

NIAGARA FALLS CITY
SCHOOL DISTRICT, NEW YORK
*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
June 30, 2014 and Independent Auditors' Reports*

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
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FINANCIAL SECTION

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
Niagara Falls City 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 Niagara Falls City School District, New York (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position 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 and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the U.S. 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 Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Drescher & Malecki LLP

October 23, 2014

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2014

As management of the Niagara Falls City School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. This document should be read in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$56,387,620 (*net position*). This consists of a deficit net investment in capital assets of \$11,237,408 and an unrestricted net deficit of \$46,424,070, offset by a \$1,273,858 net position restricted for specific purposes.
- The District's net position increased by \$988,688 during the year ended June 30, 2014.
- At the close of the current fiscal year, the District's governmental funds reported a combined ending fund deficit of \$31,034,427, a decrease of \$35,378,289 compared to the prior year's fund balance of \$4,343,862. The reduction results from the capital outlay exceeding capital revenues in the current year.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$2,130,156, or approximately 1.7 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 33.0 percent of the General Fund's total fund balance of \$6,452,191 at June 30, 2014.
- The District's serial bonds decreased by \$3,970,000 as a result of scheduled principal payments.
- The District issued Bond Anticipation Notes ("BANs") of \$63,723,518, to finance the Inventing Tomorrow capital project of which \$38,128,461 was expended during the year ended June 30, 2014.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, community services, school food service operations, and interest on long-term debt. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 11-12 of this report.

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

Governmental 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *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 District maintains five individual governmental funds. 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, Special Aid Fund, School Lunch Fund, Capital Projects Fund, and Debt Service Fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District maintains two fiduciary funds, the Private Purpose Fund and the Agency Fund.

The fiduciary fund statements can be found on pages 17-18 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-40 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s progress in funding its obligation to provide post-employment benefits to its employees and the District’s budgetary comparison for the General Fund. Required supplementary information can be found on pages 41-43 of this report.

Other supplementary information is provided immediately following the required supplementary information in the Supplementary Information section of this report on pages 44-46.

The Federal Awards section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 47-60 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the District, liabilities exceeded assets by \$56,387,620 at the close of the most recent fiscal year, as compared to \$57,376,308 at the close of the fiscal year ended June 30, 2013.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position

	June 30,	
	2014	2013
Current assets	\$ 49,672,492	\$ 21,588,819
Capital assets	<u>128,117,508</u>	<u>93,773,050</u>
Total assets	<u>177,790,000</u>	<u>115,361,869</u>
Current liabilities	78,910,257	15,495,367
Noncurrent liabilities	<u>155,267,363</u>	<u>157,242,810</u>
Total liabilities	<u>234,177,620</u>	<u>172,738,177</u>
Net position:		
Net investment in capital assets	(11,237,408)	(17,448,486)
Restricted	1,273,858	1,044,545
Unrestricted	<u>(46,424,070)</u>	<u>(40,972,367)</u>
Total net position	<u>\$ (56,387,620)</u>	<u>\$ (57,376,308)</u>

The District’s net investment in capital assets is in a deficit position, \$(11,237,408) at June 30, 2014. This category of net position reflects the District’s investment in capital assets (e.g., land, construction in progress, building and improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District’s net position, \$1,273,858, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Unrestricted net position was in a deficit position of \$46,424,070. This demonstrates that future funding will be necessary to liquidate long-term obligations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2014 and June 30, 2013.

Table 2—Condensed Statements of Changes in Net Position

	Year Ended June 30,	
	2014	2013
Program revenues:		
Charges for services	\$ 368,486	\$ 513,969
Operating grants and contributions	14,045,784	13,929,382
Capital grants and contributions	2,901,482	-
General revenues	<u>124,082,807</u>	<u>114,732,922</u>
Total revenues	<u>141,398,559</u>	<u>129,176,273</u>
Program expenses	<u>140,409,871</u>	<u>135,641,217</u>
Change in net position	988,688	(6,464,944)
Net position—beginning	<u>(57,376,308)</u>	<u>(50,911,364)</u>
Net position—ending	<u>\$ (56,387,620)</u>	<u>\$ (57,376,308)</u>

Overall revenues increased by 9.5 percent from the prior year. This increase is primarily due to the increased unrestricted state aid, a capital grant from the Niagara River Greenway Commission, and Casino revenues. Total expenses increased by 3.5 percent from the year ended June 30, 2013, which can largely be attributed to an increase in instruction.

A summary of sources of revenues for the years ended June 30, 2014 and June 30, 2013 is presented below in Table 3.

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(Decrease)	
	2014	2013	Dollars	Percent (%)
Charges for services	\$ 368,486	\$ 513,969	\$ (145,483)	(28.3)
Operating grants and contributions	14,045,784	13,929,382	116,402	0.8
Capital grants and contributions	2,901,482	-	2,901,482	n/a
Taxes	29,142,638	27,602,933	1,539,705	5.6
Use of money and property	531,086	201,835	329,251	163.1
Other items	4,577,867	33,306	4,544,561	13,644.9
State sources—unrestricted	<u>89,831,216</u>	<u>86,894,848</u>	<u>2,936,368</u>	3.4
Total revenues	<u>\$ 141,398,559</u>	<u>\$ 129,176,273</u>	<u>\$ 12,222,286</u>	9.5

The most significant sources of revenues for the year ended June 30, 2014 were unrestricted State sources of \$89,831,216, or 63.5 percent of total revenues, and taxes of \$29,142,638, or 20.6 percent of total revenues. Similarly, for the year ended June 30, 2013, the largest sources of revenues were unrestricted State sources of \$86,894,848, or 67.3 percent of total revenues, and taxes of \$27,602,933 or 21.4 percent of total revenues.

A summary of program expenses for the years ended June 30, 2014 and June 30, 2013 is presented below in Table 4.

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(Decrease)	
	2014	2013	Dollars	Percent (%)
General support	\$ 18,986,724	\$ 20,241,281	\$ (1,254,557)	(6.2)
Instruction	103,664,682	99,262,170	4,402,512	4.4
Pupil transportation	7,960,308	7,591,309	368,999	4.9
Community services	187,862	161,175	26,687	16.6
School food service	3,794,056	5,243,189	(1,449,133)	(27.6)
Interest and other fiscal charges	5,816,239	3,142,093	2,674,146	85.1
Total program expenses	<u>\$ 140,409,871</u>	<u>\$ 135,641,217</u>	<u>\$ 4,768,654</u>	3.5

The most significant expense items for the year ended June 30, 2014 were instruction of \$103,664,682, or 73.8 percent of total expenses, general support of \$18,986,724, or 13.5 percent of total expenses, and pupil transportation of \$7,960,308, or 5.7 percent of total expenditures. Similarly, for the year ended June 30, 2013, the most significant expense items were instruction which comprised \$99,262,170, or 73.2 percent of total expenses, general support which comprised \$20,241,281, or 14.9 percent of total expenses, and pupil transportation which comprised \$7,591,309, or 5.6 percent of total expenses.

Financial Analysis of Governmental Funds

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

Governmental funds—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board of Education.

At June 30, 2014, the District’s governmental funds reported combined ending fund balance deficit of \$(31,034,427), a decrease of \$35,378,289 from the prior year balance of \$4,343,862. Excluding the Capital Projects Fund, the District’s governmental funds combined ending fund balances totaled \$7,070,188. Approximately 30.1 percent of this amount (\$2,130,156) constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form (\$1,273,957), (2) restricted for particular purposes (\$1,273,858), or (3) assigned for particular purposes (\$2,392,217).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,130,156, while the total fund balance decreased to \$6,452,191. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 1.7 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 5.2 percent of that same amount.

The total fund balance of the District’s General Fund decreased by \$458,598 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$2,575,070 of fund balance (this included funds appropriated from fund balance, and the re-appropriation of prior year’s encumbrances). Thus, as a result of spending less than anticipated, the District’s fund balance ended \$2,116,472 higher than anticipated.

At June 30, 2014, the District’s School Lunch fund reports a fund balance of \$391,065, an increase of \$35,766 from the prior year. Nonspendable fund balance of \$55,689 is reported to reflect the amounts of inventory not in spendable form, which results in an assigned fund balance of \$335,376.

Due to expansive capital outlay supported primarily by short-term debt during the year ended June 30, 2014, the District’s Capital Projects Fund reported a fund deficit of \$38,104,615 compared to the prior year’s fund deficit of \$2,922,226. This deficit is anticipated to be addressed once the short-term debt is converted to long-term debt.

At June 30, 2014, the District’s Debt Service Fund reports a fund balance of \$226,932, an increase of \$226,932 from the prior year. This total fund balance amount is classified as restricted fund balance for the future payment of debt principal and interest.

Similar to the prior year, at June 30, 2014 the District’s Special Aid Fund reported no fund balance.

General Fund Budgetary Highlights

The District’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. Additionally, there was a \$628,056 increase in appropriations between the original and final amended budget for additional State aid, and gifts and donations. A summary of revisions from adopted budget to final budget is presented below in Table 5.

Table 5—General Fund Budget

Adopted budget, 2013-2014	\$ 124,060,725
Add: Prior year's encumbrances	<u>275,070</u>
Original budget	124,335,795
Budget revisions:	
Additional State aid	150,000
Gifts and donations	<u>478,056</u>
Final budget	<u>\$ 124,963,851</u>

More detailed information about the District’s General Fund budget is presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—General Fund within the Required Supplementary Information section of this report.

