

RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2014

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Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Rush - Henrietta Central School District, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rush - Henrietta Central School District, New York, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 aggregate remaining fund information of the Rush - Henrietta Central School District, New York, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress postemployment benefit plan on pages 4-13 and 42-44 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 Rush - Henrietta Central School District, New York's basic financial statements. The accompanying supplementary information as listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *accompanying supplementary information as listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is 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 4, 2014 on our consideration of the Rush - Henrietta Central School District, New York'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 Rush - Henrietta Central School District, New York's internal control over financial reporting and compliance.

Raymond F. Wager, CPA, PC

September 4, 2014

Rush Henrietta Central School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2014. This section is a summary of the School District's financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

At the close of the fiscal year, the total assets (what the district owns) exceeded its total liabilities (what the district owes) by \$113,524,456 (net position) an increase of \$3,044,724 from the prior year. This increase is a result of a reduction in outstanding debt and investment in capital assets.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$61,426,960 a decrease of \$3,164,027 in comparison with the prior year. This decrease is a result of expenditures for the High School Phase III capital project.

New York State Law limits the amount of unreserved fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4,410,148 and this amount was within the statutory limit.

General revenues which include Federal and State Aid and Real Property Taxes accounted for \$109,280,522 or 93% of all revenues. Program specific revenues in the form of Charges for services and Operating Grants and Contributions accounted for \$8,544,793 or 7% of total revenues.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the School 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 School District is improving or deteriorating.

The *statement of activities* presents information showing how the government'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.

The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales, general administrative support, community service, and interest on long-term debt.

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

Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School District maintains five individual governmental funds; General Fund, Special Aid Fund, Debt Service Fund, School Lunch Fund, and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the special aid fund which are reported as major funds. Data for the school lunch fund, debt service fund, and the capital projects fund are aggregated into a single column and reported as non-major funds.

The School District adopts and voters approve an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.

The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity which accounts for assets held by the School District on behalf of others. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

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

<u>Major Feature of the District-Wide and Fund Financial Statements</u>			
	Government-Wide Statements	Fund Financial Statements	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Notes to the Financial Statements

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

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and facilities must also be considered to assess the District's overall health.

All of the District's services are reported in the government-wide financial statements as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, federal and state aid, and investment earnings finance most of these activities.

Financial Analysis of the School District As A Whole

Net Position

The District's combined net position was larger on June 30, 2014, than they were the year before as shown in table below.

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>Variance</u>
<u>ASSETS:</u>			
Current and Other Assets	\$ 73,901,524	\$ 75,516,328	\$ (1,614,804)
Capital Assets	75,006,114	69,457,145	5,548,969
Total Assets	\$ 148,907,638	\$ 144,973,473	\$ 3,934,165
<u>LIABILITIES:</u>			
Long-Term Debt Obligations	\$ 23,225,270	\$ 24,280,975	\$ (1,055,705)
Other Liabilities	12,157,912	10,212,766	1,945,146
Total Liabilities	\$ 35,383,182	\$ 34,493,741	\$ 889,441
<u>NET POSITION:</u>			
Net Investment in Capital			
Assets	\$ 56,851,114	\$ 49,367,145	\$ 7,483,969
<u>Restricted For,</u>			
Capital Projects	19,642,878	14,277,046	5,365,832
Retirement Contribution	15,307,210	15,287,476	19,734
Capital Reserve	9,710,653	18,910,195	(9,199,542)
Other Purposes	6,751,294	5,735,462	1,015,832
Unrestricted	5,261,307	6,902,408	(1,641,101)
Total Net Position	\$ 113,524,456	\$ 110,479,732	\$ 3,044,724

The District's financial position is the product of many factors.

By far, the largest component of the School District's net position (50%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There is four restricted net asset balance, Capital Projects, Retirement Contribution, Capital Reserve, and Other Purposes, which constitute 45% of total net position. The remaining balance of unrestricted net position, which is a surplus of \$5,261,307 or 5%, may be used to finance future operations.

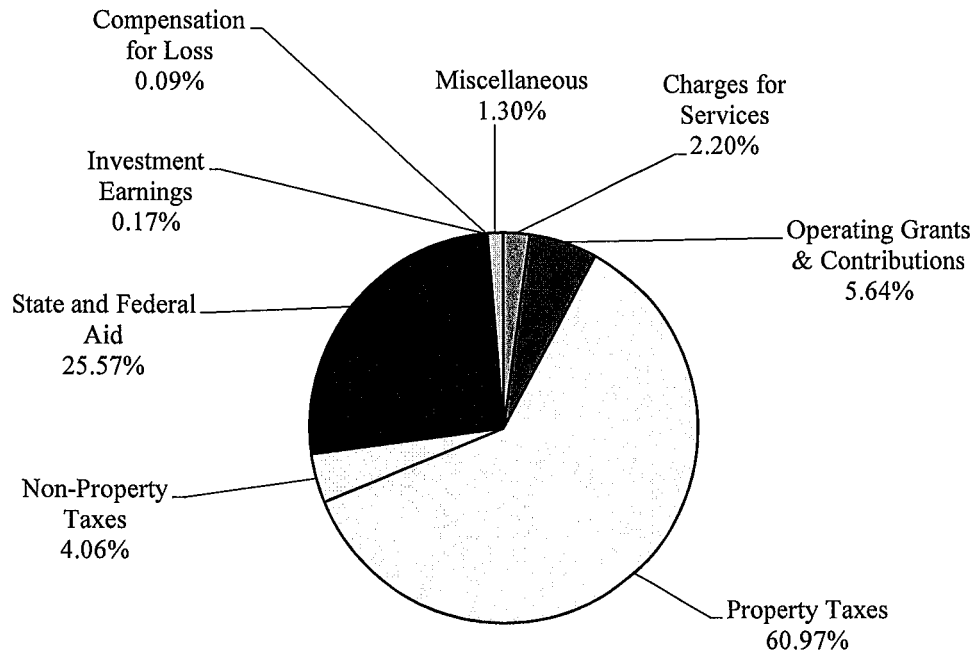
Changes in Net position

The District's total revenue increased 5% to \$117,825,315. State and federal aid 26% and property taxes 61% accounted for most of the District's revenue. The remaining 13% of the revenue comes from operating grants, charges for services, non property taxes, investment earnings, compensation for loss, and miscellaneous revenues.

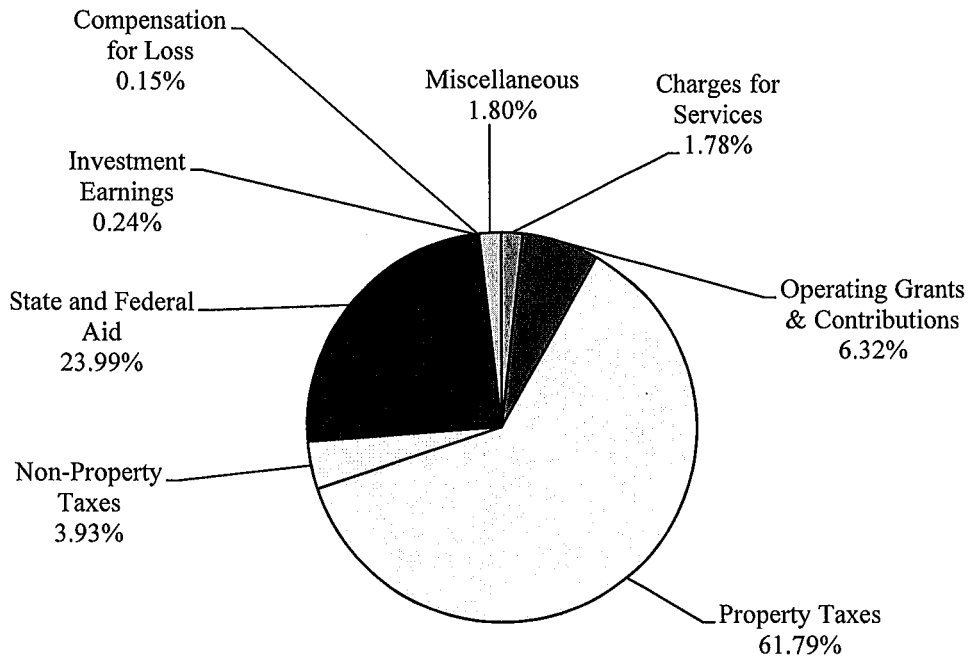
The total cost of all the programs and services increased 5% to \$114,870,591. The District's expenses are predominately related to education and caring for the students (Instruction) 78%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 11% of the total costs. See table below:

