

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis,  
Financial Statements  
and Supplementary Information  
June 30, 2014  
(With Independent Auditors' Report Thereon)

# EVANS-BRANT CENTRAL SCHOOL DISTRICT

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 16
Basic Financial Statements:	
Statement of Net Position	17 - 18
Statement of Activities	19
Balance Sheet - Governmental Funds	20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities	23
Statement of Fiduciary Net Position - Fiduciary Funds	24
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	25
Notes to Financial Statements	26 - 45
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	46 - 47
Schedule of Funding Progress Other Postemployment Benefits Plan	48

# EVANS-BRANT CENTRAL SCHOOL DISTRICT

## Table of Contents, Continued

	<u>Page</u>
Other Supplementary Information:	
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Law Limit Calculation	49
Schedule of Project Expenditures - Capital Projects Fund	50
Net Investment in Capital Assets	51
Federal Grant Compliance Audit:	
Schedule of Expenditures of Federal Awards	52
Notes to the Schedule of Expenditures of Federal Awards	53
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 <u>Government Auditing Standards</u>	54 - 55
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	56 - 57
Schedule of Findings and Questioned Costs	58
Status of Prior Year Audit Findings	59

\* \* \* \* \*

INDEPENDENT AUDITORS' REPORT

The Board of Education  
Evans-Brant Central 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 Evans-Brant Central 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 the Evans-Brant Central School District as of June 30, 2014, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## 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 16, the schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund on pages 46 through 47, and the schedule of funding progress other postemployment benefits plan on page 48 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 September 17, 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  
September 17, 2014

## EVANS-BRANT CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis

Year ended June 30, 2014

Our discussion and analysis of the Evans-Brant Central School District's (commonly called "Lake Shore Central Schools") financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2014 and 2013. Please read it in conjunction with the District's financial statements and the accompanying notes to the financial statements, which begin on page 17.

### FINANCIAL HIGHLIGHTS

The Evans-Brant Central School District (the District) is a public school district formed under New York State Public Education Law. The District provides education to the children who reside in the towns of Brant, Eden and Evans in Erie County, New York and was formed through the consolidation of the Lake Shore Central and Farnham Union Free school districts in the early 1960's. The District has a land area of approximately 75 square miles and a current estimated population of approximately 20,000. The District is located on the shore of Lake Erie, with the City of Buffalo, New York located approximately 15 miles to the northeast. The villages of Angola, Brant, Derby, Farnham and North Evans lie wholly within the District.

In accordance with New York State Public Education Law, the District maintains a Fund Balance within its General Fund. By law, the District could not retain more than 4% of the ensuing year's General Fund Budget in its Unassigned Fund Balance at June 30, 2013 and 2014. The District did not exceed the appropriate amounts at either year end. Additionally, NYS Public Education Law and NYS General Municipal Law allow for the creation of various reserves, which may be maintained in addition to the Unassigned Fund Balance. The District does maintain a number of these reserves including a Reserve for Encumbrances, a Tax Certiorari Reserve, a Reserve for Debt, a Retirement Reserve and an Employee Benefit/Accrued Liability Reserve. These reserves are designed to allocate or "reserve" District funds for liabilities that will materialize at some point in the District's future. Proper use of Fund Balance Reserves can serve to protect the District from large changes in its tax rates.

On February 16, 2005 Moody's Investors Services Rating Committee reviewed the District's finances and assigned an upgraded bond rating to the District. The new rating is an enhanced A2 rating, with an underlying rating of A3. The District's previous rating was A3. The District issued its first series of Serial Bonds for its most recent capital construction projects totaling \$4,935,000 on June 28, 2012. Moody's Investor Service reviewed and assigned a rating of A1 to these bonds on June 15, 2012. The District advance refunded serial bonds from 2002 and 2005 during the 2012-13 year. On February 11, 2013 Moody's Investors Services assigned a rating of A1 to the District's refunding bonds that were issued. Moody's Investors Services maintained this bond rating when the District issued \$11,010,000 in serial bonds to fund the remaining portions of its most recent set of capital projects in June of 2014. For this bond issue, the District received an interest rate of 2.5808% and a premium on the bond issue of \$807,700. A portion of the bond premium was used to pay the expiring Bond Anticipation Note that temporarily financed the construction costs.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**FINANCIAL HIGHLIGHTS, Continued**

A discussion of financial highlights of the District for the 7/1/12 to 6/30/13 and 7/1/13 to 6/30/14 fiscal years has to include the effects of the continuing depressed economy in New York State and Erie County, and their relative effect on the District's finances. As a New York State public school, the District does not invest in the stock market, but invests idle funds in money market accounts and certificates of deposit in an effort to maximize earnings on excess cash balances.

The continued financial problems of the State and County along with the State of New York's continued practice of balancing its own budget through the reduction of State Aid to public school districts by use of its "Gap Elimination Adjustment" (GEA) caused the school district to take a very cautious approach with regards to its budget and finances. Expenditures were monitored closely throughout both years, as was the projected Fund Balance for June 30, 2013 and June 30, 2014. Careful planning and ordering helped the District to make maximum use of the budget to provide for programs again in the 2013-14 year, while maintaining its inventory of supplies which can be used to provide programs in the subsequent year. The District also sought outside revenue sources in an effort to realize as much revenue from alternate sources as possible during both years. The District allocated \$4,772,016 of unassigned fund balance to reduce the District's 2012-13 school tax levy at June 30, 2012. The District utilized its State Aid increase that was driven by a reduction in the State's GEA to reduce the allocation of unassigned fund balance for the 2013-14 fiscal year to \$3,900,000. The District believes the proper use of fund balance reserves in both years was a necessary and prudent use of public funds to maintain the level of its educational programs for students. The District will seek to reduce the allocation of fund balance in future years if the levels of State Aid funding permit. The District reduced its appropriation of unassigned fund balance to \$3,500,000 for the ensuing 2014-15 fiscal year. This was done to continue to reduce the District's use of its fund balance in future budgets while minimizing the effect on the District's tax levy.

The District was awarded a Management Efficiency Grant from the State of New York for the 2012-13 and 2013-14 fiscal years totaling \$266,825 per year. The grant was awarded to the District based upon efficiencies the District was able to demonstrate from closing buildings and reducing staff and utility costs. The District utilized the grant to fund an energy education program to reduce its energy costs, and to fund the purchase of thin-client computers for its various elementary schools in the first year. These devices replaced older computers that consumed considerably more electricity, and are controlled by a central file server. Subsequently, the District again utilized second year funding to fund its energy education program and used remaining funds to replace outdated lighting in its High School and Middle School Gymnasiums and its High School Natatorium, with energy efficient LED lighting for greater energy savings. The grant is a three year grant, and the District will be looking to fund the energy education program through the grant for the 2014-15 fiscal year, and will continue the upgrading of lighting in its facilities for increased savings from energy efficiency.



EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**FINANCIAL HIGHLIGHTS, Continued**

District long-term debt includes a three-part serial bond issue for \$23,770,000 dated June 27, 2002. These bonds were issued to defease, or pay off before their stated maturity date, five separate serial bond issues which the District had previously issued in conjunction with capital building projects for the District's facilities. Due to changes in the State Building Aid formula, the District "advance refunded" the old bonds and replaced them with the new bonds, which have maturity dates designed to match the District's receipt of Building Aid on the debt payments. This served to minimize the effect of the State Building Aid change on the District's tax rate.

