

**NAPLES CENTRAL SCHOOL DISTRICT**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

**NAPLES CENTRAL SCHOOL DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 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 Naples Central School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 36, and schedule of funding progress for other postemployment benefit obligations on page 37 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 Naples Central School District's basic financial statements. The other supplementary information listed on the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the Naples Central School District.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014, on our consideration of the Naples Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, 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 compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Naples Central School District's internal control over financial reporting and compliance.

*EFP Rotenberg, LLP*

EFP Rotenberg, LLP  
Rochester, New York  
October 7, 2014

**NAPLES CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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

**FINANCIAL HIGHLIGHTS**

Total district-wide general revenues, excluding charges for service and operating grants for the 2013-2014 year were \$16,795,653, or 94% of all revenues. This amount represents an increase of \$981,401 in general revenues over the 2012-2013 year of \$15,814,252. The 2012-2013 general revenues as a percent of total revenues was 94%. Of the total general revenues, state sources accounted for \$6,319,540, real property tax and real property tax items accounted for \$10,316,402, and other sources accounted for \$159,711 for the 2013-2014 fiscal year ended.

Total district-wide expenses for the 2013-2014 year were \$17,355,933. These expenses were offset by program revenues that included \$179,534 in charges for services and \$816,404 in operating grants and contributions. The net cost for governmental activities that was ultimately financed by general revenues was \$16,359,995, which represents a decrease of \$459,163 from the 2012-2013 year.

During the current fiscal year, the District was able to fund the decrease in the mandatory contribution to the New York State Employee's Retirement System and Teacher's Retirement System (the "Systems") without the need to finance the payments. The total current year contribution to the retirement systems was \$938,308, which is a decrease of \$30,836, or 3.2%, over the 2012-2013 amount of \$969,144.

Total District capital assets - net of depreciation increased by \$9,508,525 to \$29,536,344 in the 2013-2014 year as compared to \$20,027,819 in the 2012-2013 year. Total long-term liabilities increased by \$15,297,250 to \$34,902,342 in the 2013-2014 year from \$19,605,092 in the 2012-2013 year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of five parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and single audit reports. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column. For the fiscal year ended June 30, 2014, all of the District's governmental funds were considered major.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

**NAPLES CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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### **District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities report information about the District as a whole and about its activities in a manner that helps to answer this question.

These two statements report the District's net position and changes in those assets. The change in net position provides the reader with a tool to assist in determining whether the District's financial health is improving or deteriorating. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, student enrollment growth, required educational programs, and facility conditions in arriving at their conclusion regarding the overall health of the District.

In the statement of net position and the statement of activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to: general support, instruction, pupil transportation, employee benefits, debt interest and the school lunch program. The District does not have any business-type activities.

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

### **Fund Financial Statements**

The fund financial statements are on pages 13 through 18 and provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants). The emphasis of the fund financial statements is on the major funds. For the 2013-2014 year, the District reports five major funds; the general fund, the school lunch fund, the special aid fund, the capital projects fund and the debt service fund.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are reconciled in the basic financial statements. Activities in these funds and reconciliations to district-wide financial statements are reported on pages 13 through 16.

**Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 17 and 18.

**NAPLES CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The statement of net position provides the perspective of the District as a whole.

**Table 1**

**Condensed Statement of Net Position  
June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<b>Total Percentage Change %</b>
<b>Assets</b>			
Current assets	\$ 11,118,264	\$ 17,038,162	(34.7)
Capital assets	<u>29,536,344</u>	<u>20,027,819</u>	47.5
Total assets	<u>40,654,608</u>	<u>37,065,981</u>	9.7
<b>Deferred Outflow of Resources</b>	<u>5,733</u>	<u>17,593</u>	(67.4)
<b>Liabilities</b>			
Current liabilities	4,072,816	15,368,641	(73.5)
Long-term liabilities	<u>32,647,113</u>	<u>18,210,179</u>	79.3
Total liabilities	<u>36,719,929</u>	<u>33,578,820</u>	9.4
<b>Net Position</b>			
Net investment in capital assets	5,404,032	5,571,556	(3.0)
Restricted	6,235,099	5,919,865	5.3
Unrestricted	<u>(7,698,719)</u>	<u>(7,986,667)</u>	(3.6)
Total net position	<u>\$ 3,940,412</u>	<u>\$ 3,504,754</u>	12.4

**NAPLES CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

**Table 2**

**Changes in Net Position from Operating Results  
For the Years Ended June 30, 2014 and 2013**

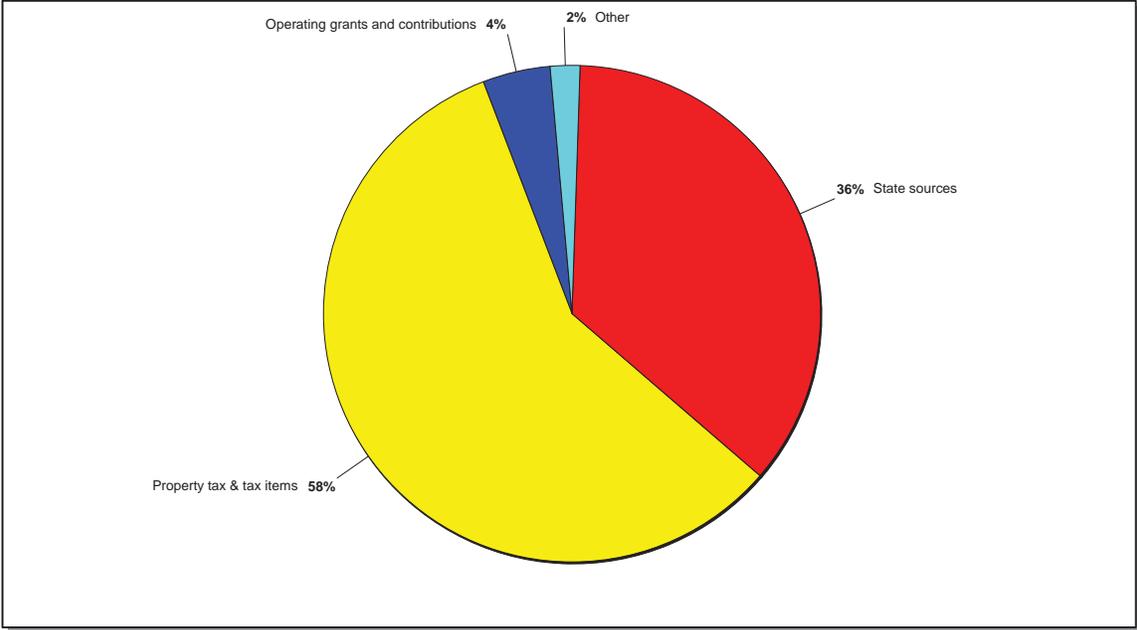
	<u>2014</u>	<u>2013</u>	<b>Total Percentage Change %</b>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 179,534	\$ 157,611	13.9
Operating grants and contributions	<u>816,404</u>	<u>809,653</u>	0.8
Total program revenues	<u>995,938</u>	<u>967,264</u>	3.0
General revenues			
Property taxes	9,267,149	8,720,276	6.3
Other taxes	1,049,253	1,080,474	(2.9)
State sources	6,319,540	5,829,497	8.4
Other	<u>159,711</u>	<u>184,005</u>	(13.2)
Total general revenues	<u>16,795,653</u>	<u>15,814,252</u>	6.2
Total revenues	<u>17,791,591</u>	<u>16,781,516</u>	6.0
<b>Expenses</b>			
General support	2,374,131	2,386,880	(0.5)
Instructional	12,963,198	12,642,440	2.5
Pupil transportation	1,163,668	1,123,098	3.6
Community services	186	432	(56.9)
School lunch program	363,232	407,249	(10.8)
Debt service - interest	<u>491,518</u>	<u>307,997</u>	59.6
Total expenses	<u>17,355,933</u>	<u>16,868,096</u>	2.9
Change in net position	<u>\$ 435,658</u>	<u>\$ (86,580)</u>	603.2

As reported in the statement of activities on page 12 the cost of all governmental activities was \$17,355,933 and \$16,868,096 for 2014 and 2013, respectively. However, the amount that taxpayers ultimately financed for these activities through the District real property taxes was \$9,267,149 and \$8,720,276 for 2014 and 2013, respectively.