Capital Asset and Debt Administration

Capital assets—The District’s investment in capital assets for its governmental activities as of June 30, 2014, amounted to \$128,117,508 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and

equipment, and vehicles. Construction in progress at June 30, 2014 represents expenses to date for facilities' improvements approved by the voters of the District, but not yet placed in service.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the District's capital asset policy.

Capital assets, net of depreciation for the governmental activities at the years ended June 30, 2014 and June 30, 2013 are presented below in Table 6.

Table 6—Summary of Capital Assets (Net of Depreciation)

	June 30,	
	2014	2013
Land	\$ 1,706,376	\$ 1,706,376
Construction in progress	29,980,618	2,924,330
Land improvements	970,299	1,136,706
Buildings and improvements	93,780,428	86,640,118
Furniture and equipment	1,592,890	1,248,335
Vehicles	86,897	117,185
Total	<u>\$ 128,117,508</u>	<u>\$ 93,773,050</u>

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-term debt—At June 30, 2014, the District had bonded debt outstanding of \$43,765,000, as compared to \$47,735,000 in the prior year. During the year ended June 30, 2014, the District made scheduled principal payments of \$3,970,000.

A summary of the District's long-term liabilities at June 30, 2014 and June 30, 2013 is presented below in Table 7.

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2014	2013
Serial bonds	\$ 43,765,000	\$ 47,735,000
Premium on serial bonds	817,858	940,134
Certificates of participation	52,680,000	55,285,000
Energy performance contracts	3,987,443	4,474,176
Due to retirement systems	3,272,266	1,791,735
Compensated absences	9,036,503	8,535,865
Workers' compensaton	8,452,414	8,167,351
OPEB obligation	33,255,879	30,313,549
Total	<u>\$ 155,267,363</u>	<u>\$ 157,242,810</u>

Additional information on the District's long-term debt can be found in Note 10 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate, not seasonally adjusted, for the City of Niagara Falls at June 30, 2014 was 7.8 percent. This compares unfavorably to both New York State's average unemployment rate of 6.5 percent and the national unemployment rate of 6.2 percent. These factors are considered in preparing the District's budget.

During the current fiscal year, the District appropriated \$56,841 for encumbrances and \$2,000,000 for subsequent years' expenditures of the General Fund's unassigned fund balance for spending in the District's 2014-2015 fiscal year budget. The 2014-2015 adopted budget appropriations total of \$126,363,144 is an approximate increase of 1.9 percent as compared to \$124,060,725 in 2013-2014. The District's total tax levy in 2014-2015 is \$25,828,989 and remains unchanged with the amount levied in the 2013-2014 year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Superintendent, Niagara Falls City School District, 630 66th Street, Niagara Falls, New York 14304.

BASIC FINANCIAL STATEMENTS

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NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,755,211
Restricted cash and cash equivalents	31,356,918
Taxes receivable (net of allowance for uncollectibles)	2,426,488
Receivables (net of allowance for uncollectibles)	184,698
Intergovernmental receivables	7,675,220
Inventories	55,689
Prepaid items	1,218,268
Capital assets not being depreciated	31,686,994
Capital assets, net of accumulated depreciation	96,430,514
Total assets	177,790,000
 LIABILITIES	
Accounts payable	4,809,171
Retainage payable	1,724,500
Accrued liabilities	902,123
Intergovernmental payables	63,772
Due to retirement systems	7,459,336
Due to Agency Fund	154,498
Bond anticipation notes payable	63,723,518
Unearned revenue	73,339
Non-current liabilities:	
Due within one year	8,162,687
Due within more than one year	147,104,676
Total liabilities	234,177,620
 NET POSITION	
Net investment in capital assets	(11,237,408)
Restricted:	
Workers' compensation	952,435
Debt service	321,423
Unrestricted	(46,424,070)
Total net position	\$ (56,387,620)

The notes to the financial statements are an integral part of this statement.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2014

Function/Program	Expense	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Governmental activities:					
General support	\$ 18,986,724	\$ -	\$ -	\$ -	\$ (18,986,724)
Instruction	103,664,682	66,212	10,867,518	2,901,482	(89,829,470)
Pupil transportation	7,960,308	-	-	-	(7,960,308)
Community services	187,862	-	38,519	-	(149,343)
School food service	3,794,056	302,274	3,139,747	-	(352,035)
Interest and other fiscal charges	5,816,239	-	-	-	(5,816,239)
Total primary government	<u>\$ 140,409,871</u>	<u>\$ 368,486</u>	<u>\$ 14,045,784</u>	<u>\$ 2,901,482</u>	(123,094,119)
General revenues:					
					26,990,642
					2,151,996
					190,127
					69,533
					89,831,216
					<u>4,849,293</u>
					<u>124,082,807</u>
					988,688
					<u>(57,376,308)</u>
					<u>\$ (56,387,620)</u>

The notes to the financial statements are an integral part of this statement.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2014

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,724,093	\$ 25,833	\$ 5,285	\$ -	\$ -	\$ 6,755,211
Restricted cash and cash equivalents	1,080,908	-	-	30,276,010	-	31,356,918
Taxes receivable	2,426,488	-	-	-	-	2,426,488
Receivables (net of allowance for uncollectibles)	76,699	107,384	615	-	-	184,698
Intergovernmental receivable	4,600,055	2,446,104	629,061	-	-	7,675,220
Due from other funds	2,571,975	-	2,657	638,008	354,940	3,567,580
Inventories	-	-	55,689	-	-	55,689
Prepaid items	1,218,268	-	-	-	-	1,218,268
Total assets	<u>\$ 18,698,486</u>	<u>\$ 2,579,321</u>	<u>\$ 693,307</u>	<u>\$ 30,914,018</u>	<u>\$ 354,940</u>	<u>\$ 53,240,072</u>
LIABILITIES						
Accounts payable	\$ 1,634,887	\$ 10,989	\$ 30,301	\$ 3,132,994	\$ -	\$ 4,809,171
Retainage payable	-	-	-	1,724,500	-	1,724,500
Intergovernmental payables	36,771	26,391	610	-	-	63,772
Accrued liabilities	271,886	44,596	82,833	8,886	-	408,201
Due to retirement systems	7,459,336	-	-	-	-	7,459,336
Due to other funds	479,492	2,497,345	188,498	428,735	128,008	3,722,078
Bond anticipation notes payable	-	-	-	63,723,518	-	63,723,518
Unearned revenue	73,339	-	-	-	-	73,339
Total liabilities	<u>9,955,711</u>	<u>2,579,321</u>	<u>302,242</u>	<u>69,018,633</u>	<u>128,008</u>	<u>81,983,915</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues-property taxes	2,290,584	-	-	-	-	2,290,584
Total deferred inflow of resources	<u>2,290,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,290,584</u>
FUND BALANCES (DEFICIT)						
Nonspendable	1,218,268	-	55,689	-	-	1,273,957
Restricted	1,046,926	-	-	-	226,932	1,273,858
Assigned	2,056,841	-	335,376	-	-	2,392,217
Unassigned	2,130,156	-	-	(38,104,615)	-	(35,974,459)
Total fund balances	<u>6,452,191</u>	<u>-</u>	<u>391,065</u>	<u>(38,104,615)</u>	<u>226,932</u>	<u>(31,034,427)</u>
Total liabilities, deferred inflows of resources, and fund balance (deficit)	<u>\$ 18,698,486</u>	<u>\$ 2,579,321</u>	<u>\$ 693,307</u>	<u>\$ 30,914,018</u>	<u>\$ 354,940</u>	<u>\$ 53,240,072</u>

The notes to the financial statements are an integral part of this statement.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2014

Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances (deficit)—governmental funds (page 13)	\$ (31,034,427)
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$189,489,762 and the accumulated depreciation is \$61,372,254.	128,117,508
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Net accrued interest expense on long-term debt not reported in the funds.	(493,922)
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Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. The liabilities consist of:

Serial bonds	\$ (43,765,000)	
Premium on serial bonds	(817,858)	
Certificates of participation	(52,680,000)	
Energy performance contracts	(3,987,443)	
Due to retirement systems	(3,272,266)	
Compensated absences	(9,036,503)	
Workers' compensation	(8,452,414)	
Other post-employment benefits	(33,255,879)	(155,267,363)

Certain amounts relating to taxes receivable are reported as inflows of resources in the governmental funds, as they are not current financial resources.	2,290,584
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Net position of governmental activities	\$ (56,387,620)
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The notes to the financial statements are an integral part of this statement.