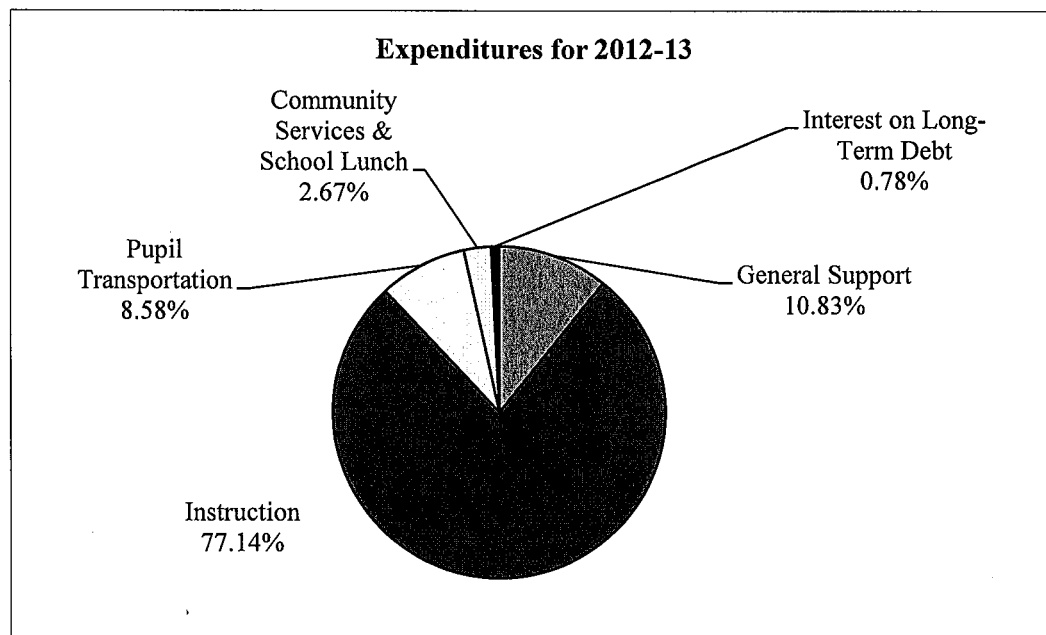
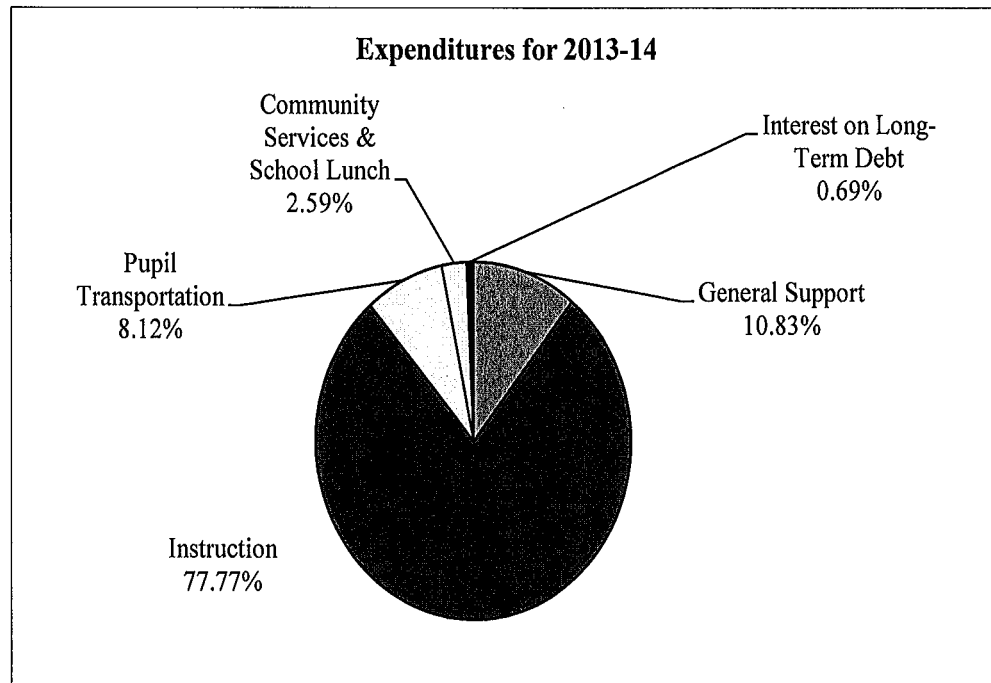
	<u>Governmental Activities</u>		<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>Variance</u>
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Services	\$ 2,596,165	\$ 1,998,912	\$ 597,253
Operating Grants & Contributions	6,645,866	7,114,888	(469,022)
Total Program	<u>\$ 9,242,031</u>	<u>\$ 9,113,800</u>	<u>\$ 128,231</u>
<u>General -</u>			
Property Taxes	\$ 71,842,465	\$ 69,534,243	\$ 2,308,222
Non-Property Taxes	4,787,130	4,422,907	364,223
State and Federal Aid	30,132,828	26,996,196	3,136,632
Investment Earnings	197,406	273,086	(75,680)
Compensation for Loss	108,004	164,556	(56,552)
Miscellaneous	1,515,451	2,034,352	(518,901)
Total General	<u>\$ 108,583,284</u>	<u>\$ 103,425,340</u>	<u>\$ 5,157,944</u>
TOTAL REVENUES	<u>\$ 117,825,315</u>	<u>\$ 112,539,140</u>	<u>\$ 5,286,175</u>
<u>SPECIAL ITEM:</u>			
Advance Refunding	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>
<u>EXPENSES:</u>			
General Support	\$ 12,435,718	\$ 11,807,091	\$ 628,627
Instruction	89,334,664	84,135,549	5,199,115
Pupil Transportation	9,321,910	9,358,102	(36,192)
Community Services	205,248	208,327	(3,079)
School Lunch	2,765,938	2,708,607	57,331
Interest on Long-Term Debt	807,113	846,465	(39,352)
TOTAL EXPENSES	<u>\$ 114,870,591</u>	<u>\$ 109,064,141</u>	<u>\$ 5,806,450</u>
NET INCREASE IN NET POSITION	<u>\$ 3,044,724</u>	<u>\$ 3,474,999</u>	<u>\$ (430,275)</u>

Revenue for 2013-14



Revenue for 2012-13





Financial Analysis of the School District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$61,426,960 which is less than last year's ending fund balance of \$64,590,987.