While the old bonds still existed, the funds from the issuance of the new bonds were placed with a third party paying agent that in turn made the payments to the holders of the old bonds. In this way, the District did not actually increase its borrowing because the paying agent already held the funds for payment of the old bonds. The District budgets the current year payment of the new bonds in its annual budget, and utilizes the Reserve for Debt to cover the local portion of the payment not covered by State Aid. The District once again advance refunded these bonds along with bonds issued in 2005 during the 2012-13 fiscal year to replace them with bonds bearing a lower rate of interest, much in the same way a homeowner might refinance their home mortgage for savings from a lower interest rate. The 2012-13 year was the first year the outstanding bonds qualified for advance refunding. The District realized net present value savings from the two refinancing bond issues of over \$635,000.

On February 18, 2009 the District issued \$5,600,000 in Bond Anticipation Notes (BANs) for the purpose of capital construction projects. During the 2012-13 year the District completed the construction work on projects totaling \$21.25 million, which included funding from New York State's Expanding Our Children's Education and Learning (EXCEL) program and Native American Building Aid. The District issued bond anticipation notes throughout the construction phases of the projects, and subsequently issued serial bonds for the portion not funded by the above sources once that construction work was completed. The District issued the first series of these bonds totaling \$4,935,000 bearing interest rates between 2-4%. The District issued bonds totaling \$4,935,000 for a portion of the project financing during the 2012-13 year. The District had \$12,190,000 in outstanding Bond Anticipation Notes for the remaining portion of the project financing outstanding as of June 30, 2013. The District made a principal payment on the notes during the 2013-14 year and issued serial bonds to replace the notes on June 26, 2014. The District kept the financing in notes for as long as possible to take advantage of short term interest rate savings. The bonds issued on June 26, 2014 total \$11,010,000 and have an average interest rate of 2.5808%.

The District also issues Bond Anticipation Notes each year for the purchase of school buses. These notes are paid off over 5 years, with current interest and approximately 20% of the principal being paid each year. As stated earlier, the District's Reserve for Debt purchased the school bus BANs during the 2011-12 school year. These BANs matured during April 2013. The District sold the school bus BANs issued during the 2012-13 and the 2013-14 years on the open market. The latest BANs will mature in April 2015.

The only other long-term debt which the District had incurred as of June 30, 2014 is the portion of benefits afforded to retirees under the District's collective bargaining agreements and employment policies, which are payable after more than one year, and are not funded under the Employee

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**FINANCIAL HIGHLIGHTS, Continued**

Benefit/Accrued Liability Reserve. Additionally, the District pays retiree health insurance benefits for instructional and administrative employees for a number of years after retirement, in accordance with collective bargaining agreements. These benefits are not recorded either in the District's compensated absences account in the long-term debt accounts, or in the Employee Benefit/Accrued Liability Reserve as they do not fit the legal definition of costs includable in these accounts. As of June 30, 2014, the District's long-term liability for compensated absences for all current employees who were eligible to retire from the District was fully funded. The liability for the previous year was likewise fully funded.

The District has a practice of systematically updating its facilities, through capital construction projects financed through serial bond issues. The District has a high school building, a middle school building, four elementary school buildings, two bus garages and a few small storage buildings. Being a consolidated school district, the District realizes approximately 95% State funding on approved capital construction projects. Since the District serves a number of Native American students from the nearby Cattaraugus Indian Reservation, the District also qualifies for Native American Building Aid on its school building construction projects. The District includes a \$50,000 appropriation in its annual budget for emergency capital projects. At the end of the 2010-11 year, the District moved its elementary students and staff out of its William T. Hoag Elementary School, located in the Village of Angola. The District consolidated classes in its remaining three elementary school buildings, and reduced a building administrator and clerical employee position (both through attrition), and a small number of instructional staff positions. The District retained ownership of the building, to provide it with additional available program space if the population of the District begins to increase. To make appropriate use of the building and to receive a proper return on its investment in the building for the time period until that need ever arises, the District has signed leases for renting out space within the building beginning July 1, 2011 to Erie 2-Chautauqua-Cattaraugus Board of Cooperative Educational Services (BOCES), Buffalo Hearing and Speech and the Boys and Girls Club of Lake Shore. The District has also moved its Central Printing and Mailing, District Technology, Special Education offices and Community Education Program offices to the building. As of the date of the financial statements, the building is fully occupied.

District residents approved a series of building projects in a December 2007 capital project referendum. Included within this appropriation is funding for projects covering health and safety related construction issues, through New York State's "Expanding Our Children's Education & Learning (EXCEL) program. Items included in this set of projects include handicapped accessibility for buildings and swimming pools, expansion of public address systems and video surveillance and monitoring systems. All construction work for the construction projects was completed prior to the close of the 2012-13 year. The District is received all of the related EXCEL funding on the individual projects that were included in the total project referendum prior to June 30, 2014. Subsequent to receiving the EXCEL funds, the District completed the filing requirements of the project cost reports on these projects. At that point, all forms required by the NYS Office of Facilities Planning and the Office of State Aid are filed, satisfying the District's reporting requirements.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to Evans-Brant Central School District's basic financial statements. The District's basic financial statements comprise 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.

### **Reporting on the District as a Whole: 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 that of a private-sector business. The two government-wide statements are the Statement of Net Position and the Statement of Activities.

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 may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in prior or future fiscal periods (e.g., earned but unused vacation leave and depreciation expense on fixed assets).

Both of the government-wide financial statements, found on pages 17 - 19, classify the functions of the District as governmental activities. These are activities that are principally supported by taxes, state aid, and intergovernmental revenues. The governmental activities of the District include general support, instruction, pupil transportation, employee benefits, debt service - interest, and school lunch.

### **Reporting on the District's Most Significant Funds: Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds (described in the following section).

**Governmental Funds:** Most of the District's basic services are reported in governmental funds which focus on how money flows into and out of those funds, and the balances left at year end that are available for spending. These funds are reported under the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information reports whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation of the fund financial statements to the government-wide financial statements on pages 21 and 23.

**Reporting on the District's Fiduciary Responsibilities:  
The District as a Trustee**

The District is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the District's fiduciary activities are reported on pages 24 - 25. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operation. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

**Governmental Activities**

For the years ended June 30, 2014 and 2013, net position changed as follows:

	<u>2014</u>	<u>2013</u>
Beginning net position	\$ 8,865,162	9,093,873
Change in net position	<u>(544,354)</u>	<u>(228,711)</u>
Ending net position	\$ <u>8,320,808</u>	<u>8,865,162</u>

The changes in net position are the result of equipment purchases and completion of construction work, bond issue principal payments paid in the two fiscal years, depreciation recorded on fixed assets and recognition of other postemployment benefits. The District recorded \$3,629,911 in depreciation expense in the 2013-14 year and \$2,842,670 in the 2012-13 year, which in turn reduced the net position shown above. The District reduced its liabilities for other postemployment benefits by \$268,657 in 2013-14 and \$328,523 in 2012-13. As discussed earlier, the District issued \$15,945,000 in bonds during the 2012-13 year to advance refund debt of \$16,630,000 and issued \$11,010,000 in bonds during 2013-14. The District made payments to retire serial bonds totaling \$2,325,000 in 2013-14 and \$2,935,000 in the 2012-13 year. The difference between the values of depreciation recorded, the amount of serial bonds issued, payments of serial bonds, and recognition of other postemployment benefits, and the change in net position represents the cost of new assets purchased less the amounts relative to the disposal of assets during the years.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE, Continued**

To aid in understanding the Statement of Activities, some additional explanation is given. First of all, the format is significantly different than that of a typical Statement of Revenues, Expenses, and Changes in Fund Balance. Expenses are listed in the first column with revenues from each particular program listed to the right. The result is the Net (Expense)/Revenue, shown in the last column. The reason for this kind of format is to show the relative financial burden of each of the District's functions. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. All governmental revenues besides line item revenues are reported as general.