The notes to the financial statements are an integral part of this statement.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund
Balances (Deficit)—Governmental Funds
Year Ended June 30, 2014

REVENUES	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
Real property taxes and other tax items	\$ 26,977,238	\$ -	\$ -	\$ -	\$ -	\$ 26,977,238
Non-property tax items	2,151,996	-	-	-	-	2,151,996
Charges for services	66,212	-	-	-	-	66,212
School lunch	-	-	302,274	-	-	302,274
Use of money and property	145,533	-	-	44,594	-	190,127
Sale of property and compensation for loss	69,533	-	-	-	-	69,533
State sources	90,089,723	2,918,528	80,560	-	-	93,088,811
Federal sources	172,677	6,530,731	3,059,187	-	-	9,762,595
Miscellaneous	4,680,463	340,959	-	2,940,001	-	7,961,423
Total revenues	<u>124,353,375</u>	<u>9,790,218</u>	<u>3,442,021</u>	<u>2,984,595</u>	<u>-</u>	<u>140,570,209</u>
EXPENDITURES						
Current:						
General support	13,646,435	-	-	-	-	13,646,435
Instruction	63,337,609	9,122,879	-	-	-	72,460,488
Pupil transportation	6,964,377	-	-	-	-	6,964,377
Community services	149,339	-	-	38,523	-	187,862
Cost of sales (school lunch)	-	-	2,732,056	-	-	2,732,056
Employee benefits	28,216,914	718,736	674,199	-	-	29,609,849
Debt service:						
Principal	7,061,733	-	-	-	-	7,061,733
Interest	5,384,169	-	-	-	588,014	5,972,183
Capital outlay	-	-	-	38,128,461	-	38,128,461
Total expenditures	<u>124,760,576</u>	<u>9,841,615</u>	<u>3,406,255</u>	<u>38,166,984</u>	<u>588,014</u>	<u>138,634,983</u>
Excess (deficiency) of revenues over expenditures	<u>(407,201)</u>	<u>(51,397)</u>	<u>35,766</u>	<u>(35,182,389)</u>	<u>(588,014)</u>	<u>(36,193,235)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	93,751	145,148	-	-	-	238,899
Transfers out	(145,148)	(93,751)	-	-	-	(238,899)
Premium on bond anticipation notes	-	-	-	-	814,946	814,946
Total other financing sources (uses)	<u>(51,397)</u>	<u>51,397</u>	<u>-</u>	<u>-</u>	<u>814,946</u>	<u>814,946</u>
Net change in fund balances (deficit)	(458,598)	-	35,766	(35,182,389)	226,932	(35,378,289)
Fund balances (deficit)—beginning	<u>6,910,789</u>	<u>-</u>	<u>355,299</u>	<u>(2,922,226)</u>	<u>-</u>	<u>4,343,862</u>
Fund balances (deficit)—ending	<u>\$ 6,452,191</u>	<u>\$ -</u>	<u>\$ 391,065</u>	<u>\$ (38,104,615)</u>	<u>\$ 226,932</u>	<u>\$ (31,034,427)</u>

The notes to the financial statements are an integral part of this statement.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances (deficit)—total governmental funds (page 15) \$ (35,378,289)

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

Capital asset additions, net of transfers	\$ 38,447,244	
Capital asset disposals	(21,101)	
Depreciation expense	<u>(4,081,685)</u>	34,344,458

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 33,668

The issuance of long-term debt (e.g. serial bonds, certificates of participation, energy performance contracts) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Principal repayment of serial bonds	\$ 3,970,000	
Amortization of bond premium	122,276	
Principal repayment of certificates of participation	2,605,000	
Principal repayment of energy performance contracts	486,733	
Change in due to retirement systems	(1,480,531)	
Change in compensated absences	(500,638)	
Change in workers' compensation liability	(285,063)	
Change in other post-employment benefits obligation	<u>(2,942,330)</u>	1,975,447

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 13,404

Change in net position of governmental activities \$ 988,688

The notes to the financial statements are an integral part of this statement.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Statement of Net Position—Fiduciary Funds
June 30, 2014

	Private Purpose Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 87,708	\$ 117,524
Due from other funds	-	154,498
Total assets	<u>87,708</u>	<u>\$ 272,022</u>
LIABILITIES		
Extraclassroom activity balances	-	\$ 91,980
Other liabilities	-	180,042
Total liabilities	<u>-</u>	<u>\$ 272,022</u>
NET POSITION		
Restricted for scholarships	<u>\$ 87,708</u>	

The notes to the financial statements are an integral part of this statement.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Statement of Changes in Net Position—Fiduciary Funds
Year Ended June 30, 2014

	Private Purpose Fund
ADDITIONS	
Interest income	\$ 65
Miscellaneous revenue	<u>1,500</u>
Total additions	<u>1,565</u>
DEDUCTIONS	
Scholarships awarded	<u>4,000</u>
Total deductions	<u>4,000</u>
Change in net position	(2,435)
Net position - beginning	<u>90,143</u>
Net position - ending	<u>\$ 87,708</u>

The notes to the financial statements are an integral part of this statement.

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NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Niagara Falls City School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental 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.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District reports no business-type activities or component units.

Reporting Entity

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food service, administration, finance, and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Joint Venture—The District is a participating school district in the Orleans-Niagara Board of Cooperative Education Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition,

BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2014, there was no debt issued by the District on behalf of BOCES.

During the fiscal year ended June 30, 2014, the District was billed \$11,193,991 for BOCES administrative and program costs. The District's share of BOCES aid and refunds amounted to \$4,888,430 for the year ended June 30, 2014. Audited financial statements for the Niagara-Orleans BOCES are available at the BOCES' administrative offices.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's 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 major governmental funds:

- ◆ *General Fund*—This fund is the principal operating fund of the District and accounts for all financial resources of the general government except those accounted for in another fund.
- ◆ *Special Aid Fund*—This fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.
- ◆ *School Lunch Fund*—This fund is used to account for transactions of the District's food service operations.
- ◆ *Capital Projects Fund*—This fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

- ◆ *Debt Service Fund*—This fund is used to account for the accumulation of resources that are restricted, committed, or assigned for payment of principal and interest on long-term debt obligations of the governmental funds.

Additionally, the District reports the following fund type:

Fiduciary Funds—are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. The Fiduciary Fund of the District includes a *Private Purpose Trust Fund* and an *Agency Fund*.

- ◆ *Private Purpose Trust Fund*—This fund is used to account for assets held by the District for scholarships.
- ◆ *Agency Fund*—The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, various student groups and clubs and/or other governmental units. Included within the Agency Fund are the extraclassroom activity funds of the District, which represents funds of the students of the District. The Board of Education exercises general oversight of these funds.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is

incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measureable and available only when cash is received by the District.

The Private Purpose Trust Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

Budgetary Information

Budgetary Basis of Accounting—An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Special Aid, School Lunch, or Debt Service Funds. Appropriation limits, where applicable, for the Debt Service Fund and Special Aid Fund are maintained based on debt schedules and individual grants accepted by the Board of Education. The periods of such grants may vary from the District's fiscal year. A budgets is maintained for the School Lunch Fund as a management tool for internal control purposes.

The appropriated budget is prepared by function and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The General Fund original budget includes encumbrances from the prior year of \$275,070. The District considers encumbrances to be significant for amounts that are encumbered in excess of \$20,000. The District had a total of \$56,841 encumbrances outstanding at June 30, 2014, further information regarding encumbrances can be found in Note 11.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The District's cash and cash equivalents consist of cash on hand, demand deposits, time deposits, and short-term highly liquid investments with original

maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The District has no investments at June 30, 2014; however, it is the District's policy to state investments at fair value when applicable.

Restricted Cash and Cash Equivalents—Restricted cash represents unspent funds received under an agreement with the New York Power Authority as well as unspent debt proceeds of debt and amounts to support restricted fund balances.

Inventories—Inventories of food and/or supplies in the School Lunch Fund 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 inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Prepaid items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-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 good or services are consumed.

Capital Assets—Capital assets, which include land, construction in progress, land improvements, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold for the type of asset and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

Land and construction in progress are not depreciated. The other property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

	<u>Threshold</u>	<u>Useful Life</u>
Land	\$ 5,000	n/a
Land improvements	5,000	20
Buildings and improvements	5,000	20-50
Furniture and equipment	5,000	5-20

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of expenditures—pupil transportation). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2014, the District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2014, the District reported a deferred inflow of resources on the balance sheet for governmental funds in the amount of \$2,290,584, which represents taxes receivable that the District does not expect to receive within 60 days of year end, in accordance with the modified accrual basis of accounting.

Net Position Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education assigns fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien as of July 1st. The city and county in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City of Niagara Falls, New York to the District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, deferred inflows offset real property taxes receivable.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund purposes. At June 30, 2014, the District reported unearned revenues of \$33,982 that are received under an agreement with the New York Power Authority. These funds will be recognized as revenues when they are expended according to the agreement. Additionally, the District reported an \$11,500 donation and \$27,857 of overpayments as unearned revenues. The donation will be recognized in the 2014-15 fiscal year when it is expended in accordance with the donor's request and the overpayments will be returned to the taxpayers.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually.

Other

Estimates—The preparation of the 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 amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement—During the year ended June 30, 2014, the District implemented GASB Statements No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*; No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB Statement No. 66 is to improve accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This Statement replaces GASB Statement No. 25 and Statement No. 50. The objective of GASB Statement No. 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. GASB Statements No. 66, 67 and 70 did not have a material impact on the District's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, effective for the year ending June 30, 2015. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 68, 69, and 71 will have on its financial position and results of operations when such statements are adopted.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District’s investment policies are governed by State statutes. District monies must be deposited in FDIC-Insured commercial banks or trust companies located within New York State. The District’s Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents at June 30, 2014 are shown below.

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 862	\$ -	\$ 862
Deposits	<u>38,111,267</u>	<u>205,232</u>	<u>38,316,499</u>
Total	<u>\$ 38,112,129</u>	<u>\$ 205,232</u>	<u>\$ 38,317,361</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2014 as follows:

	Bank Balance	Carrying Balance
FDIC insured	\$ 1,446,388	\$ 1,446,388
Uninsured:		
Collateral held by pledging bank's agent in the District's name	<u>40,927,004</u>	<u>36,870,111</u>
Total	<u>\$ 42,373,392</u>	<u>\$ 38,316,499</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2014, the District’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the District’s name.