The General Fund is the chief operating fund of the District. At the end of the current year, the total fund balance of the General Fund was \$41,114,486. Fund balance for the General Fund decreased by \$8,725,486 compared with the prior year. See table below:

<u>General Fund Balances:</u>	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Restricted	\$ 31,537,716	\$ 39,933,133	\$ (8,395,417)
Assigned	5,166,622	4,641,592	525,030
Unassigned	4,410,148	5,265,247	(855,099)
Total General Fund Balances	<u>\$ 41,114,486</u>	<u>\$ 49,839,972</u>	<u>\$ (8,725,486)</u>

The District appropriated funds from the following reserves for the 2014-15 budget:

Workers' Comp	\$ 100,000
Unemployment	200,000
Retirement Contribution	1,700,000
Tax Certiorari	50,000
Total	<u>\$ 2,050,000</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$17,339,852. This change is attributable to \$2,639,852 of carryover encumbrances from the 2012-123 school year, \$1,300,000 for a voter approved purchase of buses, and \$13,400,000 voter approved capital projects.

The key factors for budget variances in the general fund are listed below along with explanations for each.

<u>Expenditure Items:</u>	<u>Budget Variance Original Vs. Amended</u>	<u>Explanation for Budget Variance</u>
Central Services	\$2,264,681	Carryover encumbrances for IT Purchases
Programs for Children with handicapping Conditions	(\$1,446,275)	Decreased utilization of BOCES services
Instructional Media	\$721,822	Carryover encumbrances for instructional computers
Debt Service-Principal	\$735,000	Additional principal payment during bond refunding
Transfers-Out	\$14,700,000	Capital Reserve transfers to Capital Fund

Revenue Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Non-Property Taxes	\$801,337	Monroe County FAIR sales tax settlement payback, increased sales tax collections
Miscellaneous	\$739,057	BOCES prior year refund and E-Rate reimbursements
State Sources	\$4,949,813	Building Aid and Tuition Aid higher than projected
Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Central Services	\$830,548	Energy costs lower than projected
Instructional Media	\$782,061	Reduced BOCES purchases
Employee Benefits	\$823,214	Attrition and Workers Comp lower than budgeted

Capital Asset and Debt Administration

Capital Assets

By the end of the 2013-14 fiscal year, the District had invested \$75,006,114 in a broad range of capital assets. The change in capital assets, net of accumulated depreciation, is reflected below:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,686,918	\$ 1,686,918
Work in Progress	15,962,563	7,246,297
Buildings and Improvements	51,903,554	55,341,014
Machinery and Equipment	5,453,079	5,182,916
Total	<u>\$ 75,006,114</u>	<u>\$ 69,457,145</u>

Long-Term Debt

At year end, the District had \$23,225,270 in general obligation bonds and other long-term debt outstanding as follows:

<u>Type</u>	<u>2014</u>	<u>2013</u>
Serial Bonds	\$ 18,155,000	\$ 20,090,000
OPEB	3,715,762	2,884,013
Compensated Absences	1,354,508	1,306,962
Total Long-Term Obligations	<u>\$ 23,225,270</u>	<u>\$ 24,280,975</u>

Factors Bearing on the District's Future

State Law Chapter 97, which established a property tax levy cap, was enacted in 2011. Levy growth is limited to the lesser of two percent or the annual increase in CPI. State mandated health insurance and pension costs are rising faster than two percent so the District anticipates budget constraints for the foreseeable future unless meaningful mandate relief is provided by the State. In addition, the Board of Education is analyzing a transition from half day Kindergarten to Full Day Kindergarten. If this project moves forward there will be incremental capital and operating expenses required to support the initiative.

Contacting the School District's Financial Management

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

Rush Henrietta Central School District
Parker Administration Building
2034 Lehigh Station Road
Henrietta, New York 14467
Attn: Mr. Andrew Whitmore
Executive Director of Finance

RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Net Position

June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 68,583,701
Accounts receivable	5,258,027
Inventories	59,796
Capital Assets:	
Land	1,686,918
Work in progress	15,962,563
Other capital assets (net of depreciation)	57,356,633
TOTAL ASSETS	\$ 148,907,638
LIABILITIES	
Accounts payable	\$ 3,016,631
Accrued liabilities	1,038,495
Unearned revenues	306,586
Due to other governments	11,730
Due to teachers' retirement system	6,957,123
Due to employees' retirement system	827,347
Long-Term Obligations:	
Due in one year	1,506,964
Due in more than one year	21,718,306
TOTAL LIABILITIES	\$ 35,383,182
NET POSITION	
Net investment in capital assets	\$ 56,851,114
Restricted For:	
Capital projects	19,642,878
Reserve for employee retirement system	15,307,210
Capital reserves	9,710,653
Other purposes	6,751,294
Unrestricted	5,261,307
TOTAL NET ASSETS	\$ 113,524,456

RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Activities and Changes in Net Position

For Year Ended June 30, 2014

		<u>Program Revenues</u>		Net (Expense)
				Revenue and
				Changes in
				Net Assets
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Governmental</u>
		<u>Services</u>	<u>Grants and</u>	<u>Activities</u>
			<u>Contributions</u>	
<u>Primary Government -</u>				
General support	\$ 12,435,718	\$ -	\$ -	\$ (12,435,718)
Instruction	89,334,664	1,486,184	5,414,634	(82,433,846)
Pupil transportation	9,321,910	-	-	(9,321,910)
Community services	205,248	-	-	(205,248)
School lunch	2,765,938	1,109,981	1,231,232	(424,725)
Interest	807,113	-	-	(807,113)
Total Primary Government	\$ 114,870,591	\$ 2,596,165	\$ 6,645,866	\$ (105,628,560)
General Revenues:				
Property taxes				\$ 71,842,465
Non property taxes				4,787,130
State and federal aid				30,132,828
Investment earnings				197,406
Compensation for loss				108,004
Miscellaneous				1,515,451
Total General Revenues				\$ 108,583,284
Special Item:				
Advance refunding				\$ 90,000
Total Special Items				\$ 90,000
Total General Revenues and Special Item				\$ 108,673,284
Changes in Net Position				\$ 3,044,724
Net Position, Beginning of Year				110,479,732
Net Position, End of Year				\$ 113,524,456

RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2014

	General Fund	Special Aid Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 47,023,864	\$ 140,767	\$ 21,419,070	\$ 68,583,701
Receivables	3,645,619	1,510,360	102,048	5,258,027
Inventories	-	-	59,796	59,796
Due from other funds	1,333,058	-	-	1,333,058
TOTAL ASSETS	\$ 52,002,541	\$ 1,651,127	\$ 21,580,914	\$ 75,234,582
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u> -				
Accounts payable	\$ 1,784,762	\$ 31,641	\$ 1,200,228	\$ 3,016,631
Accrued liabilities	941,498	37,966	28,719	1,008,183
Due to other funds	-	1,331,527	1,531	1,333,058
Due to other governments	-	11,730	-	11,730
Due to TRS	6,957,123	-	-	6,957,123
Due to ERS	827,347	-	-	827,347
Compensated absences	346,964	-	-	346,964
Unearned revenue	30,361	238,263	37,962	306,586
TOTAL LIABILITIES	\$ 10,888,055	\$ 1,651,127	\$ 1,268,440	\$ 13,807,622
<u>Fund Balances</u> -				
Nonspendable	\$ -	\$ -	\$ 59,795	\$ 59,795
Restricted	31,537,716	-	19,874,319	51,412,035
Assigned	5,166,622	-	378,360	5,544,982
Unassigned	4,410,148	-	-	4,410,148
TOTAL FUND BALANCE	\$ 41,114,486	\$ -	\$ 20,312,474	\$ 61,426,960
TOTAL LIABILITIES AND FUND BALANCES	\$ 52,002,541	\$ 1,651,127	\$ 21,580,914	

**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 funds.

75,006,114

Interest is accrued on outstanding bonds in the statement of net position
but not in the funds.

