 3, 2014



SCARSDALE CENTRAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
1. Material weakness(es) identified?	____ Yes <u> x </u> No
2. Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes <u> x </u> None reported
3. Noncompliance material to financial statements noted?	____ Yes <u> x </u> No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	____ Yes <u> x </u> No
5. Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes <u> x </u> None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))?	____ Yes <u> x </u> No
7. The District's major programs audited were:	
<u>Name of Federal Programs</u>	<u>CFDA Number</u>
Special Education Cluster	84.027/84.173
8. Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000
9. Auditee qualified as low-risk auditee?	<u> x </u> Yes    ____ No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable finding and questioned costs.