Restricted Cash and Cash Equivalents— The District reports restricted fund balances and unspent proceeds from serial bonds and bond anticipation notes as restricted cash and cash equivalents. Additionally, cash held pursuant to an agreement with the New York Power Authority, which may be used to assist in financing future capital improvements, is reported as restricted. At June 30, 2014, the District reported \$31,356,918 of restricted cash within its governmental funds. Of this amount, \$33,982 is cash held for Greenway Commission projects.

Investments—The District had no investments at June 30, 2014.

Interest Rate Risk—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

3. RECEIVABLES

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

Receivables—Represents amounts due from various sources for out-of-District tuition, reimbursements and other services provided, net of allowances for uncollectible accounts totaling \$360,841. The District reported amounts of \$79,699, \$107,384, and \$615 in the General Fund, Special Aid Fund and School Lunch Fund, respectively.

Intergovernmental Receivables—Represent amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2014 are:

General Fund:		
New York State Aid	\$ 1,998,867	
Niagara County Sales Tax	228,491	
Microsoft Voucher program	231,820	
BOCES Aid	2,094,235	
Other	46,642	\$ 4,600,055
	<u> </u>	<u> </u>
Special Aid Fund:		
Title I	784,959	
Title IIA	107,401	
Section 611 & 619 IDEA	364,378	
State supported schools	245,511	
Universal Pre-K	540,463	
Race to the Top ARRA	52,585	
State aid - family resources	23,388	
Other grants	327,419	\$ 2,446,104
	<u> </u>	<u> </u>
School Lunch Fund:		
State aid	606,770	
Federal aid	22,291	\$ 629,061
	<u> </u>	<u> </u>
Total governmental funds		<u>\$ 7,675,220</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Capital assets, not being depreciated:				
Land	\$ 1,706,376	\$ -	\$ -	\$ 1,706,376
Construction in progress	2,924,330	38,128,461	(11,072,173)	29,980,618
Total capital assets, not being depreciated	<u>4,630,706</u>	<u>38,128,461</u>	<u>(11,072,173)</u>	<u>31,686,994</u>
Capital assets, being depreciated:				
Land improvements	4,132,666	-	-	4,132,666
Buildings and improvements	137,067,284	10,791,008	(63,313)	147,794,979
Furniture and equipment	4,680,902	599,948	(11,343)	5,269,507
Vehicles	605,616	-	-	605,616
Total capital assets, being depreciated	<u>146,486,468</u>	<u>11,390,956</u>	<u>(74,656)</u>	<u>157,802,768</u>
Less accumulated depreciation for:				
Land improvements	(2,995,960)	(166,407)	-	(3,162,367)
Buildings and improvements	(50,427,166)	(3,630,731)	43,346	(54,014,551)
Furniture and equipment	(3,432,567)	(254,259)	10,209	(3,676,617)
Vehicles	(488,431)	(30,288)	-	(518,719)
Total accumulated depreciation	<u>(57,344,124)</u>	<u>(4,081,685)</u>	<u>53,555</u>	<u>(61,372,254)</u>
Total capital assets, being depreciated, net	<u>89,142,344</u>	<u>7,309,271</u>	<u>(21,101)</u>	<u>96,430,514</u>
Governmental activities capital assets, net	<u>\$ 93,773,050</u>	<u>\$ 45,437,732</u>	<u>\$ (11,093,274)</u>	<u>\$ 128,117,508</u>

Depreciation expense was charged to the functions and programs of governmental activities as follows:

Governmental activities:	
General support	\$ 69,389
Instruction	3,016,365
Pupil transportation	995,931
Total depreciation expense	<u>\$ 4,081,685</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2014, were as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Total Governmental Funds
Salary and employee benefits	\$ 271,886	\$ 44,596	\$ 82,833	\$ 8,886	\$ 408,201
Total accrued liabilities	<u>\$ 271,886</u>	<u>\$ 44,596</u>	<u>\$ 82,833</u>	<u>\$ 8,886</u>	<u>\$ 408,201</u>

6. PENSION PLANS

The District participates in the New York State Teacher’s Retirement System (“NYSTRS”) and the New York State and Local Employee’ Retirement System (“NYSERS”). These cost-sharing multiple-employer public employee retirement systems compute contribution retirements based on the New York State Retirement and Local Security Law (“NYSRSSL”).

New York State Teachers’ Retirement System (“NYSTRS”)

Plan Description—The District makes contributions to the NYSTRS, a cost sharing multiple-employer defined benefit pension plan administered by the New York State Teachers’ Retirement Board. The NYSTRS provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries, as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The 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 the New York State Teachers’ Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Funding Policy—Plan members who joined the NYSTRS before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 are required to contribute three percent (3.0%) of their annual salary for the first ten years. Those joining on or after January 1, 2010 (Tier 5) are required to contribute three and one-half percent (3.5%) of their annual salary for their entire working career. Those joining on or after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from three percent (3%) to six percent (6%) based on salary. Employers are required to contribute at an actuarially determined rate, currently 16.25% of the annual covered payroll for the fiscal year ended June 30, 2014. Rates applicable to the fiscal years ended June 30, 2013 and 2012 were 11.84% and 11.11%, respectively.

The required contributions for the current year and two preceding years were:

<u>Year ended June 30,</u>	<u>Contributions</u>
2014	\$ 6,617,272
2013	5,396,986
2012	4,967,147

The District’s contribution made to the NYSTRS was equal to 100 percent of the contributions required for the 2012 and 2013 years. The District has deferred \$984,469 from the 2014 amount due.

New York State Employees’ Retirement System (“NYSERS”)

Plan Description—The District participates in the NYSERS and the Public Employees’ Group Life Insurance Plan (“Systems”). This is a cost-sharing multiple-employer retirement system. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (“NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (“Comptroller”) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the business of the NYSERS and for custody and control of their funds. The NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Funding Policy—The System is noncontributory except for employees who joined the New York State and Local Employees’ Retirement System after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership. Those who joined on or after January 10, 2010 (Tier 5) generally contribute three percent of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from three percent (3.0%) to six percent (6.0%), based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employer’s contributions based on salaries paid during the New York State Local Retirement System’s fiscal year ending March 31.

The District is required to contribute at an actuarially determined rate. The required contribution for the current year and two preceding years were:

<u>Year ended June 30,</u>	<u>Contributions</u>
2014	\$ 1,780,732
2013	1,691,506
2012	1,925,466

Legislation requires participating employers to make payments on a current basis. The 2012, 2013, and 2014 contribution amounts do not include the \$471,152, \$944,567 and \$750,061 respectively that the District has opted to pay through the State’s Contribution Stabilization Plan. This plan was established as part of the Contribution Stabilization Program enacted in 2010.

7. OTHER POST-EMPLOYMENT BENEFIT (“OPEB”) OBLIGATIONS

Plan Description— The District pays for a portion of eligible retirees’ health insurance, depending on the type of health plan provided. Eligibility for postemployment benefits depends upon union group as follows: (1) *Niagara Falls Teachers* – employee must be 55 years of age and eligible to retire under NYSTRS, (2) *Niagara Falls School Systems Unit 7696, Local 872 of the Civil Service Employees Association, Inc. Local 1000, AFSCME, AFL-CIO* – employee must be 55 and have 20 years of service, (3) *Administrative and Supervisory Council of the Public Schools, Niagara Falls, New York* – employee must have 20 years of service with the District or 10 years of service as an administrator with the District, or (4) *Classified Administrators and Supervisors* – employee must be eligible to retire under either NYSTRS or NYSERS and have 20 years of service with the District.

Funding Policy— Authorization for the District to pay a portion of retiree health insurance premiums was enacted through a union contract, which was ratified by the District’s Board of Education. Upon retirement, the District generally pays 100% of the cost of the medical plan in effect at the time of retirement until an employee reaches the age of 65. At 65, the District pays 100% of supplemental health coverage for life. An exception to the general benefit levels is those employees hired after July 1, 2006 under the *Niagara Falls School Systems Unit 7696, Local 872 of the Civil Service Employees Association, Inc. Local 1000, AFSCME, AFL-CIO* contract who receive 80% of such benefit.

The District’s annual other post-employment benefit (“OPEB”) cost is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. 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 over a period not to exceed 30 years.

The table below shows the components of the District's annual OPEB cost for the year, the amount contributed to the plan, and changes in the District's net OPEB obligation.