NAPLES CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

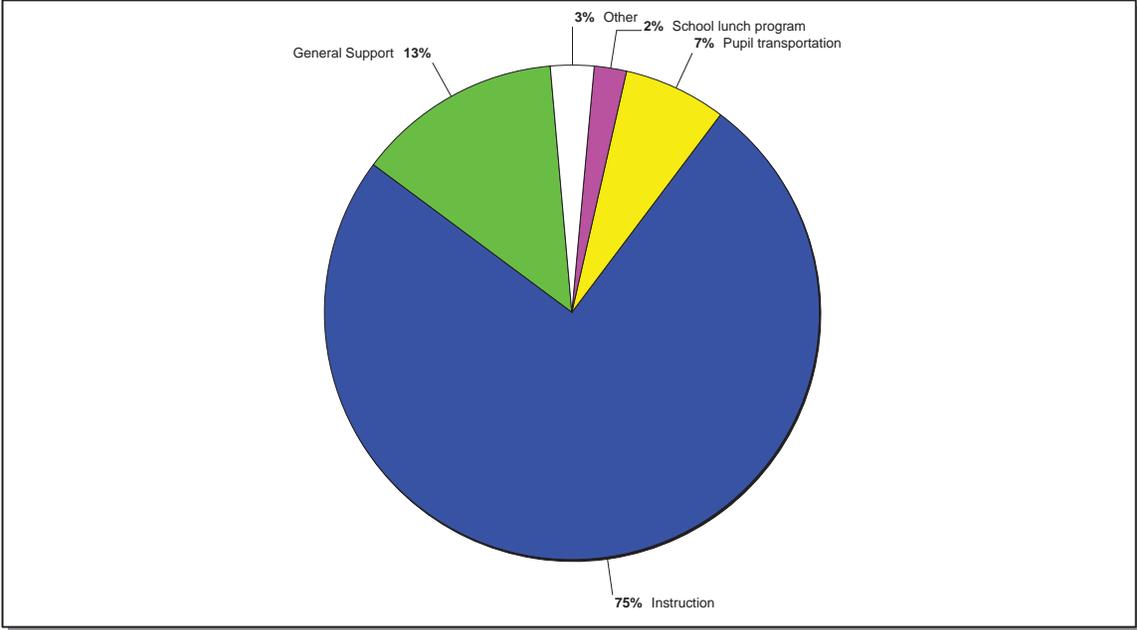
Sources of Revenues for Governmental Activities  
Fiscal Year 2014

Table 3



Program Expenses for Governmental Activities  
Fiscal Year 2014

Table 4



**NAPLES CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**Governmental Activities**

In Table 5, we have presented the cost of each of the District's functions and programs, as well as each function's net cost (total cost less revenues generated by the activities). Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 5**

	<u>Total Cost of Services</u>		<b>Percentage</b>
	<u>2014</u>	<u>2013</u>	<b>Change</b>
			<b>%</b>
General support	\$ 2,374,131	\$ 2,386,880	(0.5)
Instructional	12,963,198	12,642,440	2.5
Pupil transportation	1,163,668	1,123,098	3.6
Community services	186	432	(56.9)
School lunch program	363,232	407,249	(10.8)
Debt service - interest	<u>491,518</u>	<u>307,997</u>	59.6
Total expenses	<u>\$ 17,355.933</u>	<u>\$ 16,868.096</u>	2.9

	<u>Net Cost (Profit) of Services</u>		<b>Percentage</b>
	<u>2014</u>	<u>2013</u>	<b>Change</b>
			<b>%</b>
General support	\$ 2,374,131	\$ 2,386,880	(0.5)
Instructional	12,246,563	11,967,005	2.3
Pupil transportation	1,163,668	1,123,098	3.6
Community services	186	432	(56.9)
School lunch program	83,929	115,420	27.3
Debt service - interest	<u>491,518</u>	<u>307,997</u>	59.6
Total expenses	<u>\$ 16,359,995</u>	<u>\$ 15,900,832</u>	2.9

- **General Support** - Includes expenses of the Board of Education, district offices, contracted professional services, buildings and grounds maintenance, insurance and BOCES administrative/building expenses.
- **Instruction** - Includes curriculum and staff development, school supervision, regular K-12 programs, special education, BOCES vocational education, summer schools, libraries, computer-assisted education, pupil personnel services (counseling, health, psychological, social work), co-curricular activities and interscholastic athletics.
- **Pupil Transportation** - Includes salaries for drivers, mechanics; expenses for the bus fleet, and garage.
- **Community Services** - Includes expenses connected with annual school district census.
- **School Lunch Program** - Includes the preparation, delivery, and servicing of lunches, snacks, and other incidental meals to students and the school staff.
- **Interest on Long-Term Debt** - Includes the transactions associated with the payment of interest and other related charges to debt for improvements to the District.

**NAPLES CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

**THE SCHOOL DISTRICT'S FUNDS**

Fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$34,172,423 and \$22,438,139 and expenditures and other financing uses of \$27,920,449 and \$25,530,703 in 2014 and 2013, respectively. The fund balance in the general fund increased by \$361,398 and by \$555,605 in 2014 and 2013, respectively. The school lunch fund reported a decrease in fund balance of \$48,749 and \$64,839 in 2014 and 2013, respectively. The special aid fund decreased fund balance by \$3,576 and increased fund balance by \$3,576 in 2014 and 2013, respectively. The capital projects fund reported an increase in fund balance of \$5,972,467 and a decrease in fund balance of \$3,687,952 in 2014 and 2013, respectively. The debt service fund reported a decrease of \$29,566 and an increase of \$101,046 in 2014 and 2013, respectively. Total governmental fund balance increased by \$6,251,974 and decreased by \$3,092,564 for the 2013-2014 fiscal year and 2012-2013 fiscal year, respectively.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The 2013-2014 general fund's actual revenue was \$17,030,627. That amount is slightly over the original budget estimate of \$16,904,850 and final budget estimate of \$16,908,258. Revenue budget comparisons are shown on page 36.

The 2013-2014 actual expenditures and other financing uses of the general fund were \$16,669,229, which is below the original budget of \$18,029,850 and below the final budget estimate of \$18,158,054. The \$1,488,825 variance between the final amended budget and the June 30, 2014 actual results was due to conservative estimates of multiple final expenditures prior to year end. Expenditure budget comparisons are shown on page 36.

The general fund's fund balance increased by \$361,398 to \$6,565,628. The District's fund balance is classified in five categories including nonspendable, restricted, committed, assigned and unassigned. For the fiscal year ended June 30, 2014, the District has \$4,787,510 classified as restricted, \$988,322 as assigned and \$789,796 as unassigned. More information regarding the District's specified reserves can be found on pages 24 - 26.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal years 2014 and 2013, the District had \$37,572,995 and \$27,575,895 invested in land, buildings and renovations, buses, and furniture and equipment. Depreciation expense of \$719,488 and \$617,445 has been recorded in 2014 and 2013. The net book value at June 30, 2014 and 2013 was \$29,536,344 and \$20,027,819, respectively.