(30,312)

The following long-term obligations are not due and payable in the
current period and therefore are not reported in the governmental funds:

Serial bonds payable

(18,155,000)

OPEB

(3,715,762)

Compensated absences

(1,007,544)

Net Position of Governmental Activities

\$ 113,524,456

RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For Year Ended June 30, 2014

	General Fund	Special Aid Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes and tax items	\$ 71,842,465	\$ -	\$ -	\$ 71,842,465
Non-property taxes	5,191,540	-	-	5,191,540
Charges for services	814,281	-	-	814,281
Use of money and property	196,904	-	502	197,406
Sale of property and compensation for loss	108,004	-	-	108,004
Miscellaneous	1,445,057	697,238	5,813	2,148,108
Interfund revenues	64,581	-	-	64,581
State sources	29,900,513	2,980,116	50,678	32,931,307
Federal sources	232,315	2,409,183	1,180,554	3,822,052
Sales	-	-	1,109,981	1,109,981
Premium on obligations issued	-	-	181,400	181,400
TOTAL REVENUES	\$ 109,795,660	\$ 6,086,537	\$ 2,528,928	\$ 118,411,125
EXPENDITURES				
General support	\$ 10,223,631	\$ -	\$ 91,518	\$ 10,315,149
Instruction	56,411,273	5,746,422	-	62,157,695
Pupil transportation	6,262,844	260,896	1,331,290	7,855,030
Community services	164,541	-	-	164,541
Employee benefits	26,558,453	479,219	526,207	27,563,879
Debt service - principal	1,845,000	-	-	1,845,000
Debt service - interest	810,575	-	-	810,575
Cost of sales	-	-	1,161,838	1,161,838
Other expenses	-	-	895,297	895,297
Capital outlay	-	-	8,716,266	8,716,266
TOTAL EXPENDITURES	\$ 102,276,317	\$ 6,486,537	\$ 12,722,416	\$ 121,485,270
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 7,519,343	\$ (400,000)	\$ (10,193,488)	\$ (3,074,145)
OTHER FINANCING SOURCES (USES)				
Transfers - in	\$ -	\$ 400,000	\$ 15,844,829	\$ 16,244,829
Transfers - out	(16,244,829)	-	-	(16,244,829)
Payment to refunded bond escrow agent	-	-	(4,629,882)	(4,629,882)
Proceeds from advanced refunding	-	-	4,540,000	4,540,000
TOTAL OTHER FINANCING SOURCES (USES)	\$ (16,244,829)	\$ 400,000	\$ 15,754,947	\$ (89,882)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (8,725,486)	\$ -	\$ 5,561,459	\$ (3,164,027)
FUND BALANCE, BEGINNING OF YEAR (restated)	49,839,972	-	14,751,015	64,590,987
FUND BALANCE, END OF YEAR	\$ 41,114,486	\$ -	\$ 20,312,474	\$ 61,426,960

(See accompanying notes to financial statements)

RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For Year Ended June 30, 2014

NET CHANGE IN FUND BALANCES -

TOTAL GOVERNMENTAL FUNDS

\$ (3,164,027)

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

Governmental funds report capital outlays 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. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:

Capital Outlay	\$ 8,716,266
Additions to Assets, Net	1,482,116
Depreciation	<u>(4,649,413)</u>

5,548,969

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities:

Debt Repayments	\$ 1,845,000
Advanced Refundings	<u>90,000</u>

1,935,000

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

3,462

Monroe County Sales Tax FAIR Plan

(404,410)

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

(831,749)

In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences, as restated

(42,521)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 3,044,724

RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2014

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 141,310	\$ 3,684,929
Investments	21,051	-
Receivable from general fund	-	529,535
TOTAL ASSETS	\$ 162,361	\$ 4,214,464
LIABILITIES		
Extraclassroom activity balances	\$ -	\$ 193,517
Other liabilities	-	4,020,947
TOTAL LIABILITIES	\$ -	\$ 4,214,464
NET POSITION		
Restricted for scholarships	\$ 162,361	
TOTAL NET POSITION	\$ 162,361	

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 33,106
Investment earnings	4,306
TOTAL ADDITIONS	\$ 37,412
DEDUCTIONS	
Other expenses	\$ 19,345
Scholarships and donations	993
TOTAL DEDUCTIONS	\$ 20,338
CHANGE IN NET POSITION	\$ 17,074
NET POSITION, BEGINNING OF YEAR	145,287
NET POSITION, END OF YEAR	\$ 162,361

RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies

The financial statements of the Rush-Henrietta Central School District, New York (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

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

1. 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 agency for various student organizations in an agency fund.

(I.) (Continued)

B. Joint Venture

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

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 school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$13,844,586 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$2,722,005.

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

C. Basis of Presentation

1. Districtwide Statements

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

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

2. **Fund Statements**

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

The District reports the following governmental funds:

a. **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 Aid Fund - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

b. **Nonmajor Governmental** - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

School Lunch Fund - Used to account for transactions of the District's lunch, breakfast and milk programs.

Debt Service Fund - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

Capital Projects Fund - Used to account for the acquisition construction or major repair of capital facilities or the purchase of buses.

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

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

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

(I.) (Continued)

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

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 no later than September 1, and become a lien on August 13, 2013. Taxes are collected during the period September 1 to October 31, 2013.

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

F. Restricted Resources

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

G. Interfund Transactions

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

(I.) (Continued)

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.

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 VI. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues 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 the 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.

Investments are stated at fair value.

J. Receivables

Receivables 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. Inventory and Prepaid Items

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

(I.) (Continued)

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

L. Capital Assets

In the District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	SL	25-50 Years
Machinery and Equipment	\$ 5,000	SL	5-20 Years

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.

M. Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

N. Vested Employee Benefits

1. Compensated Absences

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

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.

(I.) (Continued)

The 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 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 funds 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.

O. Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health coverage to retired employees 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 cost of providing post-retirement benefits may be shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

P. Accrued Liabilities and Long-Term Obligations

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

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

Q. Equity Classifications

1. District-Wide Statements

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

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

(I.) (Continued)

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

On the Statement of Net Position the following balances represent the restricted for other purposes:

	<u>Total</u>
Workers' Compensation	\$ 1,986,201
Unemployment Costs	2,001,175
Accrued Benefit Liability Reserve	1,008,493
Tax Certiorari	1,523,984
Debt	<u>231,441</u>
Total Net Position - Restricted for Other Purposes	<u>\$ 6,751,294</u>

c. **Unrestricted Net Position** - reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

2. **Fund Statements**

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

a. **Nonspendable 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. Nonspendable fund balance includes the inventory for School Lunch Fund.

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

Capital Reserve - According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The Reserve is accounted for in the General Fund under restricted fund balance. Year end balances are as follows:

(I.) (Continued)

<u>Name of Reserve</u>	<u>Maximum Funding</u>	<u>Total Funding Provided</u>	<u>Total Year to Date Balance*</u>
2009 Bus Reserve	\$ 7,000,000	\$ 6,634,256	\$ 3,198,478
2012 Capital Reserve	\$ 10,000,000	\$ 10,000,000	\$ 1,662,793
2014 Capital Reserve	\$ 10,000,000	\$ 4,849,382	\$ 4,849,382

* Balances include income from interest earned on deposits which is excluded from maximum funding restriction.