	Year Ended June 30,	
	2014	2013
Annual required contribution ("ARC")	\$ 6,716,344	\$ 7,269,454
Interest on net OPEB obligation	1,212,542	1,266,402
Adjustment to annual required contribution	<u>(1,255,693)</u>	<u>(1,164,578)</u>
Annual OPEB cost (expense)	6,673,193	7,371,278
Contributions made	<u>(3,730,863)</u>	<u>(5,200,000)</u>
Increase in net OPEB obligation	2,942,330	2,171,278
Net OPEB obligation—beginning of year	<u>30,313,549</u>	<u>28,142,271</u>
Net OPEB obligation—end of year	<u>\$ 33,255,879</u>	<u>\$ 30,313,549</u>

Funding Status and Funding Progress—As of July 1, 2014, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities was \$115,092,129.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. This schedule presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The District's schedule of contributions for the most recent three years is shown below:

Year Ended June 30,	Annual Required Contribution	Contributions Made	Percentage Contributed
2014	\$ 6,716,344	\$ 3,730,863	55.5%
2013	7,269,454	5,200,000	71.5%
2012	7,269,454	4,968,159	68.3%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 30, 2014 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. Under this method, the actuarial present value of the projected benefits of each individual included in

an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The actuarial assumptions included a valuation date and measurement date of June 30, 2014. The expected investment rate of return on employer's assets is 4.0%. The 2012 New York State Teachers Retirement System rates; separate for active and retirees; separate for males and females were used for mortality rates. The unfunded actuarial accrued liability is being amortized over 30 years, therefore the remaining amortization period at June 30, 2014, was 23 years.

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees, health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The District purchases insurance for: general liability, as well as automobile, law enforcement professional, and school and educators' legal liabilities. The general liability insurance is limited to \$12 million per occurrence and a \$12 million aggregate with no deductible. The automobile insurance is limited to \$1 million with no deductible. The law enforcement professional and school and educators' legal liability insurances are limited to \$1 million each, with a \$5,000 and \$10,000 deductible, respectively. The District also carries a \$12 million umbrella policy with no deductible. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

Workers' Compensation—The District has chosen to establish a self-insured plan for risks associated with employee workers' compensation claims. The program administrator is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The District accounts for this activity in the General Fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. The District has an insurance policy for claims exceeding \$650,000 per occurrence to reduce its exposure to larger claims.

Claim activities for the current year and the prior year are:

Fiscal Year Ended	Beginning Balance	Current Claims		Ending Balance
		and Changes in Estimates	Claims Paid	
June 30, 2014	\$ 8,167,351	\$ 1,261,098	\$ 976,035	\$ 8,452,414
June 30, 2013	6,111,276	3,204,958	1,148,883	8,167,351

At June 30, 2014, the General Fund maintains a restricted fund balance in the amount of \$952,435 for the purpose of funding the District's future claim liabilities.

9. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the District’s BAN activity for the fiscal year ended June 30, 2014 is presented below:

Description	Interest Rate	Maturity Date	Balance 7/1/2013	Issue	Redemptions	Balance 6/30/2014
Capital Projects Fund:						
Various capital projects	1.25%	12/20/2013	\$ 3,500,000	\$ -	\$ 3,500,000	\$ -
Various capital projects	1.00%	6/26/2014	-	3,500,000	3,500,000	-
Various capital projects	1.00%	6/26/2014	-	45,500,000	45,500,000	-
Various capital projects	1.00%	6/25/2015	-	63,723,518	-	63,723,518
			<u>\$ -</u>	<u>\$ 112,723,518</u>	<u>\$ 49,000,000</u>	<u>\$ 63,723,518</u>

Liabilities for revenue anticipation notes (“RANs”) are accounted for in the General Fund.

Transactions in RANs for the year ended June 30, 2014 are summarized below:

Description	Interest Rate	Maturity Date	Balance 7/1/2013	Issue	Redemptions	Balance 6/30/2014
General Fund:						
Revenue anticipation note	0.94%	3/26/2014	\$ -	\$ 3,500,000	\$ 3,500,000	\$ -
			<u>\$ -</u>	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>

10. LONG-TERM LIABILITIES

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The District’s outstanding long-term liabilities include serial bonds, certificates of participation, energy performance contracts, due to retirement systems, compensated absences, workers’ compensation liability, and other post-employment benefits obligation. The serial bonds of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District’s long term debt at June 30, 2014 is presented on the following page.

	Balance			Balance	Due Within
	7/1/2013	Additions	Reductions	6/30/2014	One Year
Serial bonds	\$ 47,735,000	\$ -	\$ 3,970,000	\$ 43,765,000	\$ 2,995,000
Premium on serial bonds	940,134	-	122,276	817,858	116,141
Bonds payable	48,675,134	-	4,092,276	44,582,858	3,111,141
Certificates of participation	55,285,000	-	2,605,000	52,680,000	2,735,000
Energy performance contracts	4,474,176	-	486,733	3,987,443	505,876
Due to retirement systems	1,791,735	1,795,369	314,838	3,272,266	382,810
Compensated absences	8,535,865	1,072,411	571,773	9,036,503	451,825
Workers' compensation	8,167,351	1,261,098	976,035	8,452,414	976,035
OPEB obligation	30,313,549	6,673,193	3,730,863	33,255,879	-
Total	<u>\$ 157,242,810</u>	<u>\$ 10,802,071</u>	<u>\$ 12,777,518</u>	<u>\$ 155,267,363</u>	<u>\$ 8,162,687</u>

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 3 to 17 years.

On July 16, 2013, the District issued \$2,700,000 of serial bonds. The bonds mature July 15, 2026 and bear interest rates of 2.00 percent to 4.00 percent.

The activity on the District's outstanding bond issues, for the year ended June 30, 2014 follows:

	Year of Issue/ Maturity	Amount of Original Issue	Interest Rate (%)	Balance at 7/1/2013	Additions	Payments	Balance at 6/30/2014
Serial bonds 2005	2005/2036	\$ 30,000,000	4.25-4.75	\$ 26,540,000	\$ -	\$ 675,000	\$ 25,865,000
Serial bonds 2008	2008/2014	655,000	4.10	135,000	-	135,000	-
Serial bonds 2009	2009/2025	18,870,000	4.00-5.00	15,230,000	-	1,070,000	14,160,000
DASNY Series 2003A	2003/2013	6,270,000	4.00-5.00	745,000	-	745,000	-
Uninsured 2012 refunding	2012/2015	3,850,000	2.00-4.00	2,510,000	-	1,345,000	1,165,000
Insured 2012 refunding	2012/2021	2,575,000	3.00-5.00	2,575,000	-	-	2,575,000
Total				<u>\$ 47,735,000</u>	<u>-</u>	<u>\$ 3,970,000</u>	<u>\$ 43,765,000</u>

Premium on Serial Bonds—The premiums on the 2009 serial bonds and 2012 refunding bonds are being amortized on a straight-line basis over the life of the respective bonds.

Certificates of Participation—In November 1997, the Board of Education consolidated its existing two high school facilities into one state of the art facility. To further this goal, in March 1998, the District leased a site for the Project from the City of Niagara Falls for a period of 99 years. This lease contemplates that the site will be used for the purpose of operating and conducting a school and such other uses as may from time to time be approved by the City of Niagara Falls.

In accordance with Chapter 562 of the laws of New York for 1996, as amended by Chapter 671 of the Laws of New York for 1997, the District has agreed to make Lease Payments under the Lease Purchase Agreement in connection with the Project. The District is responsible for maintenance and

repair of the Project, for taxes, assessments and charges (if any), and for maintaining insurance respecting the project. The obligation for the District to make payments under the lease purchase agreement is subject to, and dependent upon, the making of annual appropriations there for by the District. The lease purchase agreement is subject to termination during any fiscal year of the District if the District does not appropriate funds sufficient for its continuation.

The District has agreed in the lease purchase agreement to make semi-annual lease payments (the “lease payments” or “lease payment requirement”) which have been assigned to a Trustee pursuant to an assignment agreement. The lease payments have been calculated to aggregate in the six-month period preceding each payment date to an amount equal to the interest and in the twelve-month period preceding each payment date to an amount equal to the principal due on certificates of participation on such payment date. Such certificates of participation were used to finance the project. Under the lease purchase agreement, the District is required to make lease payments on June 15 and December 15 of each year. The District made its first lease payment on December 15, 1998 and has continued to make lease payments through June 15, 2028 in the amount and at the times due under the lease purchase agreement. All lease payments are required to be made without any right of defense, offset, or counterclaim.

The District has been advised by the New York State Education Department that lease payments made in connection with the project are eligible for State Building Aid at 83.1% of eligible lease payments. Under the terms of the lease, the District has instructed the State Comptroller’s office to forward all state aid payments to the designated depository, Chase Manhattan Bank, in accordance with the Depository Agreement dated July 23, 1998. These deposits of state aid will continue until such time as the required lease payments for the applicable fiscal year are satisfied.

During 2005, Refunding Certificates of Participation were issued to refund and defease all of the District’s \$63,985,000 outstanding principal amount of the \$70,870,000 School District Certificates of Participation – Series 1998 and \$5,285,000 outstanding principal amount of the \$5,700,000 School District Certificates of Participation – Series 2000 pursuant to the District’s refunding plan (the “Refunding Financial Plan”). The Refunding Financial Plan provides for (i) the payment of the principal of and redemption premiums, if any, on the outstanding Prior Certificates, together with interest payable thereon to earlier of the maturity date or optional redemption date of the Prior Certificates, (ii) payment to the District of amounts held in the Reserve Account established for the benefit of the Prior Certificates and (iii) the payment of expenses to be incurred in connection with the issuance of the Certificates. The issuance of the Certificates and defeasance and redemption of the Prior Certificates pursuant to the Refunding Financial Plan has permitted the District to restructure its annual debt service such that savings in both the total debt service and in the present value thereof was realized.

The proceeds of the Certificates, after payment of certain costs of issuance and other costs related to the issuance of the Certificates, are deposited with the Trustee in the Redemption Account and invested in U.S. Government Securities which will be in amounts sufficient and timely to make payments when due of principal of, interest on, and redemption premiums payable with respect to, the Prior Certificates.