Table 6 shows the fiscal 2014 and 2013 balances for the major classes of assets:

**Table 6**

**Capital Assets (Net of Depreciation)  
At June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<b>Total Percentage Change %</b>
Land	\$ 17,341	\$ 17,341	-
Construction in progress	13,849,105	5,455,732	153.8
Buildings and improvements	14,699,192	13,615,826	8.0
Furniture and equipment	<u>970,706</u>	<u>938,920</u>	3.4
Total	<u>\$ 29,536,344</u>	<u>\$ 20,027,819</u>	47.5

Additional information on the District's capital assets can be found in Notes 1 and 5 on pages 22 and 28, respectively, of this report. In addition, a schedule of project expenditures can be found on page 40.

**NAPLES CENTRAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**Long-Term Debt**

At June 30, 2014 and 2013, the District had total long-term obligations of \$34,902,342 and \$19,605,092, respectively.

**Table 7**

**Outstanding Debt  
At June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<b>Total Percentage Change %</b>
Bonds payable	\$25,613,294	\$ 11,097,187	130.8
Compensated absences	2,850,277	3,090,783	(7.8)
Other postemployment benefits liability	6,016,261	5,021,994	19.8
Flex medical reimbursement liability	<u>422,510</u>	<u>395,128</u>	6.9
Total	<u>\$34,902,342</u>	<u>\$ 19,605,092</u>	78.0

The District's bond rating for 2014 and 2013 was A2, respectively.

Additional information on the District's long-term debt can be found in Notes 1 and 6 beginning on pages 22 and 29 of this report.

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

Unlike the last few years, the District anticipates a slight increase in school aid for the 2014-2015 school year. Due to uncertainty over whether or not this trend will continue in future years, the District continues to position itself to absorb losses in state aid revenues by reducing operational expenses in the 2014-2015 budget. Additionally, the District has appropriated reserves toward the 2014-2015 budget.

Beginning with the 2012-2013 school year, the District's ability to increase its property tax revenues was reduced through enacted "Property Tax Cap Legislation". Increases in the tax levy beyond the lesser of 2%, or the percent change in the CPI for the 12 month period ending December never to be lower than 1%, will need approval by a super majority (60%) of the voters.

The District continues to experience increases in employee benefit costs due to higher health insurance premiums. Also, increased contribution rates for New York State Employees and Teacher's Retirement are anticipated for the next few years. The District anticipates increases in debt service obligation through the 2015-2016 fiscal year as a result of the ongoing capital project.

Enrollment in the District remains fairly stable. Projections suggest a small dip in the next few years and then a leveling off in enrollment. The District does not anticipate major fluctuations in the near future.

The economic conditions of the District's community are projected to remain stable for the foreseeable future.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Naples Central Schools  
Attn: Matthew Frahm, Superintendent of Schools  
136 North Main Street  
Naples, New York 14512

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2014**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Cash and cash equivalents - unrestricted	\$ 8,826,519
Taxes receivable	843
Other receivables	1,374
Due from other funds	2,644
State and federal aid receivables	331,333
Due from other governments	241,459
Inventory	15,639
Cash and cash equivalents - restricted	1,598,256
Due from external parties	100,197
Capital assets	
Capital assets - not depreciated	13,866,446
Capital assets - net	<u>15,669,898</u>
Total assets	<u>40,654,608</u>
<b>Deferred Outflows of Resources</b>	
Deferred refunding proceeds - net	<u>5,733</u>
<b>Liabilities</b>	
Accounts payable	200,704
Accrued liabilities	571,893
Other liabilities	2,279
Due to other funds	2,644
Due to other governments	77
Accrued interest	29,094
Due to teacher's and employee's retirement system	1,010,896
Long-term liabilities	
Portion due or payable within one year:	
Bonds payable	2,119,084
Compensated absences	33,370
Flex medical reimbursement liability	102,775
Portion due or payable after one year:	
Bonds payable	23,494,210
Compensated absences	2,816,907
Other postemployment benefits liability	6,016,261
Flex medical reimbursement liability	<u>319,735</u>
Total liabilities	<u>36,719,929</u>
<b>Net Position</b>	
Net investment in capital assets	5,404,032
Restricted for	
Unemployment insurance reserve	110,885
Retirement contribution reserve	1,353,719
Property loss reserve and liability reserve	20,605
Insurance reserve	63,925
Reserve for tax certiorari	259,484
Employee benefit accrued liability reserve	1,801,484
Reserve for debt	1,447,589
Reserve for capital	1,177,408
Unrestricted	<u>(7,698,719)</u>
Total net position	<u>\$ 3,940,412</u>

The accompanying notes are an integral part of these financial statements.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
<b>Governmental activities</b>				
General support	\$ 2,374,131	\$ -	\$ -	\$ (2,374,131)
Instructional	12,963,198	51,588	665,047	(12,246,563)
Pupil transportation	1,163,668	-	-	(1,163,668)
Community services	186	-	-	(186)
School lunch program	363,232	127,946	151,357	(83,929)
Debt service - interest	491,518	-	-	(491,518)
Total governmental activities	<u>\$ 17,355,933</u>	<u>\$ 179,534</u>	<u>\$ 816,404</u>	<u>(16,359,995)</u>
<b>General Revenues</b>				
Real property taxes				9,267,149
Real property tax items				1,049,253
State sources				6,319,540
Use of money and property				16,675
Medicaid reimbursements				68,169
Sale of property and compensation for loss				(21,161)
Miscellaneous local sources				<u>96,028</u>
Total general revenues				<u>16,795,653</u>
<b>Change in Net Position</b>				435,658
<b>Net Position - Beginning</b>				<u>3,504,754</u>
<b>Net Position - Ending</b>				<u>\$ 3,940,412</u>

The accompanying notes are an integral part of these financial statements.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
<b>Assets</b>						
Cash and cash equivalents - unrestricted	\$ 7,096,013	\$ 12,742	\$ 166,192	\$ -	\$ 1,551,572	\$ 8,826,519
Taxes receivable	843	-	-	-	-	843
Other receivables	1,224	150	-	-	-	1,374
Due from other funds	431,110	-	24,408	-	2,644	458,162
State and federal aid receivables	172,811	11,530	146,992	-	-	331,333
Due from other governments	241,459	-	-	-	-	241,459
Inventory	-	15,639	-	-	-	15,639
Cash and cash equivalents - restricted	<u>123,007</u>	<u>-</u>	<u>-</u>	<u>1,475,249</u>	<u>-</u>	<u>1,598,256</u>
<b>Total Assets</b>	<b>\$ 8,066,467</b>	<b>\$ 40,061</b>	<b>\$ 337,592</b>	<b>\$ 1,475,249</b>	<b>\$ 1,554,216</b>	<b>\$ 11,473,585</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 194,894	\$ 1,374	\$ 4,436	\$ -	\$ -	\$ 200,704
Accrued liabilities	134,496	4,053	988	432,356	-	571,893
Compensated absences payable	33,370	-	-	-	-	33,370
Other liabilities	-	-	2,279	-	-	2,279
Due to other funds	24,408	1,024	329,889	2,644	-	357,965
Due to other governments	-	77	-	-	-	77
Flex medical reimbursement liability	102,775	-	-	-	-	102,775
Due to teacher's and employee's retirement system	<u>1,010,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,010,896</u>
Total liabilities	<u>1,500,839</u>	<u>6,528</u>	<u>337,592</u>	<u>435,000</u>	<u>-</u>	<u>2,279,959</u>
<b>Fund Balances</b>						
Nonspendable						
Inventory	-	15,639	-	-	-	15,639
Restricted						
Unemployment insurance reserve	110,885	-	-	-	-	110,885
Retirement contribution reserve	1,353,719	-	-	-	-	1,353,719
Property loss reserve and liability reserve	20,605	-	-	-	-	20,605
Insurance reserve	63,925	-	-	-	-	63,925
Reserve for tax certiorari	259,484	-	-	-	-	259,484
Employee benefit accrued liability reserve	1,801,484	-	-	-	-	1,801,484
Reserve for debt	-	-	-	-	1,447,589	1,447,589
Reserve for capital	1,177,408	-	-	-	-	1,177,408
Assigned						
Reserve for insurance recovery	35,965	-	-	-	-	35,965
Reserve for encumbrances	102,357	-	-	-	-	102,357
Reserve for school lunch fund	-	17,894	-	-	-	17,894
Reserve for debt	-	-	-	-	106,627	106,627
Reserve for capital	-	-	-	1,040,249	-	1,040,249
Reserve for subsequent year	850,000	-	-	-	-	850,000
Unassigned	<u>789,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>789,796</u>
Total fund balances	<u>6,565,628</u>	<u>33,533</u>	<u>-</u>	<u>1,040,249</u>	<u>1,554,216</u>	<u>9,193,626</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,066,467</b>	<b>\$ 40,061</b>	<b>\$ 337,592</b>	<b>\$ 1,475,249</b>	<b>\$ 1,554,216</b>	<b>\$ 11,473,585</b>