Reserve for Debt Service - According to General Municipal Law §6-1, the 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 the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

Retirement Contribution Reserve - According to General Municipal Law §6-r, must be used 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 Reserve - According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari claims and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeding in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

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

Employee Benefit Accrued Liability Reserve - According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due to 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.

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

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

Restricted fund balances include the following:

General Fund -

Capital	\$ 9,710,653
Employee Benefit Accrued Liability	1,008,493
Retirement Contribution	15,307,210
Tax Certiorari	1,523,984
Unemployment Insurance	2,001,175
Workers' Compensation	1,986,201

Capital Fund -

Construction of Capital Assets	15,642,878
Transportation	4,000,000

Debt Service Fund -

Debt Service	231,441
Total Restricted Funds	<u><u>\$ 51,412,035</u></u>

The District appropriated and/or budgeted funds from the following reserves for the 2014-15 budget:

Workers' Compensation	\$ 100,000
Unemployment	200,000
Retirement Contribution	1,700,000
Tax Certiorari	50,000
Total	<u><u>\$ 2,050,000</u></u>

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

(I.) (Continued)

d. **Assigned Fund Balance** – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the District's purchasing agent through their authorization of a purchase order prior to year end. The District assignment is based on the functional level of expenditures.

Significant encumbrances for the general fund, management has determined that amounts in excess of \$130,000 are considered significant and are summarized below:

- Telephone contractual expenses at \$423,682 and computer software/equipment at \$212,574

Assigned fund balances include the following:

General Fund-Encumbrances	\$ 2,966,622
General Fund-Appropriated for Taxes	2,200,000
School Lunch Fund-Year End Equity	378,360
Total Assigned Fund Balance	<u>\$ 5,544,982</u>

e. **Unassigned Fund Balance** –Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the school district.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the 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.

3. **Order of Use of Fund Balance**

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

R. **New Accounting Standards**

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

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for the year ending June 30, 2014.

(I.) (Continued)

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

S. Future Changes in Accounting Standards

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

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

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

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an Amendment of GASB Statement No. 68*, effective for the year ending June 30, 2015.

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

II. Stewardship, Compliance and Accountability

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which 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 restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the 2013-14 fiscal year, the budget was increased \$2,639,852 for carryover encumbrances from the prior year, \$1,300,000 for the voter approved purchase of buses, and \$13,400,000 for voter approved capital projects.

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.

(II.) (Continued)

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

B. Encumbrances

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

III. Cash and Cash Equivalents

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 (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	74,316,046
Total	<u>\$ 74,316,046</u>

Restricted cash represents cash 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 \$51,412,035 within the governmental funds and \$141,310 in the fiduciary funds.

IV. Investments

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- A. Insured or registered, or investments held by the District or by the District's agent in the District's name, or
- B. Uninsured and unregistered, with the investments held by the financial institutes trust department in the District's name, or
- C. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District's name.

(IV.) (Continued)

<u>Investment</u>	<u>Fund</u>	<u>Carrying Amount</u>	<u>Unrealized Investment Gain/(Loss)</u>	<u>Type of Investment</u>	<u>Category</u>
Corporate Stock	Trust and Agency	\$ 21,051	\$ -	Equities	A

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

V. Receivables

Receivables at June 30, 2014 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Non-Major Funds</u>	
Accounts Receivable	\$ 43,685	\$ -	\$ 355	\$ 44,040
Due From State and Federal	1,183,106	-	101,693	1,284,799
Due From Other Governments	2,418,828	1,510,360	-	3,929,188
Total	\$ 3,645,619	\$ 1,510,360	\$ 102,048	\$ 5,258,027

District management has deemed the amounts to be fully collectible.

VI. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2014 were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,333,058	\$ -	\$ -	\$ 16,244,829
Special Aid Fund	-	1,331,527	400,000	-
Debt Service Fund	-	-	231,441	-
School Lunch Fund	-	-	200,000	-
Capital Fund	-	1,531	15,413,388	-
Total government activities	\$ 1,333,058	\$ 1,333,058	\$ 16,244,829	\$ 16,244,829

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are not necessarily expected to be repaid within one year.

VII. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2014</u>
<u>Governmental Activities:</u>				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 1,686,918	\$ -	\$ -	\$ 1,686,918
Work in progress	7,246,297	8,716,266	-	15,962,563
<i>Total Nondepreciable</i>	<u>\$ 8,933,215</u>	<u>\$ 8,716,266</u>	<u>\$ -</u>	<u>\$ 17,649,481</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 113,033,037	\$ -	\$ -	\$ 113,033,037
Machinery and equipment	11,395,858	1,586,649	(912,658)	12,069,849
<i>Total Depreciated Assets</i>	<u>\$ 124,428,895</u>	<u>\$ 1,586,649</u>	<u>\$ (912,658)</u>	<u>\$ 125,102,886</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ 57,692,023	\$ 3,437,460	\$ -	\$ 61,129,483
Machinery and equipment	6,212,942	1,211,953	(808,125)	6,616,770
<i>Total accumulated depreciation</i>	<u>\$ 63,904,965</u>	<u>\$ 4,649,413</u>	<u>\$ (808,125)</u>	<u>\$ 67,746,253</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 60,523,930</u>	<u>\$ (3,062,764)</u>	<u>\$ (104,533)</u>	<u>\$ 57,356,633</u>
Total Capital Assets	<u><u>\$ 69,457,145</u></u>	<u><u>\$ 5,653,502</u></u>	<u><u>\$ (104,533)</u></u>	<u><u>\$ 75,006,114</u></u>

Depreciation expense for the period was charged to functions/programs as follows:

<u>Governmental Activities:</u>	
General government support	\$ 565,843
Instruction	2,727,718
Pupil transportation	1,193,802
School lunch	162,050
Total Depreciation Expense	<u><u>\$ 4,649,413</u></u>

VIII. Long-Term Debt Obligations

Long-term liability balances and activity for the year are summarized below:

<u>Governmental Activities:</u>	<u>Balance</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2014</u>	<u>Due Within</u> <u>One Year</u>
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 20,090,000	\$ 4,540,000	\$ 6,475,000	\$ 18,155,000	\$ 1,160,000
<u>Other Liabilities -</u>					
OPEB	\$ 2,884,013	\$ 831,749	\$ -	\$ 3,715,762	\$ -
Compensated Absences	1,306,962	47,546	-	1,354,508	346,964
Total Other Liabilities	<u>\$ 4,190,975</u>	<u>\$ 879,295</u>	<u>\$ -</u>	<u>\$ 5,070,270</u>	<u>\$ 346,964</u>
Total Long-Term Obligations	<u><u>\$ 24,280,975</u></u>	<u><u>\$ 5,419,295</u></u>	<u><u>\$ 6,475,000</u></u>	<u><u>\$ 23,225,270</u></u>	<u><u>\$ 1,506,964</u></u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

(VIII.) (Continued)

Existing serial and statutory bond obligations:

<u>Purpose</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 6/30/2014</u>
Serial Bonds -				
Refunding	2014	2024	2.00%-3.00%	\$ 4,540,000
Construction & Reconstruction	2009	2028	3.5%-4.75%	13,615,000
Total Serial Bonds				<u>\$ 18,155,000</u>

The following is a summary of debt service requirements:

	<u>Serial Bonds</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014-15	\$ 1,160,000	\$ 688,957
2015-16	1,210,000	640,488
2016-17	1,260,000	600,463
2017-18	1,325,000	558,763
2018-19	1,375,000	514,913
2019-24	7,045,000	1,861,164
2024-28	4,780,000	567,002
Total	<u>\$ 18,155,000</u>	<u>\$ 5,431,750</u>