**Condensed Statement of Net Position (in thousands of dollars)**

	Ended June 30, 2014	Ended June 30, 2013	Percentage change
Current and other assets	\$ 14,393	14,352	0.3%
Capital assets	<u>40,605</u>	<u>43,462</u>	<u>(6.6%)</u>
Total assets	<u>\$ 54,998</u>	<u>57,814</u>	<u>(4.9%)</u>
Long-term debt outstanding	40,667	31,479	29.2%
Other liabilities	<u>5,369</u>	<u>16,730</u>	<u>(67.9%)</u>
Total liabilities	<u>\$ 46,036</u>	<u>48,209</u>	<u>(4.5%)</u>
Deferred inflows of resources	<u>\$ 642</u>	<u>740</u>	<u>(13.2%)</u>
Net investment in capital assets	10,906	10,990	(0.8%)
Restricted	5,366	6,141	(12.6%)
Unrestricted deficit	<u>(7,952)</u>	<u>(8,266)</u>	<u>(3.8%)</u>
Total net position	<u>\$ 8,320</u>	<u>8,865</u>	<u>(6.1%)</u>

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE, Continued**

The following schedules present a summary of General, Special Revenue, Capital Project and Fiduciary revenues and expenditures for the fiscal years ended June 30, 2014 and 2013, and the percentage of increases and decreases from 6/30/13 to 6/30/14.

**Changes in Net Position from Operating Results (in thousands of dollars)**

	Ended <u>6/30/2014</u>	Ended <u>6/30/2013</u>	Percentage <u>change</u>
Revenue:			
Program revenue:			
Charges for services	\$ 3,907	3,277	19.2%
Operating grants and contributions	2,868	2,844	0.8%
Capital grants	403	405	(.5%)
General revenue:			
Real property taxes	13,016	12,693	2.5%
Real property tax items	3,449	3,333	3.5%
Nonproperty tax items	2,626	2,744	(4.3%)
Use of money and property	138	173	(20.2%)
Sale of property and compensation for loss	55	97	(43.3%)
Miscellaneous	360	579	(37.8%)
State sources	26,670	25,741	3.6%
Federal sources	383	41	834.1%
Total revenue	<u>53,875</u>	<u>51,927</u>	<u>3.8%</u>
Expenses:			
General support	10,620	10,206	4.1%
Instruction	37,598	36,152	4.0%
Pupil transportation	4,411	3,810	15.8%
Interest on long-term debt	641	795	(19.4%)
School food service	1,150	1,193	(3.6%)
Total expenses	<u>54,420</u>	<u>52,156</u>	<u>4.3%</u>
Change in net position	<u>\$ (545)</u>	<u>(229)</u>	<u>138.0%</u>

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The District's Board of Education approved the creation of a Fund Balance Reserve for Employee Benefits/Accrued Liabilities at its regular meeting on May 21, 2003. This reserve allows the District to reserve funds for the payment of obligations to retirement-eligible employees who have accumulated benefits due to them at the point of retirement. These benefits would include payment for unused vacation, sick and personal days. If New York State approves legislation to allow school districts to utilize this reserve for the purposes of funding other postemployment benefits as defined by Governmental Accounting Standards Board Statement Number 45 (GASB-45), the District intended to utilize the reserve to account for and fund these obligations of the District in the future. However, during the 2010-11 fiscal the Office of the NYS Comptroller completed examinations of public school district fund balance reserves, including the District's. The District was informed that it had excess fund balance reserves in its Employee Benefit/Accrued Liabilities Reserve account totaling \$1,838,150. The State Comptroller certified the excess balance, and authorized the District to appropriate the funds in the 2011-12 year budget to offset an increased loss in State Aid revenues. The District did appropriate \$1,656,123 from the reserve, for use in the 2011-12 fiscal year. The District is addressing the remaining excess balance by charging payment for unused leave time to employees per their respective employment contracts, to the reserve balance each year when expenditure accounts are closed to the District's Fund Balance.

The District's Board of Education also approved the creation of a Fund Balance Reserve for Retirement System Contributions at its regular meeting on June 16, 2009. Anticipated increases in the District's contribution rate for employees who are members of the New York State and Local Employees Retirement System (ERS) prompted to Board of Education to take proactive steps to safeguard the District taxpayers from the impending spike in retirement costs. The Board authorized a \$1.2 million reserve be created. A portion of the funds were used to offset the rising costs in the 2012-13 and 2013-14 fiscal years.

**General Fund Budgetary Highlights**

The District's General Fund budget contains a minimal amount of budget amendments every year. The District has made it a practice to amend the annual operating budget only for the inclusion of purchase orders that have been carried over from the previous year. The budget is allowed to be amended up for this purpose, since the funds were allocated under the previous year's budget, and the District has appropriately reserved an equal amount of fund balance at year end for this purpose.

The District also approves a number of budget transfers annually. This is because it is not always easy for the District to adequately foresee where student population shifts and District contract changes along with the related supply and equipment needs for educational programs, will ultimately occur. It is anticipated that while the District will continue to control the number of budget transfers necessary to operate its programs, there will always be the need to transfer funds within budget lines within instructional programs. The Board of Education permits the superintendent or his designee to approve normal budgetary transfers under \$100,000. This practice has not, and is not anticipated to have an effect on the operations of the District.

More detailed information about the District's General Fund budget is presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance on pages 46 - 47.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of June 2014, the District had \$40.6 million invested in a broad range of capital assets, including school and administration buildings, land, vehicles and instructional machinery and furniture, net of depreciation. This amount represents a net decrease (including additions and dispositions, and depreciation) of \$2,857,130 or a 6.6% decrease over the last year.

Capital assets at year end (net of depreciation)	2014	2013
Land	\$ 170,000	170,000
Buildings and improvements	36,990,453	39,999,429
Machinery, equipment and vehicles	<u>3,444,586</u>	<u>3,292,740</u>
Total	\$ <u>40,605,039</u>	<u>43,462,169</u>

This year's major additions included:

Buildings and Improvements: \$44,490

School Buses: \$736,192

The District's voters approved an EXCEL aidable building project at a December 2007 voter referendum. EXCEL eligible building projects are fully funded by the State of New York through the NYS Dormitory Authority. The amount of the project authorization was \$21,250,000. The District utilized EXCEL Aid and Native American Building Aid, in addition to its normal Building Aid and Reorganization Incentive Building Aid to fund the projects. These funding sources were used collectively in an effort to minimize the local cost of the projects, to be borne by District taxpayers. The District completed extensive renovations and improvements to its various buildings, including energy improvements, roof replacement work, replacement of an elevator, kitchen improvements, remodeling of bathroom facilities, exterior lighting improvements and the addition of security cameras and classroom video projection units throughout the District.

More detailed information about the District's capital assets is presented in note 5 to the financial statements.