The accompanying notes are an integral part of these financial statements.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2014**

<b>Total Governmental Fund Balances</b>		\$ 9,193,626
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:</p>		
Capital assets - not depreciated		
Land	17,341	
Construction in progress	<u>13,849,105</u>	
Total capital assets - not depreciated		13,866,446
Capital assets - net of depreciation		
Buildings and improvements	21,356,808	
Furniture and equipment	<u>2,349,741</u>	
Total depreciable assets	23,706,549	
Less, accumulated depreciation	<u>(8,036,651)</u>	
Total capital assets - net of depreciation		15,669,898
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:</p>		
Bonds payable	(25,613,294)	
Compensated absences - net	(2,816,907)	
Other postemployment benefits liability	(6,016,261)	
Flex medical reimbursement liability - net	(319,735)	
Accrued interest	<u>(29,094)</u>	
Total liabilities		(34,795,291)
Other differences		
Deferred refunding proceeds - net	<u>5,733</u>	
Total other differences		<u>5,733</u>
<b>Net Position of Governmental Activities</b>		<b>\$ <u>3,940,412</u></b>

The accompanying notes are an integral part of these financial statements.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<b>General Fund</b>	<b>School Lunch Fund</b>	<b>Special Aid Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Real property taxes	\$ 9,267,149	\$ -	\$ -	\$ -	\$ -	\$ 9,267,149
Real property tax items	1,049,253	-	-	-	-	1,049,253
Charges for services	51,588	-	-	-	-	51,588
Use of money and property	10,877	16	-	-	5,782	16,675
Sale of property and compensation for loss	3,009	-	-	-	-	3,009
Miscellaneous local sources	92,914	2,964	-	150	-	96,028
State sources	6,387,601	6,360	141,455	-	-	6,535,416
Federal sources	-	144,997	455,531	-	-	600,528
Medicaid reimbursements	68,169	-	-	-	-	68,169
Sales - school lunch	-	<u>127,946</u>	-	-	-	<u>127,946</u>
Total revenues	<u>16,930,560</u>	<u>282,283</u>	<u>596,986</u>	<u>150</u>	<u>5,782</u>	<u>17,815,761</u>
<b>Other Financing Sources</b>						
Interfund transfers	100,067	15,000	23,867	-	18,644	157,578
Proceeds of obligations	-	-	-	<u>16,199,084</u>	-	<u>16,199,084</u>
Total revenues and other financing sources	<u>17,030,627</u>	<u>297,283</u>	<u>620,853</u>	<u>16,199,234</u>	<u>24,426</u>	<u>34,172,423</u>
<b>Expenditures</b>						
General support	1,809,706	-	-	9,195,070	-	11,004,776
Instructional	7,782,041	-	593,796	770,673	-	9,146,510
School lunch program	-	269,678	-	-	-	269,678
Pupil transportation	733,122	-	27,623	196,305	-	957,050
Community services	186	-	-	-	-	186
Employee benefits	4,157,579	76,354	3,010	-	-	4,236,943
Debt service - principal	1,672,944	-	-	-	-	1,672,944
Debt service - interest	<u>474,784</u>	-	-	-	-	<u>474,784</u>
Total expenditures	<u>16,630,362</u>	<u>346,032</u>	<u>624,429</u>	<u>10,162,048</u>	<u>-</u>	<u>27,762,871</u>
<b>Other Financing Uses</b>						
Interfund transfers	<u>38,867</u>	-	-	<u>64,719</u>	<u>53,992</u>	<u>157,578</u>
Total expenditures and other financing uses	<u>16,669,229</u>	<u>346,032</u>	<u>624,429</u>	<u>10,226,767</u>	<u>53,992</u>	<u>27,920,449</u>
<b>Change in Fund Balance</b>	361,398	(48,749)	(3,576)	5,972,467	(29,566)	6,251,974
<b>Fund Balances - Beginning</b>	<u>6,204,230</u>	<u>82,282</u>	<u>3,576</u>	<u>(4,932,218)</u>	<u>1,583,782</u>	<u>2,941,652</u>
<b>Fund Balances - Ending</b>	<u>\$ 6,565,628</u>	<u>\$ 33,533</u>	<u>\$ -</u>	<u>\$ 1,040,249</u>	<u>\$ 1,554,216</u>	<u>\$ 9,193,626</u>

The accompanying notes are an integral part of these financial statements.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2014**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 6,251,974

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are the following:

Capital outlay	10,252,183	
Depreciation expense	<u>(719,488)</u>	
Excess of capital outlay over depreciation		9,532,695

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current period, these amounts are the following:

Bond repayments - principal	1,267,977
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts are the following:

Compensated absences	240,566
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

(15,784,084)

Other differences:

Change in other postemployment benefits liability	(994,267)	
Change in flex medical reimbursement liability	(28,266)	
Change in accrued interest	(14,907)	
Amortization - deferred refunding proceeds	(11,860)	
Disposition of assets	<u>(24,170)</u>	
Total other differences		<u>(1,073,470)</u>

**Change in Net Position of Governmental Activities** **\$ 435,658**

The accompanying notes are an integral part of these financial statements.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

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	<b><u>Private- Purpose Trust</u></b>	<b><u>Agency Funds</u></b>
<b>Assets</b>		
Cash and cash equivalents - restricted	\$ 211,678	\$ 253,952
Accounts receivable	-	1,706
Total assets	<u>\$ 211,678</u>	<u>\$ 255,658</u>
<b>Liabilities</b>		
Due to other funds	\$ -	\$ 100,197
Extraclassroom balances	-	107,858
Other liabilities	-	47,603
Total liabilities	<u>-</u>	<u>\$ 255,658</u>
<b>Net Position</b>		
Nonspendable - Held in trust for scholarships	<u>211,678</u>	
Total net assets	<u>\$ 211,678</u>	

The accompanying notes are an integral part of these financial statements.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2014**

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	<b>Private- Purpose Trust</b>
<b>Additions</b>	
Gifts and donations	\$ 6,310
Interest and earnings	93
Total additions	<u>6,403</u>
<b>Deductions</b>	
Administrative expenses	<u>9,515</u>
<b>Change in Net Assets</b>	(3,112)
<b>Net Position - Beginning</b>	<u>214,790</u>
<b>Net Position - Ending</b>	<u>\$ 211,678</u>

The accompanying notes are an integral part of these financial statements.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The financial statements of Naples Central School District, (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units (hereinafter referred to as generally accepted accounting principals ("GAAP")). The Government Accounting Standards Board ("GASB") is the accepted standard setting body for establishing government accounting and financial reporting principles. The following is a summary of significant accounting policies and reporting practices of the District.