On April 29, 2014, the District issued \$4,540,000 in general obligation bonds with an average interest rate of 2.50% and provided additional funds from current resources of \$735,000 to advance refund \$5,365,000 of outstanding serial bonds with an average interest rate of 3.89%. The net proceeds of \$5,364,882 (after payment of \$90,878 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The District advance refunded the bonds to revise its payment schedules due to changes in New York State's aid payment schedules. The economic gain (the difference between the present value of the debt service payments on the old and new debt) is approximately \$563,949

Interest on long-term debt for June 30, 2014 was composed of:

Interest paid	\$ 810,575
<u>Less:</u> interest accrued in the prior year	(33,774)
<u>Plus:</u> interest accrued in the current year	30,312
Total interest expense	<u>\$ 807,113</u>

IX. 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). These Systems are cost sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to 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. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods, Albany, NY 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. The 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% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For 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>
2014	\$ 6,410,594	\$ 2,617,754
2013	\$ 4,680,709	\$ 2,282,301
2012	\$ 4,245,956	\$ 2,061,882

X. Postemployment Benefits

The District provides post-employment medical and prescription drug benefits (OPEB) for retirees, spouses, and their covered dependents through the District's Postemployment Health Care Benefits Program (Plan). The benefits, benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through its union contracts. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan.

(X.) (Continued)

The District implemented GASB Statement #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.

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 \$910,489 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2014 which indicates that the total liability for other postemployment benefits is \$20,393,957.

Annual OPEB Cost and Net OPEB Obligation - The District's annual other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and 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 by governmental activities:

Annual required contribution	\$ 1,746,343
Interest on net OPEB obligation	115,361
Adjustment to annual required contribution	<u>(119,466)</u>
Annual OPEB cost (expense)	\$ 1,742,238
Contributions made	<u>910,489</u>
Increase in net OPEB obligation	\$ 831,749
Net OPEB obligation - beginning of year	<u>2,884,013</u>
Net OPEB obligation - end of year	<u><u>\$ 3,715,762</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 1,441,920	55.79%	\$ 1,908,577
6/30/2013	\$ 1,742,622	44.02%	\$ 2,884,013
6/30/2014	\$ 1,742,238	52.26%	\$ 3,715,762

Funded Status and Funding Progress - As of June 30, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$20,393,957, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$20,393,957. The covered payroll (annual payroll of active employees covered by the plan) was \$54,761,077, and the ratio of the UAAL to the covered payroll was 37.24%.

(X.) (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trends. 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. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 includes 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 June 30, 2014 actuarial valuation, entry age normal method was used. The discount rate used was 4.0%. Because the plan is unfunded, reference to the general assets was considered in the selection of the 4.0% rate. The District pays a fixed dollar amount per year into a medical payment fund that is independent of medical premiums. These payments are assumed not to increase.

XI. Risk Management

A. General Information

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

B. Health Plan

The District incurs costs related to the Rochester Area School Health Plan (Plan I and Plan II) sponsored by the Board of Cooperative Educational Services, Second Supervisory District of Monroe and Orleans Counties and its component districts. The Plans objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Membership in the Plans may be offered to any component district of the Monroe #1 and Monroe #2 BOCES with the unanimous approval of the Board of Directors. Voluntary withdrawal from the Plans may be effective only once annually on the last day of the Plans year as may be established by the Board of Directors. Notice of Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than thirty days prior to the end of the Plans year. Plan members bear an equal proportionate share of the Plans' assets and claim liabilities. Pursuant to the Municipal Cooperative Agreement the Plans are a risk sharing pool and all monies paid to the Treasurer shall be pooled and administered as a common fund. No refunds shall be made to a participant and no assessments are charged to a participant other than the annual premium equivalent. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

1. **Plan I**

This Plan's members include seventeen districts and two BOCES with the District bearing an equal proportionate share of the Plan's assets and claim liabilities.

This Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid within any one fiscal year.

This Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2014, the District incurred premiums or contribution expenditures totaling \$81,380.

This Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2013, revealed that the Plan was fully funded.

2. **Plan II**

The Plan members include seventeen districts and two BOCES with the District bearing an equal proportionate share of the Plan's assets and claim liabilities.

The Plan arrangement includes a pooling point to limit its exposure. The pooling point provides additional protection in the form of an experience credit in the subsequent year.

During the term of the agreement with the Insurer will determine whether there is a deficit or a surplus for the Plan year. If a deficit occurs in a Plan year, the Insurer will fund payment of the deficit. If there is a surplus in the Plan year, the surplus may not be applied to off-set a deficit in a subsequent Plan year or Plan years. If a surplus occurs in a Plan year that follows the year in which a deficit occurred, the surplus may be applied to fund the deficit.

Any medical claims expenses that are not paid by the Insurer (either with Plan money representing the net premium or with the Insurer's money if a deficit occurred) during the term of the agreement with the Insurer, will be the financial responsibility of the Plan. If the Insurer is processing medical claims expenses during part or all of the 12-month period referred to above, it will pay those medical claims expenses provided that the Plan provides adequate funding for the medical claims expenses.

The administrative services that will be provided by the Insurer during the 12-month period referred to above will be provided for an additional charge determined by first dividing the Insurer administrative fee paid in the last Plan year by the total of the medical claims expenses paid during the last Plan year to determine an administrative cost percentage (the "Admin Percentage"). Then, for each medical claims expense paid during the subsequent 12-month period, the Plan will pay the Insurer an additional charge determined by multiplying the amount of the medical claims expense by the admin percentage.

(XI.) (Continued)

An audit of the financial transactions will be completed for the initial plan year ended June 30, 2014. During the year ended June 30, 2014, the District incurred premiums or contribution expenditures totaling \$12,270,927.

D. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2013-14 fiscal year totaled \$48,277. The balance of the fund at June 30, 2014 was \$2,001,175 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2014, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

E. Health Fund

The District has established a Health Care Plan for its employee groups. The District contribution rates are based on the employment contracts for the various employee groups. Unused balances roll to the next year.

For fiscal year 2013-14, the District expended \$1,771,134 for this plan. The unexpended balance in the Health Care Plan account at June 30, 2014 which represents the cumulative running balance of the participants amounted to \$3,053,849 and is reported as other liabilities in the Trust and Agency Fund.

XII. Commitments and Contingencies

A. Litigation

1. The District has several pending claims as of the balance sheet date which management believes will not have a material effect on the financial statements or the District's insurance will cover the claims.
2. There are tax certiorari claims requesting reduction of assessments pending. The outcome of the tax certiorari claims are undeterminable at this time..

B. Grants

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.

XIII. Lease Commitments and Leased Assets

The District rents various properties to BOCES. The total rental income received and accrued for the 2013-14 fiscal year was \$40,963.