### **Long-term Debt and Other Obligations**

At year-end, the District had outstanding serial bonds, bond anticipation notes and other obligations. Serial Bonds outstanding include eight separate bond issues from 1991, 1994, 1995, 1997, 1999, 2005, 2012, 2013 and 2014. Together, these issues had serial bonds outstanding of \$27,770,000 as of 6/30/14 and \$19,085,000 as of 6/30/13. The 1991, 1994, 1995, 1997 and 1999 bond issues were defused, or advance refunded by the District on June 27, 2002. To accomplish this, the District borrowed \$23,770,000 on a new bond issue dated 6/27/02. The proceeds from the new bond issue were placed with a third-party paying agent (The Bank of New York) for the eventual payment of each of the old bond issues. The paying agent invested the proceeds, so that the income earned on the invested funds could be utilized to pay the annual interest charges on the old bonds. A number of the original bonds were called during the 2008-09 fiscal year, and paid off with funds that had



EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**CAPITAL ASSET AND DEBT ADMINISTRATION, Continued**

**Long-term Debt and Other Obligations, Continued**

been held in escrow. The District includes the annual payments on the new bond issue in its annual General Fund operating budget, since the funds for the payment of the old bonds are already held on account by the paying agent. This was done to match the District's debt service payments with the new borrowing amortization schedules that the State of New York has enacted. Without completing the advance refunding of the old bonds, the District would have made debt service payments on the old bonds several years before it would have received the associated State Aid on those payments. This would have created both a cash flow problem for the District, as well as an inflation of the District's school tax rates for each of its townships. The District refinanced this bond issue again in the same manner during the 2012-13 year to take advantage of lower interest rates. The 2005 serial bond issue was also advance refunded during the 2012-13 year to reduce interest costs. As described earlier, the District issued serial bonds totaling \$11,010,000 on June 26, 2014 for the remaining portion of its 2007 construction projects that serial bonds had not previously financed.

The District also had one or more Bond Anticipation Notes (BAN) outstanding as of June 30, 2013 and 2014. These notes are utilized for the purchase of school buses and for capital construction. The District had a practice of borrowing for its annual school bus replacement program, and paying the balance of the BAN off over five years, as allowed under General Municipal Law. Consequently, approximately 20% of the original BAN amount and 100% of the annual interest charge for each BAN outstanding as of July 1<sup>st</sup> is included in the annual General Fund operating budget of the District. BANs outstanding as of June 30, 2013 totaled \$13,386,818 and as of June 30, 2014 BANs totaled \$1,121,267.

The remaining long-term obligation of the District is the vested benefits due to retirement-eligible employees under the District's various collective bargaining agreements and contracts. At its regular meeting on May 21, 2003, the District's Board of Education approved the creation of a Employee Benefit/Accrued Liability Reserve to begin the process of funding for these obligations of the District.

**Constitutional debt limit:** Per the last Official Statement issued by the Evans-Brant Central School District on April 16, 2014, the limit was \$95,233,992. As of that date, the District's net indebtedness totaled \$30,496,818 which is 32.02% of the debt allowed. The District's net indebtedness at the close of the previous year was \$35,019,598 which was 36.85% of the total debt allowed.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's student enrollment has declined slightly each year over the past several years. This is due in part to the trend of population shift from the northeastern states to the "sunbelt" areas of the south. The District reduced instructional staff for the 2012-13 and the 2013-14 school years, due to the reduced enrollment projected. The District closed two elementary school buildings in recent years due to the decreases in student enrollment. The school closure resulted in a number of staff reductions. The District repurposed one elementary school building (William T. Hoag Elementary

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES, Continued**

School) as of June 30, 2011 (as described above). This change resulted in a small number of reductions in staffing positions. It did however, allow the District to revamp its school bus routes for the 2011-12 year, realizing a reduction in six morning and afternoon bus runs. The District reduced an additional three morning and afternoon bus runs for the 2012-13 year. For the 2013-14 year, the District has reduced an additional nine morning and afternoon bus runs due to enrollment decreases and the elimination of the District's four late afternoon sports bus runs. The bus route reductions saved the District money which was redirected to its various instructional programs.

The factors that will most likely have the largest impact on the District's subsequent budget(s) and tax rates are the financial condition of Erie County, the State of New York and the Federal Government, the government-imposed tax cap on NYS municipalities, and the overall performance of the stock market. Unless the financial position of the State of New York improves greatly in the next 1-2 years, the District cannot expect to realize large increases in State Aid funding. Without cuts in spending levels, the District will undoubtedly see the need for increased property taxes in order to maintain its instructional programs, but will be required to stay within the 2% tax cap limit as prescribed by legislation. Possible tax increases would have a negative impact upon the School District, since school taxes are the only tax the New York State residents may vote upon in order to have a tax levy increase approved. The District's voters did approve both the 2014-15 and 2013-14 year spending plans. Additionally, the District's voters likewise approved the purchase of school buses for 2013-14 and 2014-15.

The State of New York reduced school district State Aid amounts substantially from the 2010-11 year to the 2011-12 year, in an effort to address its budgetary shortfalls in the current and future years. School district Foundation Aid increases scheduled for the 2010-11 and 2011-12 years were pushed off to the 2012-13 year or later. The District has lost over \$20,000,000 in State Aid through the State's "Gap Elimination Adjustment" since its inception. The "Gap Elimination Adjustment" is a tool used by the State of New York to balance the State's budget by reducing State Aid to school districts across the State. The provision for balancing the State's budget on the backs of its school districts is contained within the legislation, and continues into at least the near future, however annual State Aid reductions would be impossible to predict.

Rising health insurance rates, retirement system contribution rates, and increasing personnel costs as outlined in the District's collective bargaining agreements and various employment policies will continue to increase program costs. The District participates in insurance groups and consortia in an effort to help to control costs and annual increases. The District also continues to evaluate the various instructional programs that it provides for students, adding programs when it is appropriate and discontinuing others if they are no longer needed and/or cost effective to offer.

Another factor which could impact the District's finances is the local economy of the District. The District is located in Erie County, NY covering approximately 75 square miles. The District contains suburban areas, towns and small villages, as well as rural areas. The overall District economy is depressed due in part to the National economic status. It is also depressed due to the decline of industry in the American Northeast, and to the departure of local industry to other areas under a global economy. During the 2013-14 fiscal year, the Governor of the State of New York announced an initiative to attract industry to New York State. The tax-free zone program is titled

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Continued)**

"Start-Up NY", and offers a ten year exemption from property, sales and State income taxes for new industries locating in close proximity to State University of New York (SUNY) campuses throughout the State. Since the program is relatively new, it is not yet apparent if it will have a positive effect on the status of industry in the Western New York region.

Being located on Lake Erie, the District still enjoys a large tourism industry. Marinas and cottages along the Lake Erie shorelines continue to bring visitors and vacationers to the area each year. It is expected that the tourism rates and the student population rates will remain relatively steady in the next fiscal year. Light industry including manufacturing is present in the District, providing both jobs to residents as well as contributions to the District's overall tax base. In June 2013 the District was notified of the application for a major subdivision within the District, by a local developer. If completed, the subdivision will contain 57 lots for single family homes and encompass an area of approximately 30 acres. The District estimates that any possible enrollment increase in its schools could be addressed within the existing capacity of its various school buildings, negating the need for any additional building space.