**A. Reporting Entity**

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *Defining The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

**1. Extra Classroom Activity Funds**

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

**B. Joint Venture**

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

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

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

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**C. Basis of Presentation**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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.

**1. District-Wide Statements**

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

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

**2. Fund Financial Statements**

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

**a. Major Governmental**

- i. General Fund** - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund. The general fund is always reported as a major fund.
- ii. School Lunch Fund** - This fund accounts for transactions of the District's lunch, breakfast and milk programs.
- iii. Special Aid Fund** - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes.
- iv. Capital Projects Fund** - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- v. Debt Service Fund** - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

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

- 1. Private Purpose Trust Funds** - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria governs the use of the funds and members of the District or representatives

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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of the donors may serve on committees to determine who benefits.

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

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

**1. Accrual**

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

**2. Modified Accrual**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

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

**3. Use of Estimates**

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

**4. Cash and Investments**

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

**5. Accounts Receivable**

Accounts receivable are stated at net realizable value. No allowance for uncollectible accounts has been provided due to the fact that management believes that such allowance would not be material.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**6. Due To/From Other Governments**

The District reports amounts due from other governments, which consisted of funds claimed but not received from various state, federal and other governmental agencies.

**7. Inventories and Prepaid Items**

Inventories of food 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 inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the District for which benefits extend beyond year-end.

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

**8. Due To/From Other Funds**

The amounts reported on the statement of net position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

**9. Capital Assets**

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	20-40 Years
Furniture and equipment	\$ 5,000	5-20 Years

**10. Long-Term Obligations**

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

**11. Vested Employee Benefits**

The District employees are provided benefits as follows:

- a. **Vacation and Sick Leave** - The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. In the governmental fund financial statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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- b. Compensated Absences** - Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end. In the fund statements, only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.
- c. Retirement** - The District provides retirement benefits for substantially all its regular full-time teachers and employees, and its part-time teachers and employees who elect to participate, through contributions to the New York State Teachers' Retirement System (TRS), and New York State and Local Retirement System (ERS), respectively. The systems provide various plans and options, some of which require employee contributions. The retirement systems compute the cost of retirement benefits based on their respective fiscal years: TRS - July 1st to June 30th, and ERS - April 1st to March 31st.
- d. Post Employment Benefits** - In addition to providing pension benefits, the District provides health insurance coverage and survivor. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund, in the year paid. See Note 10 for additional information.

**12. Budgetary Procedures and Budgetary Accounting**

The District administration prepares a proposed budget for approval by the Board of Education for the general fund. The voters of the District approved the proposed appropriation budget for the general fund on May 21, 2013.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The special revenue funds have not been included in the budget and actual comparison because they do not have legally authorized (appropriated) budgets.

**13. Restricted Resources**

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

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**14. Fund Balance and Net Assets**

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness and clarity of fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints place on the purposes for which resources can be used:

- **Nonspendable Fund Balance** - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.
- **Restricted Fund Balance** - amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments.
- **Committed Fund Balance** - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint. For the purposes of the District, the highest level of decision making authority resides with the Board of Education.
- **Assigned Fund Balance** - amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the Board of Education delegates the authority.
- **Unassigned Fund Balance** - amounts that are available for any purpose.

For the classification of governmental fund balances, the District considers an expenditure to be made from the budgetary appropriations first when more than one classification is available. The District established and modifies fund balance commitments by a passage of a resolution in meetings of the Board of Education. Assigned fund balance is established by the District through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service or for other purposes). The District's Purchasing Agent is responsible for all the purchasing activities of the District and encumbrances at year end, which are considered assigned funds and therefore, the purchasing agent is designated as having the authority to assign amounts intended to be used for specific purposes. The Board of Education approves the adoption and amendment of the budget and has the authority of final review of all assignments of fund balance.

The District has implemented a policy in accordance with Real Property Tax Law §1318 which limits the amount of unexpended surplus funds a school district can retain to no more than 4% of next year's budgetary appropriations. Funds properly retained under other sections of law are excluded from the 4% limitation. Under GASB Statement No. 54 classifications, the 4% limitation is interpreted to be the total of committed, assigned, and unassigned classifications, minus the appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction and encumbrances included in committed and assigned fund balance.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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The following is a summary of the District's fund balance classifications and categories within those classifications. Restricted and assigned fund balance categories are available to the District. Any capital gains or interest earned on restricted or assigned fund resources becomes part of the respective restricted or assigned fund balance category. While a separate bank account is not necessary for each restricted or assigned fund, a separate identity for each reserve fund must be maintained.

**A. Nonspendable**

**1. Reserve for Inventory** - Reserve for Inventory is used to restrict that portion of fund balance, which is not available for appropriation. These reserves are accounted for in the school lunch fund. The balance at June 30, 2014 is \$15,639.

**B. Restricted**

**1. Unemployment Insurance Reserve** - Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund. The balance at June 30, 2014 is \$110,885.

**2. Retirement Contribution Reserve** - Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing contributions to the New York State and local employee's retirement system. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the reserve must be provided to the Board. The balance at June 30, 2014 is \$1,353,719.

**3. Property Loss Reserve and Liability Reserve** - Property Loss Reserve and Liability Reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund. The balance at June 30, 2014 is \$20,605.

**4. Insurance Reserve** - Insurance Reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the general fund. The balance at June 30, 2014 is \$63,925.

**5. Tax Certiorari Reserve** - Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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fiscal year after deposit of these monies. The reserve is accounted for in the general fund. The balance at June 30, 2014 is \$259,484.

**5. Employee Benefit Accrued Liability Reserve** - Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund. The balance at June 30, 2014 is \$1,801,484.

**6. Debt Reserve** - Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the debt service fund. The balance at June 30, 2014 is \$1,447,589.

**7. Capital Reserve** - Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund. The balance at June 30, 2014 is \$1,177,408.

**C. Assigned**

**1. Reserve for Insurance Recovery** - The Reserve for Insurance Recoveries is used at the end of the fiscal year to account for unexpended proceeds of insurance recoveries. They will be held there pending action by the Board on their disposition. This reserve will not be used if the insurance recovery is expended in the same fiscal year in which it was received. This reserve is accounted for in the general fund. The balance at June 30, 2014 is \$35,965.

**2. Reserve for Encumbrances** - Reserve for encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts or other commitments for the expenditures of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general, District-wide capital improvement project and non-major funds. Encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred. The balance at June 30, 2014 is \$102,357.

**3. Reserve for School Lunch Fund** - Reserve for school lunch fund represents the remaining assigned portion of fund balance in the school lunch fund. The reserve is accounted for in the school lunch fund. The balance at June 30, 2014 is \$17,894.

**4. Reserve for Debt** - Reserve for debt represents the remaining assigned portion of fund balance in the debt service fund. The reserve is accounted for in the debt service fund. The balance at June 30, 2014 is \$106,627.

**5. Reserve for Capital** - Reserve for capital projects represents the remaining assigned portion of fund balance in the capital projects fund. The reserve is accounted for in the capital projects fund. The balance at June 30, 2014 is \$1,040,249.