XIV. Restatement of Beginning General Fund Balance

The District evaluated the liability for compensated absences reported in the General Fund and determined that the long-term portion of those liabilities should be reclassified to the Long-Term Debt account group. Therefore the following restatements were made as of June 30, 2013:

	<u>Fund Statements</u>
	<u>General Fund</u>
Fund balance as previously reported at June 30, 2013	\$ 48,874,949
Adjustment - Long-term portion of compensated absences	<u>965,023</u>
Fund balance as Restated Fund Balance at June 30, 2013	<u><u>\$ 49,839,972</u></u>

Required Supplementary Information
RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Funding Progress
of Post Employment Benefit Plan
(Unaudited)
For Year Ended June 30, 2014

Actuarial	(1)	(2)	(3)	(4)	(5)	(6)
Valuation	Actuarial	Actuarial	Funded	Unfunded	Active	UAAL
Date	Value of	Accrued	Ratio	Accrued	Members	As a
June 30,	Assets	Liability	(1)/(2)	Liability	Covered	Percentage
		(AAL)		(UAAL)	Payroll	of Covered
				(2) - (1)		Payroll
						(4) / (5)
2009	\$ -	\$ 12,308,998	0.00%	\$ 12,308,998	\$ 52,348,389	23.51%
2010	\$ -	\$ 12,664,611	0.00%	\$ 12,664,611	\$ 52,588,285	24.08%
2011	\$ -	\$ 14,719,840	0.00%	\$ 14,719,840	\$ 54,493,940	27.01%
2012	\$ -	\$ 15,349,708	0.00%	\$ 15,349,708	\$ 52,632,801	29.16%
2013	\$ -	\$ 18,978,104	0.00%	\$ 18,978,104	\$ 53,166,094	35.70%
2014	\$ -	\$ 20,393,957	0.00%	\$ 20,393,957	\$ 54,761,077	37.24%

Required Supplementary Information
RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2014

	Original	Amended	Current	Over (Under)
	<u>Budget</u>	<u>Budget</u>	<u>Year's</u>	<u>Revised</u>
			<u>Revenues</u>	<u>Budget</u>
REVENUES				
Local Sources -				
Real property taxes	\$ 59,787,522	\$ 59,787,522	\$ 59,965,142	\$ 177,620
Real property tax items	11,829,223	11,829,223	11,877,323	48,100
Non-property taxes	4,390,203	4,390,203	5,191,540	801,337
Charges for services	830,439	830,439	814,281	(16,158)
Use of money and property	196,000	196,000	196,904	904
Sale of property and compensation for loss	9,000	9,000	108,004	99,004
Miscellaneous	706,000	706,000	1,445,057	739,057
Interfund revenues	-	-	64,581	64,581
State Sources -				
Basic formula	15,397,828	15,397,828	19,132,925	3,735,097
Lottery aid	5,054,097	5,054,097	5,153,698	99,601
BOCES	2,782,349	2,782,349	2,722,005	(60,344)
Textbooks	339,780	339,780	341,345	1,565
All Other Aid -				
Computer software	157,913	157,913	156,850	(1,063)
Library loan	34,743	34,743	34,300	(443)
Handicapped students	1,183,990	1,183,990	2,127,885	943,895
Other aid	-	-	231,505	231,505
Federal Sources	<u>50,000</u>	<u>50,000</u>	<u>232,315</u>	<u>182,315</u>
TOTAL REVENUES	<u>\$ 102,749,087</u>	<u>\$ 102,749,087</u>	<u>\$ 109,795,660</u>	<u>\$ 7,046,573</u>
Appropriated reserves	<u>\$ 2,800,000</u>	<u>\$ 17,500,000</u>		
Appropriated fund balance	<u>\$ 2,000,000</u>	<u>\$ 4,639,852</u>		
TOTAL REVENUES AND				
APPROPRIATED RESERVES/				
FUND BALANCE	<u><u>\$ 107,549,087</u></u>	<u><u>\$ 124,888,939</u></u>		

Required Supplementary Information
RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2014

	Original	Amended	Current		Unencumbered
	<u>Budget</u>	<u>Budget</u>	Year's	<u>Encumbrances</u>	<u>Balances</u>
			<u>Expenditures</u>		
EXPENDITURES					
General Support -					
Board of education	\$ 108,172	\$ 116,327	\$ 88,019	\$ 3,600	\$ 24,708
Central administration	322,538	322,722	316,608	745	5,369
Finance	570,524	752,522	720,485	25,956	6,081
Staff	759,222	743,369	583,387	6,472	153,510
Central services	7,225,840	9,490,521	7,047,596	1,612,377	830,548
Special items	1,555,741	1,532,931	1,467,536	3,973	61,422
Instructional -					
Instruction, administration and improvement	5,042,706	4,878,398	4,811,682	7,464	59,252
Teaching - regular school	29,414,622	29,328,972	28,779,690	449,689	99,593
Programs for children with handicapping conditions	13,013,909	11,567,634	11,340,839	186,479	40,316
Occupational education	1,951,360	2,054,352	2,037,335	-	17,017
Teaching - special schools	419,650	334,922	306,214	561	28,147
Instructional media	4,625,445	5,347,267	4,055,891	509,315	782,061
Pupil services	5,133,509	5,229,959	5,079,622	66,351	83,986
Pupil Transportation	6,349,153	6,474,043	6,262,844	93,640	117,559
Community Services	217,300	237,757	164,541	-	73,216
Employee Benefits	27,178,820	27,381,667	26,558,453	-	823,214
Debt service - principal	1,110,000	1,845,000	1,845,000	-	-
Debt service - interest	830,576	830,576	810,575	-	20,001
TOTAL EXPENDITURES	<u>\$ 105,829,087</u>	<u>\$ 108,468,939</u>	<u>\$ 102,276,317</u>	<u>\$ 2,966,622</u>	<u>\$ 3,226,000</u>
Other Uses -					
Transfers - out	\$ 1,720,000	\$ 16,420,000	\$ 16,244,829	\$ -	\$ 175,171
TOTAL EXPENDITURES AND					
OTHER USES	<u>\$ 107,549,087</u>	<u>\$ 124,888,939</u>	<u>\$ 118,521,146</u>	<u>\$ 2,966,622</u>	<u>\$ 3,401,171</u>
EXCESS (DEFICIENCY) OF REVENUE					
AND OTHER FINANCING SOURCES					
OVER EXPENDITURES AND OTHER					
FINANCING USES	\$ -	\$ -	\$ (8,725,486)		
FUND BALANCE, BEGINNING					
OF YEAR (Restated)	<u>49,839,972</u>	<u>49,839,972</u>	<u>49,839,972</u>		
FUND BALANCE, END OF YEAR	<u>\$ 49,839,972</u>	<u>\$ 49,839,972</u>	<u>\$ 41,114,486</u>		

Supplementary Information
RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change From Adopted Budget To Final Budget
And The Real Property Tax Limit
For Year Ended June 30, 2014

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 107,549,087
Budget revisions -	
Prior year's encumbrances	2,639,852
Voter approved purchase of buses	1,300,000
Voter approved Capital Projects	<u>13,400,000</u>
FINAL BUDGET	<u><u>\$ 124,888,939</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2014-15 voter approved expenditure budget	\$ 110,253,694
<u>Unrestricted fund balance:</u>	
Assigned fund balance	\$ 5,166,622
Unassigned fund balance	<u>4,410,148</u>
Total Unrestricted fund balance	<u>\$ 9,576,770</u>
<u>Less adjustments:</u>	
Appropriated fund balance	\$ 2,200,000
Encumbrances included in assigned fund balance	<u>2,966,622</u>
Total adjustments	<u>\$ 5,166,622</u>
General fund fund balance subject to Section 1318 of	
Real Property Tax Law	<u>4,410,148</u>
ACTUAL PERCENTAGE	<u><u>4.00%</u></u>