Lastly, retirement system contribution rates for the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) have been increasing throughout recent years. With the overall downturn in the National economy and the stock markets, both retirement systems increased employer contribution rates in the past few years. The TRS rate is increasing to 17.53% of member payroll for the 2014-15 year, up from 16.25% for the 2013-14 year. The 2014-15 estimated ERS contribution rate is 20.1% of member payroll, a decrease from the 20.9% rate for the 2013-14 year. This rate includes a provision for Group Term Life Insurance.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Mr. Daniel W. Pacos, CPA - Assistant Superintendent for Administration & Finance.

EVANS-BRANT CENTRAL SCHOOL DISTRICT

Statement of Net Position

Governmental Activities

June 30, 2014

Assets:

Cash and cash equivalents	\$ 7,323,283
Receivables:	
Internal balances	222,528
State and Federal aid	5,835,637
Due from other governments	922,071
Other receivables	24,822
Inventories	38,257
Deposits	26,709
Capital assets not being depreciated:	
Land	170,000
Capital assets net of accumulated depreciation:	
Building and improvements	36,990,453
Machinery, equipment and vehicles	3,444,586
Total assets	<u>54,998,346</u>

Liabilities:

Payables:

Accounts payable	304,618
Accrued liabilities	160,321
Due to other governments	650
Bond anticipation notes payable	1,121,267
Due to teachers' retirement system	3,238,465
Due to employees' retirement system	396,642
Accrued interest	146,953

(Continued)

See accompanying notes to financial statements.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Statement of Net Position  
Governmental Activities, Continued

Liabilities, Continued:

Long-term liabilities:

Due and payable within one year:

Bonds payable \$ 3,237,131

Due and payable after one year:

Bonds payable 25,340,569

Compensated absences 876,765

Other postemployment benefits 11,212,447

Total liabilities 46,035,828

Deferred inflows of resources 641,710

Net position:

Net investment in capital assets 10,906,072

Restricted for:

Employee benefits and accrued liabilities 952,522

Retirement contributions 704,355

Tax certiorari 193,027

Debt service 3,516,121

Unrestricted (7,951,289)

Total net position \$ 8,320,808

See accompanying notes to financial statements.

# EVANS-BRANT CENTRAL SCHOOL DISTRICT

## Statement of Activities

### Governmental Activities

Year ended June 30, 2014

Functions/programs:	Program Revenues			Net (expense) revenue and changes in net position
	Expenses	Charges for services	Operating grants	Capital grants
General support	\$ 10,620,711	-	-	-
Instruction	37,597,948	3,598,222	2,171,177	403,120
Pupil transportation	4,411,003	-	-	-
Debt service - interest	641,349	-	-	-
School lunch program	1,149,911	309,036	696,783	-
Total functions and programs	\$ 54,420,922	3,907,258	2,867,960	403,120
General revenue:				
Real property taxes				13,016,567
Real property tax items				3,449,055
Non property taxes				2,626,559
Use of money and property				138,511
Sale of property and compensation for loss				54,907
State sources				26,669,666
Federal sources				382,708
Miscellaneous				360,257
Total general revenue				46,698,230
Change in net position				(544,354)
Net position at beginning of year				8,865,162
Net position at end of year				\$ 8,320,808

See accompanying notes to financial statements.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2014

	<u>Assets</u>	<u>General</u>	<u>Special aid</u>	<u>School food service</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Cash and cash equivalents		\$ 6,831,740	853	112,158	378,532	7,323,283
Receivables:						
Due from other funds		3,544,826	1,773,762	433,386	142,803	5,894,777
Interfund note receivable		234,667	-	-	-	234,667
State and Federal aid		4,650,370	1,130,904	54,363	-	5,835,637
Due from other governments		922,071	-	-	-	922,071
Other receivables		23,876	-	946	-	24,822
Inventories		-	-	38,257	-	38,257
Deposits		26,709	-	-	-	26,709
Total assets		<u>\$ 16,234,259</u>	<u>2,905,519</u>	<u>639,110</u>	<u>521,335</u>	<u>20,300,223</u>
<u>Liabilities, Deferred Inflows and Fund Balance</u>						
Payables:						
Accounts payable		120,995	7,698	10,494	165,431	304,618
Accrued liabilities		154,065	6,256	-	-	160,321
Due to other funds		2,349,951	2,891,565	430,733	-	5,672,249
Due to other governments		-	-	650	-	650
Bond anticipation notes payable		-	-	-	1,121,267	1,121,267
Due to teachers' retirement system		3,238,465	-	-	-	3,238,465
Due to employees' retirement system		386,997	-	9,645	-	396,642
Interfund note payable		-	-	-	234,667	234,667
Total liabilities		<u>6,250,473</u>	<u>2,905,519</u>	<u>451,522</u>	<u>1,521,365</u>	<u>11,128,879</u>
Deferred inflows - unearned revenue		<u>46,085</u>	-	-	-	<u>46,085</u>
<u>Fund Balance</u>						
Non-spendable		26,709	-	38,257	-	64,966
Restricted		5,366,025	-	-	-	5,366,025
Assigned		3,543,746	-	149,331	-	3,693,077
Unassigned		1,001,221	-	-	(1,000,030)	1,191
Total fund balance		<u>9,937,701</u>	-	<u>187,588</u>	<u>(1,000,030)</u>	<u>9,125,259</u>
Total liabilities, deferred inflows and fund balance		<u>\$ 16,234,259</u>	<u>2,905,519</u>	<u>639,110</u>	<u>521,335</u>	<u>20,300,223</u>

See accompanying notes to financial statements.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2014

Total fund balances - governmental funds \$ 9,125,259

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	\$ 170,000
Buildings and improvements	86,680,534
Machinery, equipment and vehicles	11,966,328
Accumulated depreciation	<u>(58,211,823)</u>

Total capital assets 40,605,039

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	(876,765)
Other postemployment benefits	(11,212,447)
Accrued interest	(146,953)
Deferred inflows of resources	(595,625)

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.

(28,577,700)

Total net position - end of year \$ 8,320,808

See accompanying notes to financial statements.



EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
Year ended June 30, 2014

	General	Special aid	School food service	Capital projects	Total governmental funds
Revenue:					
Real property taxes	\$ 13,016,567	-	-	-	13,016,567
Real property tax items	3,449,055	-	-	-	3,449,055
Non property taxes	2,626,559	-	-	-	2,626,559
Charges for services	3,598,222	-	-	-	3,598,222
Use of money and property	137,995	-	-	516	138,511
Sale of property and compensation for loss	54,907	-	-	-	54,907
State sources	26,669,666	326,806	25,004	403,120	27,424,596
Federal sources	382,708	1,844,371	671,779	-	2,898,858
School lunch sales	-	-	309,036	-	309,036
Miscellaneous	355,927	-	325	-	356,252
Total revenue	50,291,606	2,171,177	1,006,144	403,636	53,872,563
Expenditures:					
General support	5,668,121	269,668	-	-	5,937,789
Instruction	24,513,376	1,806,720	-	-	26,320,096
Pupil transportation	2,827,122	176,491	-	-	3,003,613
Employee benefits	14,151,503	-	-	-	14,151,503
Debt service - principal	3,211,969	-	-	-	3,211,969
Debt service - interest	722,293	-	-	-	722,293
Cost of sales	-	-	1,043,718	-	1,043,718
Capital outlay	-	-	34,554	736,192	770,746
Total expenditures	51,094,384	2,252,879	1,078,272	736,192	55,161,727
Deficiency of revenue over expenditures	(802,778)	(81,702)	(72,128)	(332,556)	(1,289,164)
Other financing sources and (uses):					
Premium on BANs	-	-	-	4,005	4,005
Premium on debt issuance	-	-	-	807,700	807,700
BANs redeemed from appropriations	-	-	-	769,635	769,635
Interfund notes redeemed from appropriations	-	-	-	117,334	117,334
Proceed from issuance of bonds	-	-	-	11,010,000	11,010,000
Operating transfers in	-	81,702	-	-	81,702
Operating transfers (out)	(81,702)	-	-	-	(81,702)
Total other financing sources and (uses)	(81,702)	81,702	-	12,708,674	12,708,674
Excess (deficiency) of revenue and other sources over expenditures and other uses	(884,480)	-	(72,128)	12,376,118	11,419,510
Fund balance at beginning of year	10,822,181	-	259,716	(13,376,148)	(2,294,251)
Fund balance at end of year	\$ 9,937,701	-	187,588	(1,000,030)	9,125,259

See accompanying notes to financial statements.