**5. Reserve for Subsequent Year** - Reserve for subsequent year represents the estimated fund balance that is appropriated into the adopted budget. The balance at June 30, 2014 is \$850,000.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**15. Future Changes in Accounting Standards**

The GASB has issued Statement No. 66, "*GASB Technical Corrections - 2012 - an Amendment of Statement 10 and 62*". Effective for periods beginning after June 15, 2014.

The GASB has issued Statement No. 68, "*Accounting and Financial Reporting for Pensions*". Effective for periods beginning after June 15, 2015.

The GASB has issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". Effective for periods beginning after June 15, 2015.

The GASB has issued Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". Effective for periods beginning after June 15, 2015.

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

**E. Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 6, 2013. Taxes are collected during the period September 1 through October 31, 2013. Uncollected real property taxes are subsequently enforced by the Counties of Livingston, Ontario, Steuben and Yates. The Counties pay an amount representing uncollected real property taxes transmitted to the Counties for enforcement to the District no later than the following April 1st.

**Note 2. Cash and Investments**

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. The District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District 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 time deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Deposits and investments at year-end were entirely covered by Federal Deposit Insurance or by collateral held by the District's custodial bank in the District's name. These deposits consisted of:

	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Cash and cash equivalents	\$ <u>10,890,405</u>	\$ <u>11,152,173</u>
Collateralized amounts		\$ 10,402,173
Covered by FDIC insurance		<u>750,000</u>
Total deposits		<u>\$ 11,152,173</u>

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 3. Accounts Receivable**

Accounts receivable at June 30, 2014 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible:

<u>Description</u>	<u>Amount</u>
State and federal aid	\$ 331,333
Due from other governments	241,459
Other receivable	1,374
Taxes receivable	<u>843</u>
Total	<u>\$ 575,009</u>

**Note 4. Participation in BOCES**

During the year, the District was billed \$1,859,446 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$381,392. Financial statements for the Ontario, Seneca, Yates, Cayuga and Wayne Counties BOCES are available from the BOCES administrative office at 131 Drumlin Court, Newark, New York 14513-1863.

**Note 5. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
<b>Capital Assets Not Depreciated</b>					
Land	\$ 17,341	\$ -	\$ -	\$ -	\$ 17,341
Construction in progress	<u>5,455,732</u>	<u>9,965,743</u>	<u>-</u>	<u>(1,572,370)</u>	<u>13,849,105</u>
Total capital assets not depreciated	<u>5,473,073</u>	<u>9,965,743</u>	<u>-</u>	<u>(1,572,370)</u>	<u>13,866,446</u>
<b>Capital Assets Depreciated</b>					
Buildings and improvements	19,784,438	-	-	1,572,370	21,356,808
Furniture and equipment	<u>2,318,384</u>	<u>286,440</u>	<u>(255,083)</u>	<u>-</u>	<u>2,349,741</u>
Total capital assets depreciated	<u>22,102,822</u>	<u>286,440</u>	<u>(255,083)</u>	<u>1,572,370</u>	<u>23,706,549</u>
<b>Less, Accumulated Depreciation</b>					
Buildings and improvements	6,168,612	489,004	-	-	6,657,616
Furniture and equipment	<u>1,379,464</u>	<u>230,484</u>	<u>(230,913)</u>	<u>-</u>	<u>1,379,035</u>
Total accumulated depreciation	<u>7,548,076</u>	<u>719,488</u>	<u>(230,913)</u>	<u>-</u>	<u>8,036,651</u>
Total capital assets depreciated - net	<u>14,554,746</u>	<u>(433,048)</u>	<u>(24,170)</u>	<u>1,572,370</u>	<u>15,669,898</u>
<b>Governmental Activities Capital Assets - Net</b>	<u>\$20,027,819</u>	<u>\$ 9,532,695</u>	<u>\$ (24,170)</u>	<u>\$ -</u>	<u>\$ 29,536,344</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>	
General government support	\$ 22,686
Instruction	496,201
Pupil transportation	197,493
School lunch	<u>3,108</u>
Total depreciation expense	<u>\$ 719,488</u>

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 6. Indebtedness**

**A. Short-Term Debt**

**Bond Anticipation Notes**

The changes in the District's bond anticipation notes are as follows:

<u>Purpose</u>	<u>Due Date / Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
District Renovation Project	06/14; 1.00%	\$ <u>12,500,000</u>	\$ <u>-</u>	\$ <u>12,500,000</u>	\$ <u>-</u>
Total bond anticipation notes		\$ <u>12,500,000</u>	\$ <u>-</u>	\$ <u>12,500,000</u>	\$ <u>-</u>

**B. Long-Term Debt**

**Serial Bonds/Statutory Installment Bonds**

The District borrows money in order to acquire land, high cost equipment, construct buildings and perform improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the District-wide financial statements (statement of net position).

The District had the following serial bonds outstanding as of June 30, 2014:

<u>Purpose</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Serial Bonds, Refunding 2003	06/2015	1.50-3.60%	\$ 840,000	\$ -	\$ 440,000	\$ 400,000
Serial Bonds, Series 2009	06/2024	2.50-4.00%	4,565,000	-	355,000	4,210,000
Serial Bonds, Series 2013	06/2029	2.00-3.50%	5,100,000	-	275,000	4,825,000
Serial Bonds, Series 2014	06/2029	2.00-3.00%	-	15,569,135	-	15,569,135
Statutory Installment Bonds, 2009	06/2014	3.75%	50,000	-	50,000	-
Statutory Installment Bonds, 2010	06/2015	2.15-2.30%	95,000	-	45,000	50,000
Statutory Installment Bonds, 2011	06/2016	1.20-2.40%	145,000	-	45,000	100,000
Statutory Installment Bonds, 2012	06/2017	1.98%	207,944	-	47,944	160,000
Statutory Installment Bonds, 2013	06/2018	1.75-2.00%	-	214,949	-	214,949
Plus, premium on serial bond			<u>94,243</u>	<u>-</u>	<u>10,033</u>	<u>84,210</u>
Total bonds			\$ <u>11,097,187</u>	\$ <u>15,784,084</u>	\$ <u>1,267,977</u>	\$ <u>25,613,294</u>

**Interest Expense**

Interest on long-term debt for the year amounted to:

Interest paid	\$ 474,784
Less: interest accrued in the prior year	(14,187)
Less: amortization of premium on serial bond	(10,033)
Add: interest accrued in the current year	29,094
Add: amortization of deferred refunding and issuance costs	<u>11,860</u>
Total interest expense	\$ <u>491,518</u>

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**C. Changes in Long-Term Obligations**

The changes in the District's long-term obligations during the year ended June 30, 2014 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds payable	\$ 11,097,187	\$ 15,784,084	\$ 1,267,977	\$ 25,613,294
Compensated absences	3,090,783	-	240,506	2,850,277
Other postemployment benefits liability	5,021,994	994,267	-	6,016,261
Flex medical reimbursement liability	<u>395,128</u>	<u>27,382</u>	-	<u>422,510</u>
Total	<u>\$ 19,605,092</u>	<u>\$ 16,805,733</u>	<u>\$ 1,508,483</u>	<u>\$ 34,902,342</u>
Due in one year				\$ 2,255,229
Due in more than one year				<u>32,647,113</u>
Total				<u>\$ 34,902,342</u>

**D. Maturity**

The following is the amortization schedule for the long-term liability resulting from bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2015	\$ 2,119,084	\$ 713,619	\$ 23,410,000
2016	1,705,000	670,747	21,705,000
2017	1,690,000	629,877	20,015,000
2018	1,685,000	587,001	18,330,000
2019	1,680,000	542,913	16,650,000
2020 - 2024	9,055,000	1,966,090	7,595,000
2025 - 2029	<u>7,595,000</u>	<u>695,426</u>	-
Total	<u>\$ 25,529,084</u>	<u>\$ 5,805,673</u>	