The Refunding Financial Plan calls for the Trustee to call the Prior Certificates for early redemption on the earliest date set for optional redemption thereof.

The economic gain on the refunding (the difference between the present values of the debt service payment on the prior and Refunding Certificates) was approximately \$797,951.

Energy Performance Contract—On June 21, 2006, the District entered into an Energy Performance Contract Municipal Lease/Purchase Agreement with Manufacturers and Traders Trust Company. The District received an amount equal to the cost of energy conservation improvements and equipment to be delivered to the District as per an Energy Performance Contract with Johnson Controls, Inc.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, are presented below:

<u>Year ended June 30,</u>	<u>Certificates of Participation</u>	<u>Energy Performance Contract</u>	<u>Total</u>
2015	5,309,060	662,702	5,971,762
2016	5,307,310	662,703	5,970,013
2017	5,307,510	662,702	5,970,212
2018	5,310,125	662,702	5,972,827
2019	5,299,000	662,702	5,961,702
2020-2024	26,544,000	1,325,404	27,869,404
2025-2029	21,230,000	-	21,230,000
Total minimum lease payment	74,307,005	4,638,915	78,945,920
Less: Interest portion	21,627,005	651,472	22,278,477
Present value of net lease payments	<u>\$ 52,680,000</u>	<u>\$ 3,987,443</u>	<u>\$ 56,667,443</u>

Due to Retirement Systems—The District has chosen to amortize portions of its retirement bills in accordance with Chapter 57 of the Laws of 2010 of the State of New York. In the current year the District deferred \$750,061 and \$984,469 relating the New York State Employees’ Retirement System and Teachers’ Retirement System, respectively. The long-term liability at June 30, 2014 is \$3,272,266.

Compensated Absences—As explained in Note 1, the District records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2014, for governmental activities is \$9,036,503. Management estimates that \$451,825 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

Workers’ Compensation—As explained in Note 8, the District is self-insured for risks associated with employee workers’ compensation claims. The District’s liability, as calculated by an independent third party administrator, is estimated to be \$8,452,414 as of June 30, 2014.

OPEB Obligation—As explained in Note 7, the District provides health insurance coverage for certain retirees. The District’s annual other post-employment benefit (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The estimated long-term OPEB liability is estimated to be \$33,255,879 as of June 30, 2014.

A maturity schedule of the District’s indebtedness is presented on the following page.

Year Ending June 30,	Serial Bonds	Certificates of Participation Premium	Energy Performance Contract	NYS Retirement Liability	Compensated Absences	Workers' Compensation Liability	OPEB Obligation	Total
2015	\$ 2,995,000	\$ 116,141	\$ 2,735,000	\$ 505,876	\$ 382,810	\$ 451,825	\$ 976,035	\$ 8,162,687
2016	3,130,000	79,671	2,870,000	525,773	330,443	-	-	6,935,887
2017	2,220,000	101,816	2,985,000	546,451	199,097	-	-	6,052,364
2018	2,325,000	101,816	3,110,000	567,943	205,874	-	-	6,310,633
2019	2,440,000	101,815	3,250,000	590,280	212,883	-	-	6,594,978
2020-2024	13,480,000	316,599	18,910,000	1,251,120	1,941,159	-	-	35,898,878
2025-2029	6,055,000	-	18,820,000	-	-	-	-	24,875,000
Thereafter	11,120,000	-	-	-	-	8,584,678	7,476,379	60,436,936
	<u>\$43,765,000</u>	<u>\$ 817,858</u>	<u>\$ 52,680,000</u>	<u>\$ 3,987,443</u>	<u>\$ 3,272,266</u>	<u>\$ 9,036,503</u>	<u>\$ 8,452,414</u>	<u>\$ 155,267,363</u>

Interest requirements on serial bonds payable are as follows:

Year ending June 30,	Interest
2015	\$ 1,970,134
2016	1,837,584
2017	1,688,938
2018	1,586,109
2019	1,478,166
2020-2024	5,600,647
2025-2029	3,152,328
Thereafter	1,834,369
Total	<u>\$ 19,148,275</u>

11. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ◆ **Net Investment in Capital Assets**—This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the net investment in capital assets is presented as supplementary information in this report.
- ◆ **Restricted Net Position**—This category presents external restriction imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ◆ **Unrestricted Net Position**—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2014 includes:

- ◆ **Prepaid items**—Representing the portion of fund balance, \$1,218,268, composed of prepaid expenditures. This balance is nonspendable as the balance does not represent an available resource.
- ◆ **Inventories**—Representing the portion of fund balance, \$55,689 composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. At June 30, 2014, the District had restricted funds as presented below:

	General Fund	Debt Service	Total
Debt service	\$ 94,491	\$ 226,932	\$ 321,423
Workers' compensation	952,435	-	952,435
	<u>\$ 1,046,926</u>	<u>\$ 226,932</u>	<u>\$ 1,273,858</u>

- ◆ **Restricted for Debt Service**—Represents resources that have been legally restricted for principal and interest payments that will be made in future periods.
- ◆ **Restricted for Workers' Compensation**—Represents funds accumulated for workers' compensation claims, which are not anticipated to be funded through the District's operating budget.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority. As of June 30, 2014, the District has no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2014 and include:

- ◆ **Assigned to Encumbrances**—Representing amounts related to unperformed (executory) contracts for goods and services. The District has \$56,841 of fund balance assigned to encumbrances at June 30, 2014.
- ◆ **Assigned to Subsequent Year's Expenditures**—Representing available fund balance being appropriated to meet expenditure requirements in the 2014-15 fiscal year, \$2,000,000 at June 30, 2014.
- ◆ **Assigned to School Lunch**—Representing remaining fund balance of \$335,376 within the special revenue fund used to maintain school lunch operations.

The District considers encumbrances over \$20,000 to be significant. At June 30, 2014, the District had the following significant encumbrances:

Capital Projects Fund:	
Tractor	\$ 37,348
Furniture and equipment	30,344

If the District must use funds for emergency expenditures the Board of Education shall authorize the District Treasurer to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

12. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2014 is as presented below:

Fund	Interfund	
	Receivable	Payable
Governmental Funds:		
General Fund	\$ 2,571,975	\$ 479,492
Special Aid Fund	-	2,497,345
School Lunch Fund	2,657	188,498
Capital Projects Fund	638,008	428,735
Debt Service Fund	354,940	128,008
Total governmental funds	3,567,580	3,722,078
Fiduciary Funds:		
Agency Fund	154,498	-
Total	<u>\$ 3,722,078</u>	<u>\$ 3,722,078</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The District made the following transfers during the year ended June 30, 2014:

Fund	Transfers Out:	
	General Fund	Special Aid Fund
Transfers in:		
General Fund	\$ -	\$ 93,751
Special Aid Fund	145,147	-
Total	<u>\$ 145,147</u>	<u>\$ 93,751</u>

13. AGENCY FUND

An agency fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2014:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
ASSETS				
Restricted cash	\$ 111,161	\$ 66,581,925	\$ 66,575,562	\$ 117,524
Due from other funds	154,791	6	299	154,498
Total assets	<u>\$ 265,952</u>	<u>\$ 66,581,931</u>	<u>\$ 66,575,861</u>	<u>\$ 272,022</u>
LIABILITIES				
Extraclassroom activity funds	85,798	416,368	410,186	91,980
Other liabilities	\$ 180,154	\$ 60,244,770	\$ 60,244,882	\$ 180,042
Total liabilities	<u>\$ 265,952</u>	<u>\$ 60,661,138</u>	<u>\$ 60,655,068</u>	<u>\$ 272,022</u>

14. LABOR RELATIONS

District employees are represented by four bargaining units and Board of Education rules and regulations. Negotiated contracts are in place through June 30, 2015 for the Civil Service Employees Association, Teachers Associates Unit, Niagara Falls Teachers, the Substitute Teachers United, the Classified Administrators and Supervisors, and the Administrative and Supervisory Council

15. CONTINGENCIES

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

Grants—In the normal course of operations, the District receives grant funds from various federal and state agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the District. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any such amounts to be immaterial.

Other—The District is involved in litigation in ordinary course of its operations. The District believes its ultimate liability, if any, in connection with these matters will not have a material adverse effect on the District’s financial condition or results of operations.