EVANS-BRANT CENTRAL 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		\$ 11,419,510
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	\$ 790,832	
Depreciation	(3,629,911)	
Disposition of capital assets	<u>(18,051)</u>	(2,857,130)
Repayment of bond and installment purchase debt principal 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	2,325,000	
Amortization of deferred inflows	<u>89,375</u>	2,414,375
Bond proceeds and premium on bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		(11,817,700)
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.		36,363
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due.		(8,429)
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>268,657</u>
Change in net assets of governmental activities		<u>\$ (544,354)</u>

See accompanying notes to financial statements.

EVANS-BRANT CENTRAL 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	\$ 101,579	937,040	1,038,619
Accounts receivable	<u>-</u>	<u>7,616</u>	<u>7,616</u>
Total assets	<u>101,579</u>	<u>944,656</u>	<u>1,046,235</u>
Liabilities:			
Internal balances	(41,306)	263,835	222,529
Due to retirement	-	11,321	11,321
Extraclassroom activity balance	-	110,829	110,829
Agency liabilities	<u>-</u>	<u>558,671</u>	<u>558,671</u>
Total liabilities	<u>(41,306)</u>	<u>944,656</u>	<u>903,350</u>
Net position - reserved for scholarships and family support	<u>\$ 142,885</u>	<u>-</u>	<u>142,885</u>

See accompanying notes to financial statements.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year ended June 30, 2014

	Private Purpose <u>Trust Funds</u>
Additions:	
Use of money and property	\$      506
Gifts and donations	<u>43,424</u>
Total additions	43,930
Deductions - scholarships awarded	<u>11,714</u>
Change in net position	32,216
Net position at beginning of year	<u>110,669</u>
Net position at end of year	<u><u>\$  142,885</u></u>

See accompanying notes to financial statements.

# EVANS-BRANT CENTRAL SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

### (1) Summary of Accounting Policies

The financial statements of Evans-Brant Central 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.

## EVANS-BRANT CENTRAL SCHOOL DISTRICT

### Notes to Financial Statements, Continued

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

##### (b) Joint Venture

The District is one of twenty-seven participating school districts in the Erie No. 2, Chautauqua Cattaraugus 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 \$3,106,281 for BOCES administrative and program costs and recognized \$1,426,435 in revenue as the District's share of BOCES aid. The District also recognized \$186,313 as a refund from prior years' expenditures paid to BOCES.

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 Erie No. 2 BOCES administrative office.

##### (c) 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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(c) Basis of Presentation, Continued

(i) District-Wide Statements, Continued

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. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(c) Basis of Presentation, Continued

(ii) Funds Statements, Continued

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.

(d) Measurement Focus and Basis of Accounting

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 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.

(e) Property Taxes

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

(f) 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.



EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(g) Interfund Transactions

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

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

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

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

(h) Estimates

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

(i) Cash and 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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(j) Accounts Receivable

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

(k) Inventories and Deposits

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventorial items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

Deposits represent amounts on deposit with School and Municipal Energy Cooperative of Western New York (municipality electric organization) which helps to lower the costs for the groups involved by purchasing power in larger quantities.

A reserve for these non-liquid assets (inventories and deposits) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

(l) 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:

	Capitalization <u>Threshold</u>	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
Land	\$ 1	N/A	N/A
Construction in progress	1	N/A	N/A
Land improvements	25,000	Straight-line	20
Buildings and improvements	50,000	Straight-line	20 - 40
Machinery and equipment	5,000	Straight-line	10
Vehicles	5,000	Straight-line	10

(m) 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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(m) Deferred Inflows, Continued

The District reported deferred inflows of \$685,000 for a gain on the advance refunding of serial bonds in 2013, which is being amortized over the remaining life of the new debt. The amortized balance at June 30, 2014 is \$595,625. The general fund recognized \$46,085 of deferred inflows for drivers education and day camp. The total deferred inflows on the statement of net position at June 30, 2014 was \$641,710. Such amounts have been deemed to measurable but not “available” pursuant to generally accepted accounting principles.

(n) 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.

(o) 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 plans whose premiums are based on the benefits paid during the year.

The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

## EVANS-BRANT CENTRAL SCHOOL DISTRICT

### Notes to Financial Statements, Continued

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

##### (p) 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.

##### (q) 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.

##### (r) 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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(r) Equity Classifications, Continued

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. Non-spendable fund balance includes the inventory recorded in the School Food Service Fund of \$38,257 and the deposits with a municipal electric organization of \$26,709 recorded in the General Fund.

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 School 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 (NYSERS) financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Tax Certiorari

According to Education Law §3651.1-a, 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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(r) Equity Classifications, Continued

Funds Statements, Continued

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	\$ 3,516,121
Employee benefits and accrued liabilities	952,522
Retirement contributions	704,355
Tax certiorari	<u>193,027</u>
Total restricted funds	\$ <u>5,366,025</u>

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

Assigned - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund and the fund balance of the School Food Service Fund are classified as assigned fund balance. Encumbrances reported in the General Fund amounted to \$43,746 and the School Food Service Fund was \$149,331. Additionally, the District assigned \$3,500,000 of fund balance to reduce the tax levy for the ensuing fiscal year budget.

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 School 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 School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(r) Equity Classifications, Continued

Funds Statements, Continued

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.

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

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

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(2) Stewardship, Compliance and Accountability, Continued

(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 \$1,038,619 within the fiduciary funds.