On May 22, 2003, the District issued \$5,005,000 in general obligation bonds, with interest rates ranging between 1.50% and 3.60%. The District issued the bonds to advance refund the \$4,475,000 of outstanding various general obligation bonds. The District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$4,475,000 in bonds are considered defeased and the liability has been removed from the financial statements. At June 30, 2014, the balance of the defeased debt outstanding amounted to \$325,000.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Note 7. Interfund Balances and Activity**

Interfund receivables and payables at June 30, 2014 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 431,110	\$ 24,408
School lunch fund	-	1,024
Special aid fund	24,408	329,889
Capital projects fund	-	2,644
Debt service fund	<u>2,644</u>	<u>-</u>
Subtotal	458,162	357,965
Agency funds	<u>-</u>	<u>100,197</u>
Total	<u>\$ 458,162</u>	<u>\$ 458,162</u>

Interfund receivables and payables, other than between governmental activities are eliminated on the statement of net position. Intergovernmental receivables between governmental and fiduciary activities are listed as due from external parties.

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

All interfund payables are expected to be repaid within one year.

**Note 8. Interfund Transfers**

Interfund transfers for the year ending June 30, 2014 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 100,067	\$ 38,867
Special aid fund	23,867	-
School lunch fund	15,000	-
Debt service fund	18,644	53,992
Capital project funds	<u>-</u>	<u>64,719</u>
Total	<u>\$ 157,578</u>	<u>\$ 157,578</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) move residual cash from closed projects to debt service to be used for debt payments at a later date.

**Note 9. Pension Plans**

**A. General Information**

The District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**B. Plan Descriptions**

**Teachers' Retirement System (TRS)**

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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

**Employees' Retirement System (ERS)**

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

**C. Funding Policies**

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

The District is required to contribute at 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 respectively 11.84% and 11.10%. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>ERS</u>		<u>TRS</u>		<u>Total</u>
2014	\$ 289,489	\$	648,819	\$	938,308
2013	\$ 320,619	\$	648,525	\$	969,144
2012	\$ 252,754	\$	500,509	\$	753,263

The total unpaid liability for NYSERS and NYSTRS was \$1,010,896.

**Note 10. Post Employment Healthcare Plan**

**Plan Description** - The District administers the Naples Central School District Retiree Medical Plan (the "Plan") as a single-employer defined benefit other postemployment benefit plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements.

**Funding Policy** - The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

**NAPLES CENTRAL SCHOOL DISTRICT**  
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**Actuarial Methods and Assumptions** - The accrual basis of accounting is used. The fair market value of assets is determined by the market value of assets paid by a willing buyer to a willing seller. The schedule of funding progress presents multiyear trend information that is useful in determining whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

As of July 1, 2011 the most recent interim actuarial valuation date, the Other Post Employment Benefits ("OPEB") plan was unfunded, resulting in an unfunded accrued liability for the District of \$14,360,246. The assumed discount rate is 4.00% compounded annually.

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

Annual required contribution	\$ 1,392,810
Interest on net OPEB obligation	200,880
Adjustment to annual required contribution	<u>(290,423)</u>
Annual OPEB cost (expense)	1,303,267
Contributions made	<u>(309,000)</u>
Increase in OPEB obligation - net	994,267
Net OPEB obligation - beginning	<u>5,021,994</u>
Net OPEB obligation - ending	<u>\$ 6,016,261</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2014	\$ 1,303,267	23.7%	\$ 6,016,261
6/30/2013	\$ 1,252,539	21.7%	\$ 5,021,994
6/30/2012	\$ 1,139,467	9.3%	\$ 4,041,455

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Note 11. Risk Management**

**A. General Information**

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

**B. Workers' Compensation**

The District incurs costs related to the Wayne-Finger Lakes Area School Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services, of Ontario, Seneca, Yates, Cayuga and Wayne Counties and its component districts. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the Ontario, Seneca, Yates, Cayuga and Wayne Counties BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of thirteen districts. If a surplus of participants' assessments exist after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amounts against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance to limit its exposure for claims paid. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2014, the Naples Central School District incurred premiums or contribution expenditures totaling \$63,292.

The Plan is audited on an annual basis and the Plan's financial statements are available at the BOCES administrative offices. The most recent audit available, for the year ended June 30, 2014, revealed that the Plan is fully funded.

**C. Unemployment**

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the Fund for benefits paid from the Fund to former employees. The District has established a self insurance fund to pay these claims. There were no claims and judgment expenditures of this program for the 2013-2014 fiscal year. The balance of the fund at June 30, 2014 was \$110,885 and is recorded in the general fund as an unemployment insurance reserve. In addition, as of June 30, 2014, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Note 12. Federal and State Funded Programs**

The District participates in a number of Federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Real property tax	\$10,207,864	\$10,207,864	\$ 9,267,149	\$ (940,715)
Real property tax items	104,917	104,917	1,049,253	944,336
Charges for services	68,100	68,100	51,588	(16,512)
Use of money and property	16,647	16,647	10,877	(5,770)
Sale of property and compensation for gain	500	500	3,009	2,509
Miscellaneous local sources	24,000	27,408	92,914	65,506
State sources	6,262,822	6,262,822	6,387,601	124,779
Medical reimbursements	<u>20,000</u>	<u>20,000</u>	<u>68,169</u>	<u>48,169</u>
Total revenues	16,704,850	16,708,258	16,930,560	222,302
<b>Other Financing Sources</b>				
Interfund transfers	<u>200,000</u>	<u>200,000</u>	<u>100,067</u>	<u>(99,933)</u>
Total revenues and other financing sources	<u>16,904,850</u>	<u>16,908,258</u>	<u>17,030,627</u>	<u>122,369</u>
<b>Expenditures</b>				
General support	2,020,286	2,225,197	1,809,706	415,491
Instruction	8,186,148	8,347,455	7,782,041	565,414
Pupil transportation	830,066	873,777	733,122	140,655
Community services	7,096	7,096	186	6,910
Employee benefits	4,968,304	4,515,079	4,157,579	357,500
Debt principal	1,292,944	1,672,944	1,672,944	-
Debt interest	<u>685,506</u>	<u>477,006</u>	<u>474,784</u>	<u>2,222</u>
Total expenditures	17,990,350	18,118,554	16,630,362	1,488,192
<b>Other Financing Uses</b>				
Interfund transfers	<u>39,500</u>	<u>39,500</u>	<u>38,867</u>	<u>633</u>
Total expenditures and other financing uses	<u>18,029,850</u>	<u>18,158,054</u>	<u>16,669,229</u>	<u>1,488,825</u>
<b>Change in Fund Balance</b>	(1,125,000)	(1,249,796)	361,398	1,611,194
<b>Fund Balances - Beginning</b>	<u>6,204,230</u>	<u>6,204,230</u>	<u>6,204,230</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 5,079,230</u>	<u>\$ 4,954,434</u>	<u>\$ 6,565,628</u>	<u>\$ 1,611,194</u>

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Schedule of Funding Progress for Other Postemployment Benefits Obligation**  
**For the Year Ended June 30, 2014**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (b-a)/(c)</b>
7/1/2013	\$ -	\$ 14,360,246	\$ 14,360,246	- %	\$ 7,530,977	190.7 %
7/1/2012	\$ -	\$ 13,554,770	\$ 13,554,770	- %	\$ 7,402,155	183.1 %
7/1/2011	\$ -	\$ 11,918,156	\$ 11,918,156	- %	\$ 7,814,503	152.5 %