16. SUBSEQUENT EVENTS

On July 29, 2014, the District issued \$25,150,000 of refunding bonds. The refunding bonds carry interest rates ranging from 2.00% to 4.00% and mature September 15, 2024. The bonds were issued to refund \$25,160,000 of the outstanding principal of the 2005 serial bonds. Management has evaluated subsequent events through October 23, 2014, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of Funding Progress—
Other Post-Employment Benefits Plan
For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") (b)	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
As of 6/30/2014	\$ -	\$ 115,092,129	\$115,092,129	0.00%	\$ 51,485,167	223.54%
As of 6/30/2013	-	119,024,924	119,024,924	0.00%	51,642,884	230.48%
As of 6/30/2012	-	119,024,924	119,024,924	0.00%	49,985,599	238.12%

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget (Non-GAAP) and Actual—General Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Real property taxes and other tax items	\$ 26,718,369	\$ 26,975,667	\$ 26,977,238	\$ 1,571
Non-property tax items	1,900,000	1,923,505	2,151,996	228,491
Charges for services	85,300	66,212	66,212	-
Use of money and property	146,120	145,533	145,533	-
Sale of property and compensation for loss	6,000	69,533	69,533	-
Miscellaneous	1,425,000	2,485,649	4,680,463	2,194,814
State sources:				
Basic formula	72,250,955	70,750,401	70,750,401	-
Lottery	12,600,681	13,516,364	13,516,364	-
BOCES	5,281,358	4,888,430	4,888,430	-
Textbooks	449,417	453,477	453,477	-
Computer software	107,860	108,051	108,051	-
Library loan program	41,946	45,081	45,081	-
Other State aid	147,719	327,919	327,919	-
Federal sources	<u>600,000</u>	<u>172,677</u>	<u>172,677</u>	<u>-</u>
Total revenues	121,760,725	121,928,499	124,353,375	2,424,876
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>460,282</u>	<u>93,751</u>	<u>(366,531)</u>
Total revenue and other financing sources	<u>\$ 121,760,725</u>	<u>\$ 122,388,781</u>	<u>\$ 124,447,126</u>	<u>\$ 2,058,345</u>

(Continued)

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget (Non-GAAP) and Actual—General Fund
For the Year Ended June 30, 2014

(concluded)

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	<u>Encumbrances</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>			
EXPENDITURES					
General support:					
Board of Education	\$ 201,479	\$ 207,409	\$ 207,336	\$ -	\$ 73
Central administration	255,746	248,203	248,153	-	50
Finance	1,623,992	1,363,708	1,363,666	-	42
Staff	962,119	973,477	973,464	-	13
Central services	9,946,107	9,592,227	9,543,307	48,812	108
Special items	1,287,432	1,310,510	1,310,509		1
Instruction:					
Instruction, administration and improvement	11,812,505	12,973,123	12,972,420	525	178
Teaching—regular school	34,176,543	34,674,883	34,667,020	7,504	359
Programs for pupils with handicapping conditions	6,571,205	6,612,042	6,612,040	-	2
Occupational education	2,095,580	2,078,960	2,078,955	-	5
Teaching—special schools	850,036	862,163	862,162	-	1
Instructional media	1,636,385	2,020,690	2,020,422	-	268
Pupil services	4,164,119	4,124,767	4,124,590	-	177
Pupil transportation	7,183,713	6,964,385	6,964,377	-	8
Community services	160,500	149,340	149,339	-	1
Employee benefits	29,153,357	28,216,914	28,216,914	-	-
Debt service:					
Principal	7,061,733	7,061,733	7,061,733	-	-
Interest	5,093,244	5,384,169	5,384,169	-	-
Total expenditures/encumbrances	<u>124,235,795</u>	<u>124,818,703</u>	<u>124,760,576</u>	<u>56,841</u>	<u>1,286</u>
OTHER FINANCING USES					
Transfers out	<u>100,000</u>	<u>145,148</u>	<u>145,148</u>	<u>-</u>	<u>-</u>
Total expenditures/encumbrances and other financing uses	<u>124,335,795</u>	<u>124,963,851</u>	<u>124,905,724</u>	<u>\$ 56,841</u>	<u>\$ 1,286</u>
Net change in fund balance	<u>(2,575,070)</u>	<u>(2,575,070)</u>	<u>(458,598)</u>		
Fund balance—beginning	<u>6,910,789</u>	<u>6,910,789</u>	<u>6,910,789</u>		
Fund balance—ending	<u>\$ 4,335,719</u>	<u>\$ 4,335,719</u>	<u>\$ 6,452,191</u>		

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SUPPLEMENTARY INFORMATION

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to Final Budget
And the Real Property Tax Limit
For the Year Ended June 30, 2014

Change from Adopted Budget to Final Budget

Adopted budget 2013-2014		\$ 124,060,725
Add: Prior year's encumbrances (June 30, 2012)		<u>275,070</u>
Original budget 2013-2014		124,335,795
Budget revisions:		
Additional State Aid	\$ 150,000	
Gifts and donations	<u>478,056</u>	<u>628,056</u>
Final budget 2013-2014		<u>\$ 124,963,851</u>

Section 1318 of Real Property Tax Law Limit Calculation

2014-2015 Voter-approved Budget		\$ <u>126,363,144</u>
Maximum allowed (4% of 2014-2015 budget)		<u>\$ 5,054,526</u>

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

Unrestricted fund balance:		
Assigned fund balance	\$ 2,056,841	
Unassigned fund balance	<u>2,130,156</u>	
Total unrestricted fund balance	<u>\$ 4,186,997</u>	

Less:

Appropriated fund balance	\$ 2,000,000	
Encumbrances included in assigned fund balance	<u>56,841</u>	
Total adjustments	<u>\$ 2,056,841</u>	

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 2,130,156</u>
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Actual percentage		1.69%
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", updated April 2011 (originally issued November 2010), the portion of General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classification), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of Capital Project Expenditures
Year Ended June 30, 2014

Project title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance
			Prior Years' Expenditures	Current Year's Expenditures	Total Expenditures	
Inventing Tomorrow Phases 1, 2, and 3:						
LPS Press box	\$ -	\$ 24,802	\$ -	\$ 15,881	\$ 15,881	\$ 8,921
LPS Concessions	-	315,467	-	223,886	223,886	91,581
Maintenace Barn	133,278	133,056	1,844	106,431	108,275	24,781
NFHS Field House	4,639,878	5,964,527	210,914	5,150,076	5,360,990	603,537
Main Stadium Press Box	112,036	117,176	1,537	104,094	105,631	11,545
Varsity Baseball Press Box	100,655	105,039	1,414	29,966	31,380	73,659
Varsity Softball Press Box	100,722	104,964	1,352	63,552	64,904	40,060
NFHS	13,934,754	15,635,935	962,429	10,663,169	11,625,598	4,010,337
GPS	626,750	965,437	29,465	796,088	825,553	139,884
LPS	1,093,534	1,661,042	362,788	1,105,783	1,468,571	192,471
Abate	9,407,059	23,740,252	505,761	7,099,328	7,605,089	16,135,163
Cataract	-	160,844	-	87,113	87,113	79,617
HP	-	166,730	-	88,808	88,808	77,922
Kalfas	11,144,099	12,602,595	633,763	8,731,825	9,365,588	(6,922,983)
Maple Avenue	2,217,712	2,442,605	109,891	1,932,581	2,042,472	(1,952,895)
Niagara Street	-	89,577	-	29,768	29,768	59,809
79th Street	-	170,468	-	93,291	93,291	77,177
GJ Mann	1,844,180	2,040,948	84,080	1,691,269	1,775,349	265,599
Nicoletti Press Box	117,849	123,372	1,598	91,708	93,306	30,066
Nicoletti Lighting Hut	40,055	60,135	17,494	23,844	41,338	18,797
District Wide	4,153,764	38,519	-	-	-	38,519
	<u>\$ 49,666,325</u>	<u>\$ 66,663,490</u>	<u>\$ 2,924,330</u>	<u>\$ 38,128,461</u>	<u>\$ 41,052,791</u>	<u>\$ 13,103,567</u>

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
Year Ended June 30, 2014

Capital assets, net of accumulated depreciation		\$ 128,117,508
Add:		
Unspent debt proceeds		25,618,903
Deduct:		
Serial bonds	(43,765,000)	
Premium on bonds payable	(817,858)	
Installment purchase debt	(56,667,443)	
Bond anticipation notes	<u>(63,723,518)</u>	<u>(164,973,819)</u>
Net investment in capital assets		<u>\$ (11,237,408)</u>

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FEDERAL AWARDS INFORMATION

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<u>Federal Grantor /Pass-through Grantor Program or Cluster Title (1)</u>	<u>Federal CFDA Number (2)</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures (3)</u>
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through New York State Department of Agriculture:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	006325	\$ 548,967
National School Lunch Program	10.555	006325	<u>2,510,220</u>
Total Child Nutrition Cluster			<u>3,059,187</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>3,059,187</u>
U.S. DEPARTMENT OF LABOR			
<i>Passed through Niagara County:</i>			
WIA Youth Activities	17.259	PY 2012-Y-01	61,064
WIA Youth Activities	17.259	PY 2012-Y-07	<u>(120)</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>60,944</u>
U.S. DEPARTMENT OF EDUCATION:			
<i>Direct Programs:</i>			
Indian Education-Grants to Local Education Agencies	84.060	S060A130290	<u>124,820</u>
Total Direct Programs			<u>124,820</u>
<i>Passed through New York State Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	0021-14-1965	3,001,455
Title I Grants to Local Educational Agencies	84.010	0021-13-1965	<u>188,046</u>
Total Title I			<u>3,189,501</u>
Special Education Cluster:			
IDEA PART B - Special Education - Grants to States	84.027	0032-14-0608	1,878,892
IDEA - Special Education - Preschool Grants	84.173	0033-14-0608	<u>102,302</u>
Total Special Education Cluster			<u>1,981,194</u>
English Language Acquisition Grants	84.365	0293-14-1965	13,331
ESEA Title II A Improving Teacher Quality State Grants	84.367	0147-14-1965	687,758
ESEA Title II A Improving Teacher Quality State Grants	84.367	0147-12-1965	<u>5,513</u>
Total Title IIA Improving Teacher Quality State Grants			<u>693,271</u>

(Continued)

<u>Federal Grantor /Pass-through Grantor Program or Cluster Title (1)</u>	<u>Federal CFDA Number (2)</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures (3)</u>
State Fiscal Stabilization Fund-Race-to-the- Top Incentive Grants, Recovery Act	84.395	5500-14-1965	216,255
State Fiscal Stabilization Fund-Race-to-the- Top Incentive Grants, Recovery Act	84.395	5580-14-0007	179,026
State Fiscal Stabilization Fund-Race-to-the- Top Incentive Grants, Recovery Act	84.395	5580-13-0007	<u>62,602</u>
Total State Fiscal Stabilization Fund-Race-to- the-Top Incentive Grants, Recovery Act			<u>457,883</u>
<i>Passed Through New York State Higher Education Services Corp</i>			
College Access Challenge Grant	84.378	T112221	<u>9,787</u>
Total College Access Challenge Grant			<u>9,787</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>6,469,787</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 9,589,918</u>

The notes to this schedule of expenditures of federal awards are an integral part of this schedule.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District. The following notes were identified on the schedule of expenditures of federal awards:

- (1) Includes all federal award programs of the Niagara Falls City School District, New York.
- (2) Source: Catalog of Federal Domestic Assistance.
- (3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principle contained in OMB Circular A-87, *Cost Principles for State, Local & Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2014, the District used \$191,584 worth of commodities.

4. RECONCILIATION OF FEDERAL AID

Total federal expenditures for the District's 2013-2014 fiscal year is reconciled to Federal Sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 9,589,918
Medicaid reimbursement	<u>172,677</u>
Total Federal Sources per financial statements	<u><u>\$ 9,762,595</u></u>

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Education
Niagara Falls City 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 Niagara Falls City School District, New York (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency over financial reporting.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

October 23, 2014

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Education
Niagara Falls City School District, New York

Report on Compliance for Each Major Federal Program

We have audited the Niagara Falls City School District, New York's (the "District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on each federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Drescher & Malecki LLP

October 23, 2014

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Part I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

1. Material weakness(es) identified? _____ Yes _____ No

2. Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes _____ None reported

3. Noncompliance material to the financial statements noted? _____ Yes _____ No

Federal Awards:

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

4. Material weakness(es) identified? _____ Yes _____ No

5. Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes _____ None reported

6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? _____ Yes _____ No

7. The District's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
National School Lunch Program	10.555
School Breakfast Program	10.553
Special Education Cluster	
Special Education-Grants to States (IDEA, Part B)	84.027
Special Education-Preschool Grants (IDEA Preschool)	84.173
SFSF-Race-to-the-Top Incentive Grants, Recovery Act	84.395

8. Dollar threshold used to distinguish between Type A and Type B programs? \$ 300,000

9. Auditee qualified as low-risk auditee? _____ Yes _____ No

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NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Part II. Financial Statement Findings Section

We consider the deficiency presented below to be a significant deficiency in internal control:

2014-001 – Extraclassroom Activities

➤ **Receipts and Deposits**

Criteria: All extraclassroom deposit transactions should be supported with complete documentation, including a completed deposit slip signed by both the club representative and the central treasurer. This slip should indicate the club as well as the activity for which the funds were collected. Additionally, receipts should be deposited in a timely manner and pre-numbered with the number appearing in the corresponding records kept by the Central Treasurer for each school.

Condition and Context: Results of Extraclassroom receipt testing indicated that three deposits out of a sample of twenty-five were not deposited in a timely manner; one school lacked the information as to when the cash receipt was received. Furthermore, cash receipts within one school lacked the source of funds or what purpose for which the cash was collected.

Cause: Appropriate documentation was not obtained and/or retained. Additionally, cash receipts were not deposited in a timely manner.

Effect: Risk of misappropriation of extraclassroom assets and errors in financial reporting.

Audit Recommendation: We recommend that treasurers utilize pre-numbered receipts, ensure that receipts are properly filled out, and deposits are made in a timely manner.

Management's Response: The District will resend the treasurers "The Safeguarding, Accounting, and Auditing of Extraclassroom" pamphlets to assist the treasurers in better understanding and implementing extraclassroom internal control procedures. The District will remind all treasurers that deposits should be made at least weekly when receipts exceed \$50 on hand. If receipts on hand are less than \$50 the treasurers can hold the cash in the office safe until they exceed \$50, but must make a deposit at least within two weeks.

➤ **Disbursements**

Criteria: All disbursement requests should be signed by the student treasurer and/or faculty advisor and include the appropriate supporting documentation. Additionally, requests for disbursement or purchase orders should be pre-numbered with a corresponding number in the general ledger for the activity.

Condition and Context: To avoid misappropriation of extraclassroom assets, there should be proper authorizations and record keeping throughout the school's extraclassroom activities. We noted that one Elementary School did not attach invoices or other supporting documentation to the disbursement requests. Additionally, we noted that six of the twenty-five disbursements tested lacked supporting documentation and the signature of the club treasurer or advisor. Furthermore, checks do not contain dual signatures in the elementary schools.

Cause: Extraclassroom disbursements lacked adequate support and authorization, and were not pre-numbered with numbers traceable to the ledgers.

Effect: Increased risk of misappropriation of extraclassroom assets.

Audit Recommendation: We recommend the District issue disbursement requests in numerical order to avoid duplicate payments. Furthermore, all disbursements should have supporting documentation attached and be signed by the appropriate student treasurer/faculty advisor.

Management Response: The Central Treasurers will all be sent copies of “The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2”, to remind treasurers of proper procedures regarding extraclassroom funds. Management will also be communicating to central treasurers the proper procedures to be followed when handling disbursements within the schools.

➤ **Cash Management and Student Treasurers**

Criteria: According to the “Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Pamphlet 2” issued by the New York State Department of Education, to ensure proper cash management of extraclassroom funds, each activity should have a student treasurer and a faculty advisor and/or central treasurer who keep two independent sets of records.

Condition and Context: Extraclassroom activities should have two independent sets of records maintained for each of the activities to (1) act as a learning tool for the students and (2) provide a system to ensure that the cash raised by students is used to support activities controlled for and by students. We noted that the elementary schools and the middle schools did not have student treasurers maintaining a separate set of records for each activity. Furthermore, these schools maintained only one set of records. Upon further testing it was noted that three schools had errors in their ledgers and three clubs within the District had negative balances at year end.

Cause: The District is not in compliance with the regulations of extraclassroom activities as set forth by the State Department of Education.

Effect: Lack of a dual recording system and improper cash management of funds increases the risk of the misappropriation of assets.

Audit Recommendation: We recommend that the District provide extra guidance and oversight to all the schools within the District to ensure that two independent sets of records are being maintained and that proper cash management is occurring.

Management Response: The Central Treasurers will all be sent copies of “The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2”, to remind treasurers of proper procedures regarding extraclassroom funds. Management will also be communicating to central treasurers the proper procedures to be followed when handling disbursements within the schools.

Part III. Federal award findings and questioned costs section

Department of Education, CFDA # 84.027 Special Education-Grants to States Passed through the New York State Department of Education

Finding 2014-002 – Time and effort certifications

Criteria: There are two separate sets of rules for employee certification, depending on whether the employee works solely on a federal award or on multiple activities. When an employee is expected to work solely on a federal award, charges for salaries need to be supported by periodic certifications. This certification needs to be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of work performed by the employee. When an employee works on multiple activities, a distribution of their salaries needs to be supported by an activity report which is to meet additional standards. These additional standards include after-the-fact distribution of actual activity of each employee, accounting for the total activity for which an employee is compensated, monthly preparation which coincides with pay periods, and employee signatures.

Condition or Context: We reviewed the time and effort certifications of twenty-eight employees paid by this program, noting one employee who lacked a second semi-annual certification.

Cause: The District failed to obtain the necessary time and effort certification.

Effect or Possible Effect: Payroll costs may be misclassified for federal award purposes.

Recommendation: We recommend that the District develop controls to ensure all employees complete the required time and effort certifications in accordance with the OMB guidelines, including multiple reminders of the importance of returning certifications to the District's payroll department.

Management's Corrective Action Plan: The District will mail a notification letter with an unsigned copy of the semi-annual certification document to any employee who has failed to sign and turn in their original copy. Follow up reminders will continue to be sent until a signed copy is returned.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Finding 2013-2 – Allowable Costs Title I Grants to Local Educational Agencies (CFDA No. 84.010)

Criteria: There are two separate sets of rules for employee certification, depending on whether the employee works solely on a federal award or on multiple activities. When an employee is expected to work solely on a federal award, charges for salaries need to be supported by periodic certifications. This certification needs to be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of work performed by the employee. When an employee works on multiple activities, a distribution of their salaries needs to be supported by an activity report which is to meet additional standards. These additional standards include after-the-fact distribution of actual activity of each employee, accounting for the total activity for which an employee is compensated, monthly preparation which coincides with pay periods, and employee signatures.

Condition: Employees of the non-public schools within the District being paid with grant funds are not completing employee certifications of their time and effort.

Cause: The District was unaware that such certifications were required.

Effect: Payroll costs may be misclassified for federal award purposes.

Recommendation: We recommend that the District develop a procedure to certify payroll in accordance with federal standards as explained above at all schools receiving Title I funds.

Management's Corrective Action Plan: Management will implement for future years.

Status: According to New York State, employee certifications are not required from non-public schools that are receiving pass-through funding from LEA's. The non-public schools are to be considered vendors for the purposes of grant funding, no time and effort certifications are required.