(4) 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 and Federal aid receivable:

State aid - Native America tuition	\$ 3,038,889
State aid - excess cost aid	785,903
State aid - BOCES	<u>825,578</u>
	<u>4,650,370</u>
Due from other governments - Erie County - sales tax	<u>922,071</u>
School Lunch Fund - State - breakfast and lunch program	<u>54,363</u>



EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(4) Receivables

(a) Due from State, Federal and Other Governments, Continued

Special Aid Fund:

State - summer handicapped	\$ 592,136
State - management efficiency	33,091
Federal - Title I	126,005
Federal - Title IIA	14,644
Federal - Race to the top	15,903
Federal - Universal Pre-K	20,980
Federal - IDEA	112,200
Federal - Title, VII	25,183
Federal - Native American	188,800
Federal - Mentor	<u>1,962</u>
	<u>1,130,904</u>

Total governmental funds \$ 6,757,708

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

(5) 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	\$ 170,000	-	-	170,000
Capital assets that are depreciated:				
Building and improvements	86,680,534	-	-	86,680,534
Machinery, furniture and equipment	<u>11,502,147</u>	<u>790,832</u>	<u>(326,651)</u>	<u>11,966,328</u>
Total depreciable historical cost	<u>98,182,681</u>	<u>790,832</u>	<u>(326,651)</u>	<u>98,646,862</u>
Less accumulated depreciation:				
Building and improvements	46,681,105	3,008,976	-	49,690,081
Machinery, furniture and equipment	<u>8,209,407</u>	<u>620,935</u>	<u>(308,600)</u>	<u>8,521,742</u>
Total accumulated depreciation	<u>54,890,512</u>	<u>3,629,911</u>	<u>(308,600)</u>	<u>58,211,823</u>
Total historical cost, net	<u>43,292,169</u>	<u>(2,839,079)</u>	<u>(18,051)</u>	<u>40,435,039</u>
Governmental activities - capital assets, net	\$ <u>43,462,169</u>	<u>(2,839,079)</u>	<u>(18,051)</u>	<u>40,605,039</u>

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(5) Capital Assets, Continued

The current year depreciation expense was allocated in the statement of activities to functions and programs of the District as follows:

Governmental activities:

General support	\$ 3,156,930
Instruction	197,587
Pupil transportation	257,064
School lunch program	<u>18,330</u>
Total depreciation expense, governmental activities	\$ <u>3,629,911</u>

(6) Short-Term Debt

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

<u>Description</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Outstanding July 1, 2013</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding June 30, 2014</u>
Capital projects - 2013	6/27/2014	1.00%	\$ 12,190,000	-	(12,190,000)	-
Capital projects - 2013	4/17/2014	0.70%	1,196,818	-	(1,196,818)	-
Capital projects - 2014	4/16/2015	1.00%	<u>-</u>	1,121,267	<u>-</u>	1,121,267
			\$ <u>13,386,818</u>	<u>1,121,267</u>	<u>(13,386,818)</u>	<u>1,121,267</u>

(7) Long-Term Debt Obligations

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:					
Bonds payable	\$ 19,085,000	11,010,000	(2,325,000)	27,770,000	3,175,000
Premium on bond issues	-	807,700	-	807,700	62,131
Other liabilities:					
Other postemployment benefits	11,481,104	981,125	(1,249,782)	11,212,447	-
Compensated absences (net activity)	<u>913,128</u>	<u>-</u>	<u>(36,363)</u>	<u>876,765</u>	<u>-</u>
Total	\$ <u>31,479,232</u>	<u>12,798,825</u>	<u>(3,611,145)</u>	<u>40,666,912</u>	<u>3,237,131</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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(7) Long-Term Debt Obligations, Continued

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:

<u>Year of issue/ maturity</u>	<u>Interest rate</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Refundings/ Reductions</u>	<u>Ending balance</u>
2012/2025	2.00-4.00%	\$ 4,585,000	-	(350,000)	4,235,000
2013/2021	2.00-5.00%	10,260,000	-	(1,180,000)	9,080,000
2013/2017	1.00-4.00%	4,240,000	-	(795,000)	3,445,000
2014/2027	1.00-5.00%	-	11,010,000	-	11,010,000
		<u>\$ 19,085,000</u>	<u>11,010,000</u>	<u>(2,325,000)</u>	<u>27,770,000</u>

The following is a maturity schedule of bonded debt:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,175,000	944,076	4,119,076
2016	3,230,000	888,087	4,118,087
2017	3,305,000	782,962	4,087,962
2018	3,380,000	678,712	4,058,712
2019	2,555,000	586,556	3,141,556
2020 - 2024	9,345,000	1,345,125	10,690,125
2025 - 2027	<u>2,780,000</u>	<u>136,200</u>	<u>2,916,200</u>
	<u>\$ 27,770,000</u>	<u>5,361,718</u>	<u>33,131,718</u>

In 2014, the District issued \$11,010,000 in general obligation bonds with an average interest rate of 2.5808% and received an additional premium of \$807,700.

(8) 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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(8) Pension Plans, Continued

(b) Provisions and Administration, Continued

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.

(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	\$ 3,133,007	1,405,366
2012-2013	2,287,515	1,548,591
2011-2012	2,140,554	1,410,586

(9) 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:

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(9) Interfund Transactions - Governmental Funds, Continued

<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	\$ 3,544,826	2,349,951	-	81,702
School Food Service Fund	433,386	430,733	-	-
Special Aid Fund	1,773,762	2,891,564	-	-
Capital Projects Fund	<u>142,803</u>	<u>-</u>	<u>81,702</u>	<u>-</u>
Total funds	<u>5,894,777</u>	<u>5,672,248</u>	<u>81,702</u>	<u>81,702</u>
Fiduciary funds:				
Private Purpose Trust Fund	41,306	-	-	-
Agency Fund	<u>-</u>	<u>263,835</u>	<u>-</u>	<u>-</u>
Total fiduciary funds	<u>41,306</u>	<u>263,835</u>	<u>-</u>	<u>-</u>
Total	\$ <u>5,936,083</u>	<u>5,936,083</u>	<u>81,702</u>	<u>81,702</u>

Interfund loan - Consists of a \$234,667 loan made by the District through authorization of a short-term borrowing between the General Fund and the Capital Projects Fund. The borrowing, which occurred in April 2014, carries an interest rate of 1.0% and matures in April 2015. The loan will be repaid through the issuance of long-term debt.

(10) 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 \$1,249,782 for its share of insurance premiums for currently enrolled retirees.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(10) Other Postemployment Benefits (OPEB), Continued

The District has obtained an actuarial valuation report as of November 1, 2013 which indicates that the total liability for other postemployment benefits is \$11,212,447 which is reflected in the statement of net position.

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:

Annual OPEB cost and net OPEB obligation:	
Annual required contribution	\$ 1,572,072
Interest on net OPEB obligation	459,244
Adjustment to annual required contribution	<u>(1,050,191)</u>
Annual OPEB cost (expense)	981,125
Contributions made	<u>(1,249,782)</u>
Decrease in net OPEB obligation	(268,657)
Net OPEB obligation at beginning of year	<u>11,481,104</u>
Net OPEB obligation at end of year	\$ <u>11,212,447</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	\$ 1,572,072	981,125	1,249,782	127.4%	11,212,447
6/30/2013	1,498,278	966,469	1,294,992	134.0%	11,481,104
6/30/2012	1,496,510	1,006,266	1,455,394	144.6%	11,809,627

Funded Status and Funding Progress. As of November 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$12,364,334 and the actuarial value of assets was \$0 in an unfunded actuarial accrued liability (UAAL) of \$12,364,334. 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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(10) Other Postemployment Benefits (OPEB), Continued

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

In the November 1, 2013 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a valuation date and measurement date of November 1, 2013. The expected investment rate of return on employer's assets is 4.0%. The 2006 New York State Teachers' Retirement System rates were used for mortality rates. The remaining amortization period at June 30, 2014 was 12 years.

Summary of Plan Changes from the Prior Valuation. Changes reflected in the November 1, 2013 valuation include:

- Updated premium information.
- The salary scale was decreased from 4.0% to 3.0% to reflect current trends.

(11) Risk Management

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

(12) 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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(13) 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.

(14) Subsequent Events

The School 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

EVANS-BRANT CENTRAL 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 Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
Revenues:				
Local sources:				
Real property taxes	\$ 16,281,499	16,281,499	13,016,567	(3,264,932)
Real property tax items	167,500	167,500	3,449,055	3,281,555
Non property taxes	2,600,000	2,600,000	2,626,559	26,559
Charges for services	3,123,845	3,123,845	3,598,222	474,377
Use of money and property	221,000	221,000	137,995	(83,005)
Sale of property and compensation for loss	11,850	11,850	54,907	43,057
Miscellaneous	216,000	216,000	355,927	139,927
State sources:				
Basic formula	24,009,327	24,009,327	15,952,962	(8,056,365)
Excess cost aid	753,330	753,330	4,681,907	3,928,577
Lottery aid	-	-	4,153,745	4,153,745
BOCES aid	1,461,596	1,461,596	1,426,435	(35,161)
Student with disabilities aid	-	-	88,451	88,451
Textbook aid	-	-	162,926	162,926
Computer software and hardware aid	46,622	46,622	85,256	38,634
Library A/V loan program aid	217,968	217,968	16,118	(201,850)
Other state aid	-	-	101,866	101,866
Federal sources	275,000	275,000	382,708	107,708
Total revenues and other sources	49,385,537	49,385,537	<u>50,291,606</u>	<u>906,069</u>
Prior year encumbrances	-	17,320		
Appropriated fund balance	<u>3,900,000</u>	<u>3,900,000</u>		
Total resources and appropriated fund balances	<u>\$ 53,285,537</u>	<u>53,302,857</u>		

(Continued)

EVANS-BRANT CENTRAL 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	\$ 33,150	31,250	23,261	-	7,989
Central administration	419,321	417,947	401,926	-	16,021
Finance	500,257	577,858	556,703	-	21,155
Staff	231,402	258,153	245,529	-	12,624
Central services	4,153,887	4,145,299	3,898,566	17,459	229,274
Special items	644,279	631,387	542,136	-	89,251
Instruction:					
Instruction, administration and improvement	1,843,079	1,748,763	1,563,741	312	184,710
Teaching - regular school	19,912,466	20,256,479	19,936,845	11,080	308,554
Instructional media	1,024,564	1,059,376	990,064	1,095	68,217
Pupil services	2,192,691	2,093,460	2,022,726	4,849	65,885
Pupil transportation	2,940,819	2,927,852	2,827,122	8,951	91,779
Employee benefits	14,761,586	14,612,997	14,151,503	-	461,494
Debt service:					
Principal	3,628,426	3,637,850	3,211,969	-	425,881
Interest	879,610	784,186	722,293	-	61,893
Total expenditures	53,165,537	53,182,857	51,094,384	43,746	2,044,727
Other financing uses - transfers to other funds	120,000	120,000	81,702	-	38,298
Total expenditures and other financing uses	<u>\$ 53,285,537</u>	<u>53,302,857</u>	<u>51,176,086</u>	<u>43,746</u>	<u>2,083,025</u>
Net change in fund balance			(884,480)		
Fund balance at beginning of year			<u>10,822,181</u>		
Fund balance at end of year			<u>\$ 9,937,701</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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
 Required Supplementary Information  
 Schedule of Funding Progress  
 Other Postemployment Benefits Plan  
 For the year ended June 30, 2014

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
November 1, 2013	\$ -	12,364,334	12,364,334	0.0%	N/A	N/A
November 1, 2012	-	12,264,248	12,264,248	0.0%	N/A	N/A
February 1, 2012	-	13,061,117	13,061,117	0.0%	N/A	N/A

## SUPPLEMENTARY INFORMATION

EVANS-BRANT CENTRAL 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	\$ 53,285,537
Add prior year's encumbrances	<u>17,320</u>
Final budget	<u><u>\$ 53,302,857</u></u>

## Section 1318 of Real Property Tax Law Limit Calculation:

2015 expenditure budget (maximum allowed 4% of 2015 budget)	<u><u>\$ 54,271,406</u></u>
---	-----------------------------

General fund fund balance subject to Section 1318 of  
Real Property Tax Law\*:

## Unrestricted fund balance:

Assigned fund balance	\$ 3,543,746
Unassigned fund balance	<u>1,001,221</u>

Total unrestricted fund balance 4,544,967

## Less:

Appropriated fund balance	(3,500,000)
Encumbrances included in committed and assigned fund balance	<u>(43,746)</u>
Total adjustments	<u>(3,543,746)</u>

General fund fund balance subject to Section 1318  
of Real Property Tax Law \$ 1,001,221

Actual percentage 1.84%

\* 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.

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
 Supplementary Information  
 Schedule of Project Expenditures - Capital Projects Fund  
 Year ended June 30, 2014

<u>Project Title</u>	<u>Expenditures</u>				<u>Unexpended balance</u>
	<u>Budget</u>	<u>Revised budget</u>	<u>Prior years</u>	<u>Current year</u>	
Vehicles	\$ 736,192	736,192	-	736,192	736,192
					-

EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Supplementary Information  
Net Investment in Capital Assets  
Year ended June 30, 2014

Capital assets, net		\$ 40,605,039
Deduct:		
Bond anticipation notes	\$ 1,121,267	
Short-term portion of bonds payable	3,237,131	
Long-term portion of bonds payable	<u>25,340,569</u>	<u>29,698,967</u>
Net investment in capital assets		<u>\$ 10,906,072</u>



EVANS-BRANT CENTRAL SCHOOL DISTRICT

Federal Grant Compliance Audit

June 30, 2014

EVANS-BRANT CENTRAL 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>			
Direct Program - Indian Education - Grants to Local Education Agencies	84.060	N/A	\$ 196,185
Passed-through NYS Education Department:			
Special Education Cluster:			
Special Education - Grants to States	84.027	0032-14-0226	580,673
Special Education - Preschool Grants	84.173	0033-14-0226	28,515
Total Special Education Cluster			609,188
Title I Grants to Local Educational Agencies	84.010	0021-14-0790	377,584
Improving Teacher Quality State Grants	84.367	0147-14-0790	96,478
ARRA - Race to the Top	84.395	5500-14-0790	64,225
Total U.S. Department of Education			1,343,660
<u>U.S. Department of Agriculture</u>			
Passed-through NYS Education Department:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	124,818
National School Lunch Program	10.555	N/A	438,538
Total Child Nutrition Cluster			563,356
Commodity Supplemental Food Program	10.555	N/A	108,423
Total U.S. Department of Agriculture			671,779
Total Expenditures of Federal Awards			\$ 2,015,439

See accompanying notes to schedule of expenditures of federal awards.

EVANS-BRANT CENTRAL 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.

(3) Nonmonetary Federal Program

The District is the recipient of a federal award program (CFDA No. 10.555) that does not result in cash receipts or disbursements termed a "nonmonetary program." During the year ended June 30, 2014, the District used \$108,423 worth of food commodities as reported in the schedule of expenditures of federal awards.

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  
Evans-Brant Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Evans-Brant Central 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 September 17, 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  
September 17, 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  
Evans-Brant Central School District:

Report on Compliance for Each Major Federal Program

We have audited Evans-Brant Central School District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of 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  
September 17, 2014

EVANS-BRANT 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>	CFDA <u>Number</u>
Child Nutrition Cluster	10.553/10.555
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.



EVANS-BRANT CENTRAL SCHOOL DISTRICT  
Status of Prior Year Audit Findings  
Year ended June 30, 2014

There were no audit findings in the prior year financial statements (June 30, 2013).