Supplementary Information

RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK

CAPITAL PROJECTS FUND

Schedule of Project Expenditures

June 30, 2014

Project Title	Expenditures					Methods of Financing			Fund Balance
	Original Appropriation	Revised Appropriation	Prior Years	Current		Unexpended Balance	Local Sources	Total	
				Year	Total				
Bus Purchases (2010-11)	\$ 1,000,000	\$ 1,000,000	\$ 976,607	\$ -	\$ 976,607	\$ 23,393	\$ 1,000,000	\$ 1,000,000	\$ 23,393
Bus Purchases (2011-12)	1,000,000	1,000,000	-	829,611	829,611	170,389	1,000,000	1,000,000	170,389
Bus Purchases (2012-13)	1,100,000	1,813,388	-	501,679	501,679	1,311,709	1,607,896	1,607,896	1,106,217
Bus Purchases (2013-14)	1,300,000	1,300,000	-	-	-	1,300,000	1,300,000	1,300,000	1,300,000
Bus Purchases (2014-15)	1,400,000	1,400,000	-	-	-	1,400,000	1,400,000	1,400,000	1,400,000
Phase III Capital Project	14,000,000	16,800,000	7,292,188	7,562,058	14,854,246	1,945,754	16,800,000	16,800,000	1,945,754
Conference Room	1,400,000	1,600,000	48,667	1,020,998	1,069,665	530,335	1,600,000	1,600,000	530,335
Buildings Project 2013	1,100,000	1,300,000	-	133,210	133,210	1,166,790	1,300,000	1,300,000	1,166,790
Buildings Project 2015	5,435,000	5,435,000	-	-	-	5,435,000	5,435,000	5,435,000	5,435,000
Buildings Project 2016	3,755,000	3,755,000	-	-	-	3,755,000	3,755,000	3,755,000	3,755,000
Buildings Project 2017	2,810,000	2,810,000	-	-	-	2,810,000	2,810,000	2,810,000	2,810,000
TOTAL	\$ 34,300,000	\$ 38,213,388	\$ 8,317,462	\$ 10,047,556	\$ 18,365,018	\$ 19,848,370	\$ 38,007,896	\$ 38,007,896	\$ 19,642,878

Supplementary Information
RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK
Combined Balance Sheet - Nonmajor Governmental Funds
June 30, 2014

	<u>Special Revenue Fund</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 344,362	\$ 231,441	\$ 20,843,267	\$ 21,419,070
Receivables	102,048	-	-	102,048
Inventories	59,796	-	-	59,796
TOTAL ASSETS	\$ 506,206	\$ 231,441	\$ 20,843,267	\$ 21,580,914
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u> -				
Accounts payable	\$ 1,370	\$ -	\$ 1,198,858	\$ 1,200,228
Accrued liabilities	28,719	-	-	28,719
Due to other funds	-	-	1,531	1,531
Unearned revenue	37,962	-	-	37,962
TOTAL LIABILITIES	\$ 68,051	\$ -	\$ 1,200,389	\$ 1,268,440
<u>Fund Balances</u> -				
Nonspendable	\$ 59,795	\$ -	\$ -	\$ 59,795
Restricted	-	231,441	19,642,878	19,874,319
Assigned	378,360	-	-	378,360
TOTAL FUND BALANCE	\$ 438,155	\$ 231,441	\$ 19,642,878	\$ 20,312,474
TOTAL LIABILITIES AND FUND BALANCES	\$ 506,206	\$ 231,441	\$ 20,843,267	\$ 21,580,914

Supplementary Information
RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK
Combined Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2014

	<u>Special Revenue Fund</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
REVENUES				
Use of money and property	\$ 502	\$ -	\$ -	\$ 502
Miscellaneous	5,813	-	-	5,813
State sources	50,678	-	-	50,678
Federal sources	1,180,554	-	-	1,180,554
Sales	1,109,981	-	-	1,109,981
Premium on obligations issued	-	181,400	-	181,400
TOTAL REVENUES	<u>\$ 2,347,528</u>	<u>\$ 181,400</u>	<u>\$ -</u>	<u>\$ 2,528,928</u>
EXPENDITURES				
General support	\$ -	\$ 91,518	\$ -	\$ 91,518
Pupil transportation	-	-	1,331,290	1,331,290
Employee benefits	526,207	-	-	526,207
Cost of sales	1,161,838	-	-	1,161,838
Other expenses	895,297	-	-	895,297
Capital outlay	-	-	8,716,266	8,716,266
TOTAL EXPENDITURES	<u>\$ 2,583,342</u>	<u>\$ 91,518</u>	<u>\$ 10,047,556</u>	<u>\$ 12,722,416</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (235,814)</u>	<u>\$ 89,882</u>	<u>\$ (10,047,556)</u>	<u>\$ (10,193,488)</u>
OTHER FINANCING SOURCES (USES)				
Transfers - in	\$ 200,000	\$ 231,441	\$ 15,413,388	\$ 15,844,829
Payment to refunded bond escrow agent	-	(4,629,882)	-	(4,629,882)
Proceeds from advanced refunding	-	4,540,000	-	4,540,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 200,000</u>	<u>\$ 141,559</u>	<u>\$ 15,413,388</u>	<u>\$ 15,754,947</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (35,814)</u>	<u>\$ 231,441</u>	<u>\$ 5,365,832</u>	<u>\$ 5,561,459</u>
FUND BALANCE, BEGINNING OF YEAR	<u>473,969</u>	<u>-</u>	<u>14,277,046</u>	<u>14,751,015</u>
FUND BALANCE, END OF YEAR	<u>\$ 438,155</u>	<u>\$ 231,441</u>	<u>\$ 19,642,878</u>	<u>\$ 20,312,474</u>

(See Independent Auditors' Report)

Supplementary Information
RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
For Year Ended June 30, 2014

Capital assets, net		\$ 75,006,114
Deduct:		
Short-term portion of bonds payable	\$ 1,160,000	
Long-term portion of bonds payable	<u>16,995,000</u>	
		<u>18,155,000</u>
Net Investment in Capital Assets		<u>\$ 56,851,114</u>

Supplementary Information
RUSH - HENRIETTA CENTRAL SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor / Pass - Through Agency</u>	<u>CFDA</u>	<u>Grantor</u>	<u>Pass-Through</u>	<u>Total</u>
<u>Federal Award Cluster / Program</u>	<u>Number</u>	<u>Number</u>	<u>Agency</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Title IIA - Teacher Training	84.367	N/A	0147-13-1400	\$ 16,392
Title IIA - Teacher Training	84.367	N/A	0147-14-1400	160,654
Title III - LEP	84.365	N/A	0293-13-1400	445
Title III - LEP	84.365	N/A	0293-14-1400	16,861
Race to the Top – ARRA	84.395	N/A	5500-14-1400	46,663
<u>Title I, Part A Cluster -</u>				
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-13-1400	147,909
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-14-1400	663,707
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-13-0385	59,943
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-14-0385	1,240,914
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-13-0385	1,824
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-14-0385	53,871
Total U.S. Department of Education				<u>\$ 2,409,183</u>
<u>U.S. Department of Agriculture:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department (Child Nutrition Services) -</u>				
<u>Nutrition Cluster -</u>				
National School Lunch Program	10.555	N/A	006540	\$ 836,437
National School Lunch Program-Non-Cash Assistance				
(Commodities)	10.555	N/A	006540	128,707
National School Breakfast Program	10.553	N/A	006540	215,410
Total U.S. Department of Agriculture				<u>\$ 1,180,554</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 3,589,737</u>

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

**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**

Independent Auditors' Report

To the Board of Education
Rush-Henrietta Central School District, New York

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 aggregate remaining fund information of the Rush - Henrietta Central School District, New York, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Rush - Henrietta Central School District, New York's basic financial statements, and have issued our report thereon dated September 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rush - Henrietta Central School District, New York's internal control over financial reporting 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 Rush - Henrietta Central School District, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rush - Henrietta Central School District, New York'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 Rush - Henrietta Central School District, New York'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.

A handwritten signature in black ink that reads "Raymond F. Wager, CPA, P.C." with a stylized flourish at the end.

September 4, 2014