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Schedule of Changes from Original Budget to Final Budget**  
**General Fund**  
**For the Year Ended June 30, 2014**

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Original budget	\$ 18,029,850
Add: Prior year's encumbrances	124,796
Add: Budget revisions	<u>3,408</u>
Final budget	<u>\$ 18,158,054</u>

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Schedule of Real Property Tax Limit**  
**General Fund**  
**For the Year Ended June 30, 2014**

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

2014-15 voter-approved expenditure budget Maximum allowed (4% of 2014-15's budget)		\$ 19,744,900
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Committed fund balance	-	
Assigned fund balance	988,322	
Unassigned fund balance	<u>789,796</u>	
Total unrestricted fund balance	<u>\$ 1,778,118</u>	
Less:		
Appropriated fund balance	850,000	
Insurance recovery reserve	35,965	
Encumbrances included in committed and assigned fund balance	<u>102,357</u>	
Total adjustments	<u>\$ 988,322</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 789,796</u>
Actual percentage		4.00 %

\*Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Schedule of Project Expenditures**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2014**

PROJECT TITLE	<u>Expenditures</u>					<u>Methods of Financing</u>					<u>Fund Balance</u>
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Unexpended Balance</u>	<u>Obligations</u>	<u>State Aid</u>	<u>Interfund Transfers</u>	<u>Total</u>	
2004-2005 Buses	\$ 180,000	\$ 180,000	\$ 167,345	\$ -	\$ 167,345	\$ 12,655	\$ 180,000	\$ -	\$ -	\$ 180,000	\$ 12,655
2005-2006 Buses	180,000	180,000	165,512	-	165,512	14,488	180,000	-	-	180,000	14,488
2006-2007 Buses	165,512	165,512	165,512	-	165,512	-	165,512	-	-	165,512	-
2007-2008 Buses	171,689	171,689	164,616	-	164,616	7,073	188,869	-	-	188,869	24,253
2008-2009 Buses	192,917	192,917	180,516	-	180,516	12,401	193,109	-	(12,400)	180,709	193
2009-2010 Buses	204,306	204,306	214,928	-	214,928	(10,622)	214,928	-	-	214,928	-
2011-2012 Buses	187,625	187,625	187,625	-	187,625	-	187,625	-	-	187,625	-
2012-2013 Buses	207,944	207,944	207,943	-	207,943	1	207,944	-	-	207,944	1
2013-2014 Buses	214,949	214,949	-	196,305	196,305	18,644	214,949	-	(18,644)	196,305	-
Other Capital Projects	-	-	151,355	-	151,355	(151,355)	279,321	-	-	279,321	127,966
Naples HS 0001-010	2,498,600	2,498,600	3,200,771	-	3,200,771	(702,171)	3,032,119	168,652	-	3,200,771	-
Naples Elementary 0002-008	3,651,400	3,651,400	1,623,936	-	1,623,936	2,027,464	1,506,738	117,198	-	1,623,936	-
Naples Phase 2	21,710,000	21,710,000	11,052,128	9,839,545	20,891,673	818,327	21,113,200	-	553,925	21,667,125	775,452
Naples Phase 1A	1,335,334	1,335,334	1,326,854	-	1,326,854	8,480	1,325,293	-	-	1,325,293	(1,561)
Abatement Project	<u>213,000</u>	<u>213,000</u>	<u>-</u>	<u>126,198</u>	<u>126,198</u>	<u>86,802</u>	<u>-</u>	<u>-</u>	<u>213,000</u>	<u>213,000</u>	<u>86,802</u>
	<u>\$ 31,113,276</u>	<u>\$ 31,113,276</u>	<u>\$18,809,041</u>	<u>\$ 10,162,048</u>	<u>\$ 28,971,089</u>	<u>\$ 2,142,187</u>	<u>\$ 28,989,607</u>	<u>\$ 285,850</u>	<u>\$ 735,881</u>	<u>\$ 30,011,338</u>	<u>\$ 1,040,249</u>

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
**June 30, 2014**

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<b>Capital Assets - Net</b>	\$ <u>29,536,344</u>
<b>Add</b>	
Deferred refunding proceeds - net	5,733
Unspent bond proceeds	<u>1,475,249</u>
Subtotal	<u>1,480,982</u>
<b>Deduct</b>	
Short-term portion of bonds payable	2,119,084
Long-term portion of bonds payable	<u>23,494,210</u>
Subtotal	<u>25,613,294</u>
<b>Net Investment in Capital Assets</b>	\$ <u>5,404,032</u>

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<b>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Pass through programs from			
New York State Department of Education			
Childhood Nutrition Cluster:			
National School Breakfast Program	10.553		\$ 25,174
National School Lunch Program	10.555		<u>99,290</u>
Total Child Nutrition Cluster			<u>124,464</u>
Total passed through to NYS Department of Education			<u>124,464</u>
Non-cash Assistance - Pass through programs from			
New York State Department of General Services			
Surplus Food Distribution	10.565		<u>20,533</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>144,997</u></b>
<b>U.S. Department of Education</b>			
Pass through program from			
New York State Department of Education			
Special Education Cluster			
IDEA Part B - Section 611	84.027		183,777
IDEA Part B - Section 619	84.173		<u>6,072</u>
Total Special Education Cluster			<u>189,849</u>
Race-to-the-Top Incentive Grant - ARRA	84.395		<u>25,030</u>
Other pass through programs			
Title I - ESEA Basic Grant	84.010		159,279
Title IIA - Improving Teacher Quality	84.367		<u>81,373</u>
Total other pass through programs			<u>240,652</u>
<b>Total U.S. Department of Education</b>			<b><u>455,531</u></b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u>600,528</u></b>

See accompanying note to schedule of expenditures of federal awards.

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

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

**Note 2. Subrecipients**

No amounts were provided to subrecipients.

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

To the Board of Education  
Naples Central School District  
Naples, 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 Naples Central School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Naples Central School District's basic financial statements and have issued our report thereon dated October 7, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Naples Central School 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 Naples Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Naples Central School 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

**Compliance and Other Matters**

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

## **Purpose of this Report**

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

*EFP Rotenberg, LLP*

EFP Rotenberg, LLP  
Rochester, New York  
October 7, 2014



ROTENBERG CPA Certified Public Accountants | Business Consultants  
*what counts*

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

To the Board of Education  
Naples Central School District  
Naples, New York

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

We have audited Naples Central School District's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Naples Central School District's major federal programs for the year ended June 30, 2014. Naples Central School 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Naples Central School 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 of 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 Naples Central School District 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 Naples Central School District compliance.

### **Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

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

*EFP Rotenberg, LLP*

EFP Rotenberg, LLP  
Rochester, New York  
October 7, 2014

**NAPLES CENTRAL SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

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**SUMMARY OF AUDITORS' RESULTS:**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- 1. Material weaknesses identified?  Yes  No
- 2. Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No
- 3. Noncompliance material to the financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- 4. Material weaknesses identified?  Yes  No
- 5. Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No

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

- 6. Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  Yes  No

7. Major programs audited were:

**Program Title**

**Federal CFDA Number**

Special Education Cluster	84.027
U.S. Department of Education - IDEA Part B - Section 611	84.173
U.S. Department of Education - IDEA Part B - Section 619	

8. Dollar threshold to determine type A and type B programs: \$300,000

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

**FINDINGS - FINANCIAL STATEMENT AUDIT**

NONE

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE

**NAPLES CENTRAL SCHOOL DISTRICT  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2014**

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**PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT**

NONE

**PRIOR YEAR FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE