

CANANDAIGUA CITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2014

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Certified Public Accountants

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Thomas C. Zuber, CPA

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Canandaigua City School District, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Canandaigua City School District, New York, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress postemployment benefit plan on pages 4–13 and 42–44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

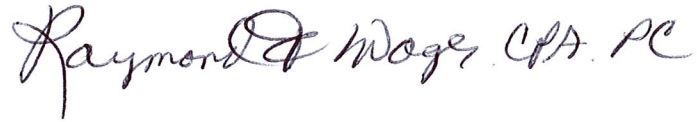
Other Information

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

The accompanying supplementary information as listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *accompanying supplementary information as listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014 on our consideration of the Canandaigua City School District, New York' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Canandaigua City School District, New York's internal control over financial reporting and compliance.



September 10, 2014

Canandaigua City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

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

Financial Highlights

At the close of the fiscal year, the total assets (what the district owns) exceeded its total liabilities (what the district owes) by \$39,799,994 (net position) an increase of \$1,446,779 from the prior year. Of this amount net investment in capital assets increased \$1,997,121, restricted funds increased \$712,146, and unrestricted funds decreased \$1,262,488.

General revenues which include Federal and State Aid and Real Property Taxes accounted for \$65,344,738 or 94% of all revenues. Program specific revenues in the form of Charges for Services and Operating Grants and Contributions accounted for \$3,818,666 or 6% of total revenues.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$19,490,245, an increase of \$1,883,939 in comparison with the prior year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Major Feature of the District-Wide and Fund Financial Statements

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

Notes to the Financial Statements

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

Government-Wide Statements

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

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

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

Financial Analysis of the School District As a Whole

Net Position

The District’s combined net position were larger on June 30, 2014, than they were the year before, increasing by 4% to \$39,799,994 as shown in table below.

	<u>Governmental Activities</u>		Total
	<u>2014</u>	<u>2013</u>	Percentage
			Change
<u>ASSETS:</u>			
Current and Other Assets	\$ 25,933,782	\$ 23,062,736	12.45%
Capital Assets	72,335,120	74,089,903	-2.37%
Total Assets	<u>\$ 98,268,902</u>	<u>\$ 97,152,639</u>	1.15%
<u>LIABILITIES:</u>			
Long-Term Debt Obligations	\$ 53,107,536	\$ 54,582,885	-2.70%
Other Liabilities	5,361,372	4,216,539	27.15%
Total Liabilities	<u>\$ 58,468,908</u>	<u>\$ 58,799,424</u>	-0.56%
<u>NET POSITION:</u>			
Net Investment in Capital			
Assets	\$ 33,625,292	\$ 31,628,171	6.31%
Restricted For,			
Retirement Contribution Reserve	2,309,162	2,249,042	2.67%
Capital Reserves	4,493,820	2,516,861	78.55%
Other Purposes	4,348,509	5,673,442	-23.35%
Unrestricted	(4,976,789)	(3,714,301)	33.99%
Total Net Position	<u>\$ 39,799,994</u>	<u>\$ 38,353,215</u>	3.77%

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

By far, the largest component of the School District's net position (84%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There are three restricted net asset balances Retirement Contribution Reserve, Capital Reserves, and Other Purposes which constitute 28% of total net position. The remaining balance of unrestricted net position is a deficit of (\$4,976,789).

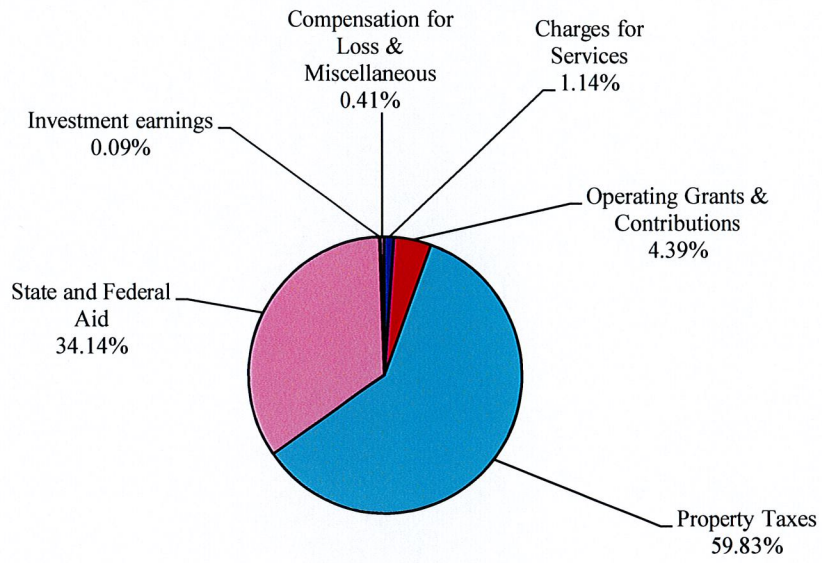
Changes in Net Position

The District's total revenue increased to \$69,163,404. State and federal aid 34% and property taxes 60% accounted for most of the District's revenue. The remaining 6% of the revenue comes from operating grants, charges for services, use of money and property, compensation for loss, and miscellaneous revenues.

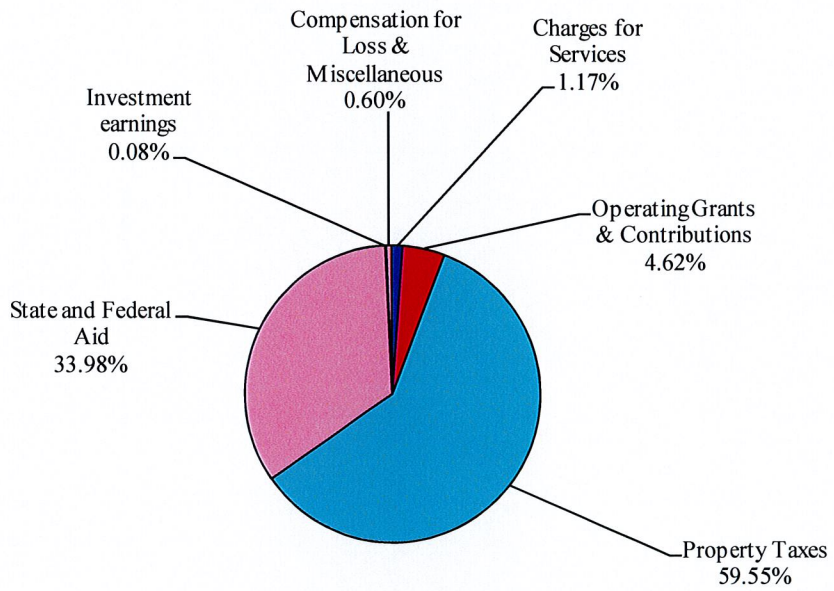
The total cost of all the programs and services increased to \$67,716,625. The District's expenses are predominately related to education and caring for the students (instruction) 79%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 11% of the total costs. See table below:

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Services	\$ 785,837	\$ 784,632	0.15%
Operating Grants & Contributions	3,032,829	3,094,818	-2.00%
Total Program	<u>\$ 3,818,666</u>	<u>\$ 3,879,450</u>	-1.57%
<u>General -</u>			
Property Taxes	\$ 41,380,158	\$ 39,885,425	3.75%
State and Federal Aid	23,610,303	22,761,847	3.73%
Use of Money and Property	63,814	53,946	18.29%
Compensation for Loss	58,415	39,030	49.67%
Miscellaneous	232,048	356,651	-34.94%
Total General	<u>\$ 65,344,738</u>	<u>\$ 63,096,899</u>	3.56%
TOTAL REVENUES	<u>\$ 69,163,404</u>	<u>\$ 66,976,349</u>	3.27%
<u>EXPENSES:</u>			
General Support	\$ 7,266,999	\$ 7,491,100	-2.99%
Instruction	53,180,016	51,047,106	4.18%
Pupil Transportation	4,513,642	4,491,142	0.50%
Community Services	31,684	92,186	-65.63%
School Lunch	1,370,535	1,346,853	1.76%
Interest on Long-Term Debt	1,353,749	1,459,641	-7.25%
TOTAL EXPENSES	<u>\$ 67,716,625</u>	<u>\$ 65,928,028</u>	2.71%
CHANGE IN NET POSITION	<u>\$ 1,446,779</u>	<u>\$ 1,048,321</u>	38.01%

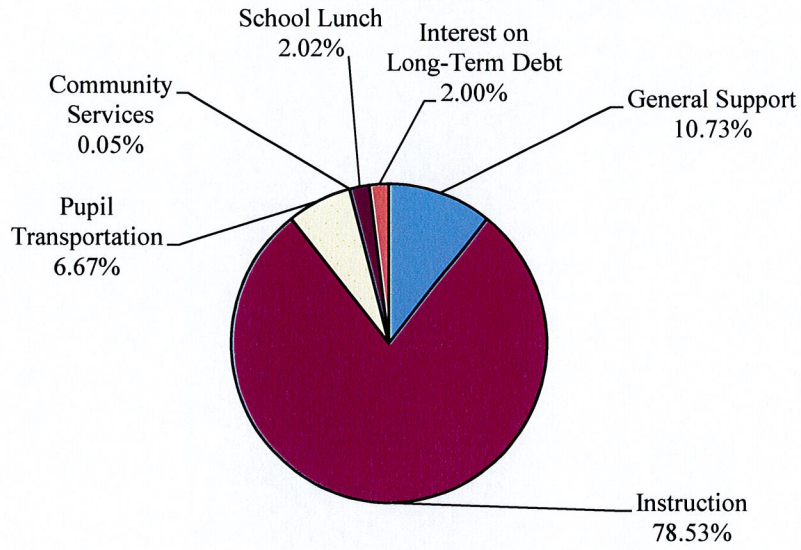
Sources of Revenue for 2013-14



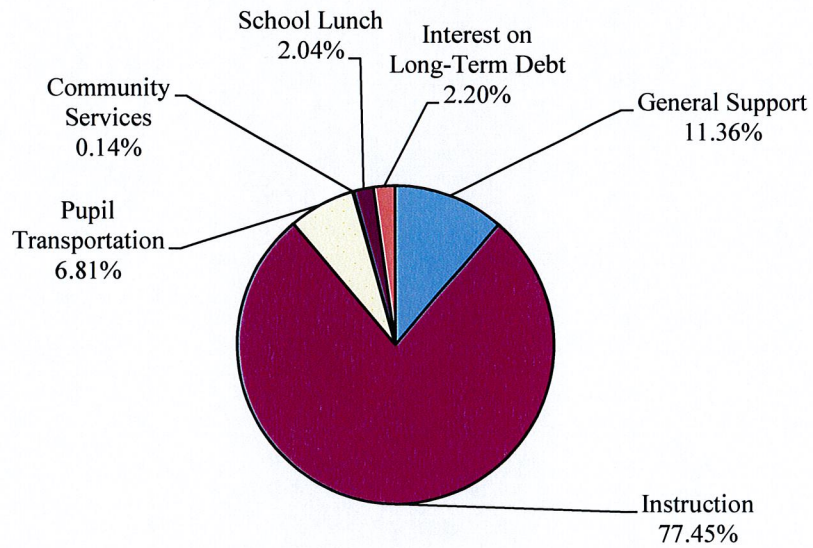
Sources of Revenue for 2012-13



Sources of Expenditures for 2013-14



Sources of Expenditures for 2012-13



Financial Analysis of the School District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$19,490,245 which is more than last year's ending fund balance of \$17,606,306.

The General Fund is the chief operating fund of the District. At the end of the current year, the total fund balance of the General Fund was \$16,561,939. Fund balance for the General Fund increased by \$1,746,624 compared with the prior year. See table below:

<u>General Fund Balances:</u>	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Nonspendable	\$ 2,035,432	\$ 2,031,322	\$ 4,110
Restricted	9,575,297	8,182,773	1,392,524
Assigned	2,202,942	1,921,428	281,514
Unassigned	2,748,268	2,679,792	68,476
Total General Fund Balances	<u>\$ 16,561,939</u>	<u>\$ 14,815,315</u>	<u>\$ 1,746,624</u>

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

Retirement Contribution	\$ 105,000
Debt Service	495,000
Total	<u>\$ 600,000</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$1,930,083. This change is attributable to \$849,928 of prior year carryover encumbrances, \$759,997 for a voter approved purchase of buses, \$213,000 for a transfer to school lunch, \$45,684 for school lunch sick days, and \$61,474 for donations and miscellaneous receipts.

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

Expenditure Items:	Budget Variance Original Vs. Amended	Explanation for Budget Variance
Transfer-Out	\$972,997	Board approved transfer to capital project in lieu of issuing debt, capital bus purchases, and transfer to school lunch to eliminate deficit.

Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Central Services	\$416,599	Utility and maintenance costs were lower than anticipated
Teaching-Regular School	\$830,992	Salaries in K-12, substitutes and aids were lower than estimated through attrition and healthier living initiatives
Programs for Children with Handicapping Condition	\$520,989	Special ed tuitions were lower than projected due to fewer participants
Employee Benefits	\$1,222,987	As employees are becoming aware of different plans there has been a migration of employees to lower cost health plans. In addition, the District has reduced the costs relating to the VEBA program

Capital Asset and Debt Administration

Capital Assets

By the end of the 2013-14 fiscal year, the District had invested \$72,335,120 in a broad range of capital assets, including land, work in progress, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below:

	<u>2014</u>	<u>2013</u>
Land	\$ 832,449	\$ 832,449
Work in Progress	12,170,878	11,982,063
Buildings and Improvements (net)	57,207,218	59,365,496
Machinery and Equipment (net)	2,124,575	1,909,895
Total	<u>\$ 72,335,120</u>	<u>\$ 74,089,903</u>

Long-Term Debt

At year end, the District had \$53,107,536 in general obligation bonds and other long-term debt outstanding as follows:

<u>Type</u>	<u>2014</u>	<u>2013</u>
Serial Bonds	\$ 38,380,000	\$ 42,029,789
Installment Purchase Debt	829,914	1,038,050
OPEB	12,455,313	10,107,533
Compensated Absences	1,442,309	1,407,513
Total Long-Term Obligations	<u>\$ 53,107,536</u>	<u>\$ 54,582,885</u>

Factors Bearing on the District's Future

- During 2011 the governor signed State Law Chapter 97 which establishes a property tax cap in New York State. The tax cap limits levy growth to the lesser of two percent or the annual increase in CPI plus or minus certain exclusions. Given that State mandated pension costs and health insurance costs are rising at a much higher rate than two percent, the District anticipates budget constraints for the foreseeable future unless significant mandate relief is provided by the State. The District is now under a higher degree of scrutiny by our residents given the Governor's tax rebate and shared services initiatives.
- The continuation of the inequitable distribution of State aid, GEA, and the freeze in foundation aid will impact the appropriation budget as well as the types of quality programs the District can deliver to its students.
- New and continuing tax certiorari cases continue to be received by the District. The District is faced with increased legal expenditures.

Contacting the School District's Financial Management

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

Canandaigua City School District
143 North Pearl Street
Canandaigua, New York 14424

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Statement of Net Position

June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 21,610,067
Accounts receivable	3,254,348
Inventories	33,935
Prepaid items	1,035,432
Capital Assets:	
Land	832,449
Work in progress	12,170,878
Other capital assets (net of depreciation)	59,331,793
TOTAL ASSETS	<u>\$ 98,268,902</u>
 LIABILITIES	
Accounts payable	\$ 209,282
Accrued liabilities	640,636
Unearned revenues	41,210
Due to other governments	1,733
Due to teachers' retirement system	4,014,208
Due to employees' retirement system	454,303
Long-Term Obligations:	
Due in one year	4,607,888
Due in more than one year	48,499,648
TOTAL LIABILITIES	<u>\$ 58,468,908</u>
 NET POSITION	
Net investment in capital assets	\$ 33,625,292
Restricted For:	
Reserve for employee retirement system	2,309,162
Capital reserves	4,493,820
Other purposes	5,137,261
Unrestricted	(5,765,541)
TOTAL NET POSITION	<u><u>\$ 39,799,994</u></u>

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Statement of Activities and Changes in Net Position

For Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Grants and</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Contributions</u>	<u>Changes in</u>
			<u>Operating</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
<u>Primary Government</u> -				
General support	\$ 7,266,999	\$ -	\$ -	\$ (7,266,999)
Instruction	53,180,016	364,903	2,414,239	(50,400,874)
Pupil transportation	4,513,642	-	-	(4,513,642)
Community services	31,684	-	-	(31,684)
School lunch	1,370,535	420,934	618,590	(331,011)
Interest	1,353,749	-	-	(1,353,749)
Total Primary Government	<u>\$ 67,716,625</u>	<u>\$ 785,837</u>	<u>\$ 3,032,829</u>	<u>\$ (63,897,959)</u>

General Revenues:

Property taxes	\$ 41,380,158
State and federal aid	23,610,303
Investment earnings	63,814
Compensation for loss	58,415
Miscellaneous	232,048
Total General Revenues	<u>\$ 65,344,738</u>
Changes in Net Position	\$ 1,446,779
Net Position, Beginning of Year	<u>38,353,215</u>
Net Position, End of Year	<u>\$ 39,799,994</u>

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2014

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 18,396,370	\$ 972,455	\$ 2,241,242	\$ 21,610,067
Receivables	2,626,875	576,197	51,276	3,254,348
Inventories	-	-	33,935	33,935
Due from other funds	2,444,821	-	994,015	3,438,836
Prepaid items	1,035,432	-	-	1,035,432
TOTAL ASSETS	<u>\$ 24,503,498</u>	<u>\$ 1,548,652</u>	<u>\$ 3,320,468</u>	<u>\$ 29,372,618</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
<u>Liabilities -</u>				
Accounts payable	\$ 185,632	\$ 1,200	\$ 22,450	\$ 209,282
Accrued liabilities	412,695	19,196	10,155	442,046
Due to other funds	993,966	1,505,687	939,183	3,438,836
Due to other governments	-	-	1,733	1,733
Due to TRS	4,014,208	-	-	4,014,208
Due to ERS	454,303	-	-	454,303
Compensated absences	623,812	-	-	623,812
Unearned revenue	-	22,569	18,641	41,210
TOTAL LIABILITIES	<u>\$ 6,684,616</u>	<u>\$ 1,548,652</u>	<u>\$ 992,162</u>	<u>\$ 9,225,430</u>
<u>Deferred Inflows of Resources -</u>				
Deferred Inflows of Resources	<u>\$ 656,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,943</u>
<u>Fund Balances -</u>				
Nonspendable	\$ 2,035,432	\$ -	\$ 33,935	\$ 2,069,367
Restricted	10,175,297	-	2,287,548	12,462,845
Assigned	2,202,942	-	6,823	2,209,765
Unassigned	2,748,268	-	-	2,748,268
TOTAL FUND BALANCE	<u>\$ 17,161,939</u>	<u>\$ -</u>	<u>\$ 2,328,306</u>	<u>\$ 19,490,245</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 24,503,498</u>	<u>\$ 1,548,652</u>	<u>\$ 3,320,468</u>	

**Amounts reported for governmental activities in the
Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	72,335,120
Taxes receivable is deferred for those amounts collected after ninety (90) days on fund basis, while those amounts are recorded as revenue on the full accrual basis.	656,943
Interest is accrued on outstanding bonds in the statement of net position but not in the funds.	(198,590)
The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:	
Serial bonds payable	(38,380,000)
OPEB	(12,455,313)
Compensated absences	(818,497)
Installment purchase debt	(829,914)
Net Position of Governmental Activities	<u>\$ 39,799,994</u>

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes and tax items	\$ 41,456,638	\$ -	\$ -	\$ 41,456,638
Charges for services	364,903	-	-	364,903
Use of money and property	60,173	-	3,641	63,814
Sale of property and compensation for loss	58,415	-	-	58,415
Miscellaneous	216,893	7,480	11,063	235,436
State sources	23,375,932	769,391	23,705	24,169,028
Federal sources	234,371	1,637,368	594,885	2,466,624
Sales	-	-	420,934	420,934
Premium on obligations issued	-	-	4,092	4,092
TOTAL REVENUES	<u>\$ 65,767,325</u>	<u>\$ 2,414,239</u>	<u>\$ 1,058,320</u>	<u>\$ 69,239,884</u>
EXPENDITURES				
General support	\$ 5,398,452	\$ -	\$ -	\$ 5,398,452
Instruction	34,266,341	2,338,674	-	36,605,015
Pupil transportation	2,708,504	118,015	653,395	3,479,914
Community services	31,684	-	-	31,684
Employee benefits	15,150,506	117,659	198,752	15,466,917
Debt service - principal	3,858,136	-	-	3,858,136
Debt service - interest	1,373,969	-	-	1,373,969
Cost of sales	-	-	487,156	487,156
Other expenses	-	-	465,887	465,887
Capital outlay	-	-	188,815	188,815
TOTAL EXPENDITURES	<u>\$ 62,787,592</u>	<u>\$ 2,574,348</u>	<u>\$ 1,994,005</u>	<u>\$ 67,355,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,979,733</u>	<u>\$ (160,109)</u>	<u>\$ (935,685)</u>	<u>\$ 1,883,939</u>
OTHER FINANCING SOURCES (USES)				
Transfers - in	\$ 600,000	\$ 160,109	\$ 1,073,000	\$ 1,833,109
Transfers - out	(1,233,109)	-	(600,000)	(1,833,109)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (633,109)</u>	<u>\$ 160,109</u>	<u>\$ 473,000</u>	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 2,346,624</u>	<u>\$ -</u>	<u>\$ (462,685)</u>	<u>\$ 1,883,939</u>
FUND BALANCE, BEGINNING OF YEAR	<u>14,815,315</u>	<u>-</u>	<u>2,790,991</u>	<u>17,606,306</u>
FUND BALANCE, END OF YEAR	<u>\$ 17,161,939</u>	<u>\$ -</u>	<u>\$ 2,328,306</u>	<u>\$ 19,490,245</u>

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

NET CHANGE IN FUND BALANCES -

TOTAL GOVERNMENTAL FUNDS **\$ 1,883,939**

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:

Capital Outlay	\$ 188,815	
Additions to Assets, Net	737,945	
Depreciation	<u>(2,681,754)</u>	(1,754,994)

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

Debt Repayments	3,858,136
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In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	20,220
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(76,480)
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The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(2,347,780)
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In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences	<u>(136,262)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,446,779**

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2014

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 2,640	\$ 1,744,167
Investments	281,614	-
Receivable from general fund	-	50
TOTAL ASSETS	<u>\$ 284,254</u>	<u>\$ 1,744,217</u>
LIABILITIES		
Accounts payable	\$ -	\$ 17,204
Extraclassroom activity balances	-	145,656
Other liabilities	-	1,581,357
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 1,744,217</u>
NET POSITION		
Restricted for scholarships	\$ 284,254	
TOTAL NET POSITION	<u>\$ 284,254</u>	

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

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 5,580
Investment earnings	31,610
TOTAL ADDITIONS	<u>\$ 37,190</u>
DEDUCTIONS	
Scholarships and donations	\$ 13,066
TOTAL DEDUCTIONS	<u>\$ 13,066</u>
CHANGE IN NET POSITION	\$ 24,124
NET POSITION, BEGINNING OF YEAR	<u>260,130</u>
NET POSITION, END OF YEAR	<u>\$ 284,254</u>

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

1. Extraclassroom Activity Funds

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

(I.) (Continued)

B. Joint Venture

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

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

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

During the year, the District was billed \$6,105,973 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,307,718.

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

C. Basis of Presentation

1. Districtwide Statements

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

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

2. **Fund Statements**

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

The District reports the following governmental funds:

a. **Major Governmental Funds**

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

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

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

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

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

Capital Project Fund - Used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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

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

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

(I.) (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 5. Taxes are collected during the period October 1 to December 31.

The City and Counties in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenues. Otherwise, deferred revenues offset real property taxes receivable.

F. Restricted Resources

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

G. Interfund Transactions

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

(I.) (Continued)

In the District-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds.

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

Refer to Note VI for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

H. Estimates

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

I. Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

New York State Law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Investments are stated at fair value.

J. Receivables

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

(I.) (Continued)

K. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of 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. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

L. Capital Assets

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

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

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

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

M. Unearned Revenue

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

(I.) (Continued)

N. Deferred Inflows of Resources

The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to future periods. The District will not recognize the related revenues until a future event occurs. The District has only one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting, that qualifies for reporting in this category.

O. Vested Employee Benefits

1. Compensated Absences

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

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

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

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

P. Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits may be shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q. Accrued Liabilities and Long-Term Obligations

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

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

R. Equity Classifications

1. District-Wide Statements

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

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

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

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

	<u>Total</u>
Workers' Compensation	\$ 601,200
Unemployment Costs	385,910
Insurance	60,120
Tax Certiorari	1,453,198
Debt	976,194
Capital Projects	788,752
Employee Benefits Accrued Liability	<u>871,887</u>
Total Net Position - Restricted for Other Purposes	<u>\$ 5,137,261</u>

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

2. **Fund Statements**

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

a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes:

	<u>Total</u>
Inventory in school lunch	\$ 33,935
Long-term receivable	1,000,000
Prepaid items	1,035,432
Total Nonspendable Fund Balance	<u>\$ 2,069,367</u>

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

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

			Total
<u>Name</u>	<u>Maximum</u>	<u>Total Funding</u>	<u>Year to Date</u>
<u>of Reserve</u>	<u>Funding</u>	<u>Provided</u>	<u>Balance</u>
2014 Vehicle Capital Reserve	\$ 1,750,000	\$ 613,559	\$ 614,187
2011 Building Capital Reserve	\$ 4,500,000	\$ 3,859,576	\$ 3,879,633

Reserve for Debt Service - According to General Municipal Law §6-1, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

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

Insurance Reserve - According to General Municipal Law §6-n, must be 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 appropriation, 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.

Retirement Contribution Reserve - According to General Municipal Law §6-r, must be used financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

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

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

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

(I.) (Continued)

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

Restricted fund balances include the following:

<u>General Fund -</u>	
Capital	\$ 4,493,820
Employee Benefit Accrued Liability	871,887
Insurance	60,120
Retirement Contribution	2,309,162
Tax Certiorari	1,453,198
Unemployment Insurance	385,910
Workers' Compensation	601,200
<u>Capital Fund -</u>	
Capital Construction and Acquisition	1,311,354
<u>Debt Service Fund -</u>	
Debt Service	976,194
Total Restricted Funds	<u><u>\$ 12,462,845</u></u>

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

Retirement Contribution	\$ 105,000
Debt Service	495,000
Total	<u><u>\$ 600,000</u></u>

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

Significant encumbrances for the general fund, management has determined that amounts in excess of \$84,000 are considered significant. The following are considered significant encumbrances:

- Central Services - \$184,463
- Instructional Supplies - \$255,752
- Pupil Transportation - \$176,528

(I.) (Continued)

Assigned fund balances include the following:

General Fund-Encumbrances	\$ 983,842
School Lunch Fund Balance	6,823
Appropriate Fund Balance	1,000,000
Assigned for Transfer to Capital Projects	219,100
Total Assigned Fund Balance	\$ 2,209,765

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

3. Order of Use of Fund Balance

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

S. New Accounting Standards

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

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

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

T. Future Changes in Accounting Standards

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

(I.) (Continued)

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

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

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

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

II. Stewardship, Compliance and Accountability

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

A. Budgets

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

The voters of the District approved the proposed appropriation budget.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year: \$849,928 for carry over encumbrances from the prior year, \$759,997 for the purchase of buses, \$213,000 for a transfer to school lunch, \$45,684 for school lunch sick days, and \$61,474 for grants, donations, and miscellaneous receipts.

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

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

(II.) (Continued)

B. Encumbrances

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

III. Cash and Cash Equivalents

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

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		15,430,688
Collateralized within Trust department or agent		8,762,937
Total	\$	<u>24,193,625</u>

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$12,462,894 within the governmental funds and \$284,254 in the fiduciary funds.

IV. Investments

The District adopted the provisions of SFAS No. 157, *Fair Value Measurements*, which establishes a fair value hierarchy that defines three discrete "levels" of valuation techniques to determine the fair value of investments. Level 1 inputs consist of quoted (unadjusted) prices in active markets for identical assets at the measurement date, Level 2 inputs are inputs other than quoted prices that are observable either directly or indirectly, and Level 3 inputs are unobservable inputs and are to be used only if observable inputs are not available.

The District values investments in securities and securities sold short that are freely tradable and listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

A. Investments – Fair Value Measurement

The District's investments are recorded at fair value and have been categorized based upon a fair value hierarchy in accordance with SFAS 157.

(IV.) (Continued)

The following table presents information about the District's investments measured at fair value as of June 30, 2014:

	<u>2014</u>	
	<u>Cost</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>
Common Stock	N/A	\$ 281,614

The following schedule summarizes the investment return and its classification for the year:

<u>Type</u>	<u>2014</u>
Unrealized Gains/(Losses)	\$ 30,886

V. Receivables

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

<u>Description</u>	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Non-Major Funds</u>	
Accounts Receivable	\$ 524,754	\$ -	\$ 4,266	\$ 529,020
Taxes Receivable	669,970	-	-	669,970
Due From State and Federal	719,543	576,197	47,010	1,342,750
Due From Other Governments	712,608	-	-	712,608
Total	\$ 2,626,875	\$ 576,197	\$ 51,276	\$ 3,254,348

District management has deemed the amounts to be fully collectible.

VI. Interfund Receivables, Payables, Revenues and Expenditures

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

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 2,444,821	\$ 993,966	\$ 600,000	\$ 1,233,109
Special Aid Fund	-	1,505,687	160,109	-
School Lunch Fund	233,966	939,134	213,000	-
Debt Service Fund	49	-	-	600,000
Capital Fund	760,000	49	860,000	-
Total government activities	\$ 3,438,836	\$ 3,438,836	\$ 1,833,109	\$ 1,833,109

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

(VI.) (Continued)

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

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

VII. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2014</u>
<u>Governmental Activities:</u>				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 832,449	\$ -	\$ -	\$ 832,449
Work in progress	11,982,063	188,815	-	12,170,878
<i>Total Nondepreciable</i>	<u>\$ 12,814,512</u>	<u>\$ 188,815</u>	<u>\$ -</u>	<u>\$ 13,003,327</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 91,810,023	\$ -	\$ -	\$ 91,810,023
Machinery and equipment	8,370,908	738,156	(966,944)	8,142,120
<i>Total Depreciable</i>	<u>\$ 100,180,931</u>	<u>\$ 738,156</u>	<u>\$ (966,944)</u>	<u>\$ 99,952,143</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ 32,444,527	\$ 2,158,278	\$ -	\$ 34,602,805
Machinery and equipment	6,461,013	523,476	(966,944)	6,017,545
<i>Total accumulated depreciation</i>	<u>\$ 38,905,540</u>	<u>\$ 2,681,754</u>	<u>\$ (966,944)</u>	<u>\$ 40,620,350</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 61,275,391</u>	<u>\$ (1,943,598)</u>	<u>\$ -</u>	<u>\$ 59,331,793</u>
Total Capital Assets	<u>\$ 74,089,903</u>	<u>\$ (1,754,783)</u>	<u>\$ -</u>	<u>\$ 72,335,120</u>

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

<u>Governmental Activities:</u>	
General government support	\$ 373,476
Instruction	1,527,680
Pupil transportation	592,027
School lunch	188,571
Total Depreciation Expense	<u>\$ 2,681,754</u>

VIII. Long-Term Debt Obligations

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

<u>Governmental Activities:</u>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due Within</u>
	<u>7/1/2013</u>			<u>6/30/2014</u>	<u>One Year</u>
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 42,029,789	\$ -	\$ 3,649,789	\$ 38,380,000	\$ 3,765,000
Installment Purchase Debt	1,038,050	-	208,136	829,914	219,076
Total Bonds and Notes Payable	\$ 43,067,839	\$ -	\$ 3,857,925	\$ 39,209,914	\$ 3,984,076
<u>Other Liabilities -</u>					
OPEB	\$ 10,107,533	\$ 2,347,780	\$ -	\$ 12,455,313	\$ -
Compensated Absences	1,407,513	34,796	-	1,442,309	623,812
Total Other Liabilities	\$ 11,515,046	\$ 2,382,576	\$ -	\$ 13,897,622	\$ 623,812
Total Long-Term Obligations	\$ 54,582,885	\$ 2,382,576	\$ 3,857,925	\$ 53,107,536	\$ 4,607,888

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

Existing serial and statutory bond obligations:

<u>Purpose</u>	<u>Original</u>	<u>Issue</u>	<u>Final</u>	<u>Interest</u>	<u>Amount</u>
	<u>Issue</u>	<u>Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding</u>
	<u>Amount</u>				<u>6/30/2014</u>
<u>Serial Bonds -</u>					
Construction	\$ 2,880,000	2004	2018	3.00%-3.375%	\$ 955,000
Construction	\$ 8,996,300	2008	2022	3.75%-4.00%	5,735,000
Construction	\$ 8,994,176	2008	2037	4.375%-4.500%	8,060,000
Construction	\$ 6,177,677	2008	2022	3.375%-3.625%	3,890,000
Construction	\$ 6,909,829	2011	2026	1.50%-3.00%	5,280,000
Buses	\$ 383,833	2011	2015	1.25%-2.50%	135,000
Construction	\$ 8,855,000	2012	2019	1%-4%	6,405,000
Construction	\$ 8,995,000	2012	2027	2%-2.5%	7,920,000
Total Serial Bonds					\$ 38,380,000
<u>Installment Purchase Debt -</u>					
Installment Purchase		2003	2018	Various	\$ 829,914

(VIII.) (Continued)

The following is a summary of debt service requirements:

Year	Serial Bonds		Installment Purchase Debt	
	Principal	Interest	Principal	Interest
2014-15	\$ 3,765,000	\$ 1,210,943	\$ 219,076	\$ 44,676
2015-16	3,810,000	1,108,646	230,591	33,162
2016-17	3,895,000	990,728	242,711	21,041
2017-18	4,015,000	862,413	137,537	8,284
2018-19	3,875,000	744,674	-	-
2019-24	11,070,000	2,388,259	-	-
2024-29	4,190,000	1,150,193	-	-
2029-34	2,190,000	606,274	-	-
2034-37	1,570,000	108,000	-	-
Total	\$ 38,380,000	\$ 9,170,130	\$ 829,915	\$ 107,163

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$9,265,000 of bonds outstanding are considered defeased.

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

Interest paid	\$ 1,373,969
Less: interest accrued in the prior year	(218,810)
Plus: interest accrued in the current year	198,590
Total interest expense	\$ 1,353,749

IX. Pension Plans

A. General Information

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

B. Provisions and Administration

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

(IX.) (Continued)

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

C. Funding Policies

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

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2014	\$ 3,862,279	\$ 1,635,299
2013	\$ 2,787,529	\$ 1,561,950
2012	\$ 2,641,981	\$ 1,337,556

X. Postemployment Benefits

The District provides postemployment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the District to calculate and record a net other postemployment benefit obligation at year end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the general fund of the funds financial statements as payments are made. For the year ended June 30, 2014 the District recognized \$1,076,000 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2014 which indicates that the total liability for other postemployment benefits is \$39,287,847.

(X.) (Continued)

Annual OPEB Cost and Net OPEB Obligation - The District's annual other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation by governmental activities:

Annual required contribution	\$ 3,604,000
Interest on net OPEB obligation	404,301
Adjustment to annual required contribution	(584,521)
Annual OPEB cost (expense)	<u>\$ 3,423,780</u>
Contributions made	<u>1,076,000</u>
Increase in net OPEB obligation	\$ 2,347,780
Net OPEB obligation - beginning of year	<u>10,107,533</u>
Net OPEB obligation - end of year	<u><u>\$ 12,455,313</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 2,749,985	33.20%	\$ 7,776,441
6/30/2013	\$ 3,311,092	29.60%	\$ 10,107,533
6/30/2014	\$ 3,423,780	31.43%	\$ 12,455,313

Funded Status and Funding Progress - As of June 30, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$39,287,847, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$39,287,847. The covered payroll (annual payroll of active employees covered by the plan) was \$32,854,792, and the ratio of the UAAL to the covered payroll was 119.58%.

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

(X.) (Continued)

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

In the June 30, 2014 actuarial valuation, the Project Unit Credit Actuarial Cost Method was used. The discount rate used was 4%. Because the plan is unfunded, reference to the general assets was considered in the selections of the four percent rate. The annual healthcare cost trend rate is 8% initially, reduced by decrements to an ultimate rate of 5% after three years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was twenty four years.

XI. Risk Management

A. General Information

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

B. 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 Wayne-Finger Lakes BOCES and twenty-two districts. If a surplus of participants' assessments exists 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 amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance to limit its exposure for claims paid.

(XI.) (Continued)

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 Canandaigua City School District, New York incurred premiums or contribution expenditures totaling \$402,742.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2013, revealed that the Plan 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. The claim and judgment expenditures of this program for the 2013-14 fiscal year totaled \$10,206. The balance of the fund at June 30, 2014 was \$385,910 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.

XII. Commitments and Contingencies

A. Litigation

There are certain claims relating to tax certiorari cases against the District for which management has established a reserve to help fund, if required. Management is not aware of any other claims against the District as of the date of this report.

B. Grants

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

C. Voluntary Employee Benefit Association (VEBA)

The District has established a VEBA program for eligible employees. The purpose of the plan is to provide employees with certain health care and medical expense benefits in addition to the basic health insurance coverage. The contribution for the 2013-14 fiscal year was \$237,021. The account is recorded in the Trust and Agency Fund and the balance as of June 30, 2014 was \$1,455,160.

D. Subsequent Event

On September 2, 2014 the District approved an amendment to the 2014-15 budget and appropriated a \$219,100 transfer to a capital project in lieu of issuing debt. As a result of this significant subsequent event the audit report includes this balance as an appropriated fund balance for a capital project.

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

Actuarial Valuation Date	(1)	(2)	(3)	(4)	(5)	(6)
June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	Active Members Covered Payroll	UAAL As a Percentage of Covered Payroll (4) / (5)
2009	\$ -	\$ 26,305,547	0.00%	\$ 26,305,547	\$ 33,184,066	79.27%
2010	\$ -	\$ 27,876,760	0.00%	\$ 27,876,760	\$ 33,652,959	82.84%
2011	\$ -	\$ 30,446,013	0.00%	\$ 30,446,013	\$ 33,305,264	91.42%
2012	\$ -	\$ 31,790,585	0.00%	\$ 31,790,585	\$ 33,700,105	94.33%
2013	\$ -	\$ 37,506,345	0.00%	\$ 37,506,345	\$ 32,854,792	114.16%
2014	\$ -	\$ 39,287,847	0.00%	\$ 39,287,847	\$ 32,854,792	119.58%

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

	<u>Original</u>	<u>Amended</u>	<u>Current</u>	<u>Over (Under)</u>
	<u>Budget</u>	<u>Budget</u>	<u>Year's</u>	<u>Revised</u>
			<u>Revenues</u>	<u>Budget</u>
REVENUES				
Local Sources -				
Real property taxes	\$ 40,787,041	\$ 36,777,897	\$ 36,863,508	\$ 85,611
Real property tax items	530,235	4,537,429	4,593,130	55,701
Charges for services	59,000	59,000	364,903	305,903
Use of money and property	40,000	40,000	60,173	20,173
Sale of property and compensation for loss	-	-	58,415	58,415
Miscellaneous	94,000	114,699	216,893	102,194
State Sources -				
Basic formula	20,920,346	16,763,480	16,200,414	(563,066)
Lottery aid	-	4,156,866	4,459,652	302,786
BOCES	1,080,205	1,080,205	1,307,718	227,513
Textbooks	307,167	307,167	223,331	(83,836)
All Other Aid -				
Computer software	58,800	58,800	117,493	58,693
Library loan	-	-	24,550	24,550
Handicapped students	700,000	700,000	685,345	(14,655)
Other aid	75,000	75,000	357,429	282,429
Federal Sources	<u>200,000</u>	<u>200,000</u>	<u>234,371</u>	<u>34,371</u>
TOTAL REVENUES	<u>\$ 64,851,794</u>	<u>\$ 64,870,543</u>	<u>\$ 65,767,325</u>	<u>\$ 896,782</u>
Other Sources -				
Transfer - in	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ -</u>
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 65,451,794</u>	<u>\$ 65,470,543</u>	<u>\$ 66,367,325</u>	<u>\$ 896,782</u>
Appropriated reserves	<u>\$ 471,500</u>	<u>\$ 805,994</u>		
Appropriated fund balance	<u>\$ 1,071,500</u>	<u>\$ 2,648,340</u>		
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE	<u>\$ 66,994,794</u>	<u>\$ 68,924,877</u>		

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

	<u>Original</u> <u>Budget</u>	<u>Amended</u> <u>Budget</u>	<u>Current</u> <u>Year's</u> <u>Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered</u> <u>Balances</u>
EXPENDITURES					
General Support -					
Board of education	\$ 36,466	\$ 30,816	\$ 27,088	\$ 500	\$ 3,228
Central administration	236,864	237,023	236,823	-	200
Finance	581,229	661,096	598,695	42,818	19,583
Staff	324,874	449,996	411,949	25,971	12,076
Central services	3,823,309	3,961,957	3,360,895	184,463	416,599
Special items	996,264	865,395	763,002	75,250	27,143
Instructional -					
Instruction, administration and improvement	2,120,592	2,203,489	2,040,053	11,659	151,777
Teaching - regular school	20,015,085	20,309,345	19,222,601	255,752	830,992
Programs for children with handicapping conditions	8,569,974	8,501,304	7,898,950	81,365	520,989
Teaching - special schools	64,621	100,013	91,976	-	8,037
Instructional media	2,005,091	2,222,414	2,133,747	34,558	54,109
Pupil services	2,954,719	3,056,047	2,879,014	77,719	99,314
Pupil Transportation	3,168,690	3,282,214	2,708,504	176,528	397,182
Community Services	6,200	57,618	31,684	17,259	8,675
Employee Benefits	16,378,711	16,373,493	15,150,506	-	1,222,987
Debt service - principal	3,958,136	3,958,136	3,858,136	-	100,000
Debt service - interest	1,458,969	1,386,524	1,373,969	-	12,555
TOTAL EXPENDITURES	<u>\$ 66,699,794</u>	<u>\$ 67,656,880</u>	<u>\$ 62,787,592</u>	<u>\$ 983,842</u>	<u>\$ 3,885,446</u>
Other Uses -					
Transfers - out	\$ 295,000	\$ 1,267,997	\$ 1,233,109	\$ -	\$ 34,888
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 66,994,794</u>	<u>\$ 68,924,877</u>	<u>\$ 64,020,701</u>	<u>\$ 983,842</u>	<u>\$ 3,920,334</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES					
	\$ -	\$ -	\$ 2,346,624		
FUND BALANCE, BEGINNING OF YEAR	<u>14,815,315</u>	<u>14,815,315</u>	<u>14,815,315</u>		
FUND BALANCE, END OF YEAR	<u>\$ 14,815,315</u>	<u>\$ 14,815,315</u>	<u>\$ 17,161,939</u>		

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 66,994,794
Budget revisions -	
Prior year's encumbrances	849,928
Voter approved purchase of buses	759,997
Transfer to school lunch	213,000
School lunch sick days	45,684
Donations and miscellaneous	61,474
FINAL BUDGET	\$ 68,924,877

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2014-15 voter approved expenditure budget	\$ 68,706,692
<u>Unrestricted fund balance:</u>	
Assigned fund balance	\$ 2,202,942
Unassigned fund balance	2,748,268
Total Unrestricted fund balance	\$ 4,951,210
<u>Less adjustments:</u>	
Appropriated fund balance	\$ 1,000,000
Appropriated fund balance - capital project	219,100
Encumbrances included in assigned fund balance	983,842
Total adjustments	\$ 2,202,942
General fund fund balance subject to Section 1318 of Real Property Tax Law	2,748,268
ACTUAL PERCENTAGE	4.00%

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
CAPITAL PROJECTS FUND
Schedule of Project Expenditures
June 30, 2014

Project Title	Expenditures					Methods of Financing				Fund Balance
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Obligations	Local Sources	Total	
Bus Purchases 2014-15	\$ 760,000	\$ 760,000	\$ -	\$ -	\$ -	\$ 760,000	\$ -	\$ 760,000	\$ 760,000	\$ 760,000
Bus Purchases 2013-14	669,000	669,000	-	653,395	653,395	15,605	-	669,000	669,000	15,605
Bus Purchases 2012-13	359,000	359,000	345,853	-	345,853	13,147	-	359,000	359,000	13,147
2014 Capital Outlay Project	100,000	100,000	-	81,282	81,282	18,718	-	100,000	100,000	18,718
2013 Academy Project	100,000	100,000	94,690	1,512	96,202	3,798	-	100,000	100,000	3,798
2010 Renovation Project	8,430,000	8,430,000	7,775,602	88,611	7,864,213	565,787	8,070,000	-	8,070,000	205,787
2009 Excel Aid project	9,519,000	9,519,000	8,813,292	17,410	8,830,702	688,298	7,834,830	1,290,171	9,125,001	294,299
TOTAL	\$ 19,937,000	\$ 19,937,000	\$ 17,029,437	\$ 842,210	\$ 17,871,647	\$ 2,065,353	\$ 15,904,830	\$ 3,278,171	\$ 19,183,001	\$ 1,311,354

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Combined Balance Sheet - Nonmajor Governmental Funds
June 30, 2014

	<u>Special</u> <u>Revenue Fund</u>			<u>Total</u>
	<u>School</u>	<u>Debt</u>	<u>Capital</u>	<u>Nonmajor</u>
	<u>Lunch</u>	<u>Service</u>	<u>Projects</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 113,694	\$ 1,576,145	\$ 551,403	\$ 2,241,242
Receivables	51,276	-	-	51,276
Inventories	33,935	-	-	33,935
Due from other funds	233,966	49	760,000	994,015
TOTAL ASSETS	<u>\$ 432,871</u>	<u>\$ 1,576,194</u>	<u>\$ 1,311,403</u>	<u>\$ 3,320,468</u>
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u> -				
Accounts payable	\$ 22,450	\$ -	\$ -	\$ 22,450
Accrued liabilities	10,155	-	-	10,155
Due to other funds	339,134	600,000	49	939,183
Due to other governments	1,733	-	-	1,733
Unearned revenue	18,641	-	-	18,641
TOTAL LIABILITIES	<u>\$ 392,113</u>	<u>\$ 600,000</u>	<u>\$ 49</u>	<u>\$ 992,162</u>
<u>Fund Balances</u> -				
Nonspendable	\$ 33,935	\$ -	\$ -	\$ 33,935
Restricted	-	976,194	1,311,354	2,287,548
Assigned	6,823	-	-	6,823
TOTAL FUND BALANCE	<u>\$ 40,758</u>	<u>\$ 976,194</u>	<u>\$ 1,311,354</u>	<u>\$ 2,328,306</u>
TOTAL LIABILITIES AND				
FUND BALANCES	<u>\$ 432,871</u>	<u>\$ 1,576,194</u>	<u>\$ 1,311,403</u>	<u>\$ 3,320,468</u>

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Combined Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2014

	<u>Special Revenue Fund</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
REVENUES				
Use of money and property	\$ 654	\$ 2,987	\$ -	\$ 3,641
Miscellaneous	11,063	-	-	11,063
State sources	23,705	-	-	23,705
Federal sources	594,885	-	-	594,885
Sales	420,934	-	-	420,934
Premium on obligations issued	-	4,092	-	4,092
TOTAL REVENUES	<u>\$ 1,051,241</u>	<u>\$ 7,079</u>	<u>\$ -</u>	<u>\$ 1,058,320</u>
EXPENDITURES				
Pupil transportation	\$ -	\$ -	\$ 653,395	\$ 653,395
Employee benefits	198,752	-	-	198,752
Cost of sales	487,156	-	-	487,156
Other expenses	465,887	-	-	465,887
Capital outlay	-	-	188,815	188,815
TOTAL EXPENDITURES	<u>\$ 1,151,795</u>	<u>\$ -</u>	<u>\$ 842,210</u>	<u>\$ 1,994,005</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (100,554)</u>	<u>\$ 7,079</u>	<u>\$ (842,210)</u>	<u>\$ (935,685)</u>
OTHER FINANCING SOURCES (USES)				
Transfers - in	\$ 213,000	\$ -	\$ 860,000	\$ 1,073,000
Transfers - out	-	(600,000)	-	(600,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 213,000</u>	<u>\$ (600,000)</u>	<u>\$ 860,000</u>	<u>\$ 473,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 112,446</u>	<u>\$ (592,921)</u>	<u>\$ 17,790</u>	<u>\$ (462,685)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>(71,688)</u>	<u>1,569,115</u>	<u>1,293,564</u>	<u>2,790,991</u>
FUND BALANCE, END OF YEAR	<u>\$ 40,758</u>	<u>\$ 976,194</u>	<u>\$ 1,311,354</u>	<u>\$ 2,328,306</u>

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
For Year Ended June 30, 2014

Capital assets, net		\$ 72,335,120
Add:		
Unspent bond proceeds	\$ 500,086	
	<u>500,086</u>	500,086
Deduct:		
Short-term portion of bonds payable	\$ 3,765,000	
Long-term portion of bonds payable	34,615,000	
Short-term portion of Installment Purchase Debt	219,076	
Long-term portion of Installment Purchase Debt	<u>610,838</u>	
		<u>39,209,914</u>
Net Investment in Capital Assets		<u><u>\$ 33,625,292</u></u>

Supplementary Information
 CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor / Pass - Through Agency</u>	<u>CFDA</u>	<u>Grantor</u>	<u>Pass-Through</u> <u>Agency</u>	<u>Total</u>
<u>Federal Award Cluster / Program</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Title IIA - Teacher Training	84.367	N/A	0147-13-2175	\$ 13,688
Title IIA - Teacher Training	84.367	N/A	0147-14-2175	148,876
Race to the Top - ARRA	84.395	N/A	5500-13-2175	60,522
<u>Title I, Part A Cluster -</u>				
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-13-2175	26,551
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-14-2175	487,838
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-13-0664	869,268
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-13-0664	30,625
Total U.S. Department of Education				<u>\$ 1,637,368</u>
<u>U.S. Department of Agriculture:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department (Child Nutrition Services) -</u>				
<u>Nutrition Cluster -</u>				
National School Lunch Program	10.555	N/A	006905	\$ 407,895
National School Lunch Program-Non-Cash				
Assistance (Commodities)	10.555	N/A	006905	82,828
National School Breakfast Program	10.553	N/A	006905	104,162
Total U.S. Department of Agriculture				<u>\$ 594,885</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 2,232,253</u>

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

Shareholders:

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

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

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditors' Report

To the Board of Education
Canandaigua City School District, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canandaigua City School District, New York, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Canandaigua City School District, New York's basic financial statements, and have issued our report thereon dated September 10, 2014.

Internal Control Over Financial Reporting

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

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


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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Raymond F. Wager CPA PC". The signature is written in a cursive style with a large initial 'R'.

September 10, 2014

CANANDAIGUA CITY SCHOOL DISTRICT

NEW YORK

*COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT*

For Year Ended June 30, 2014

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

Shareholders:

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

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

September 10, 2014

To the Board of Education
Canandaigua City School District, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canandaigua City School District, New York as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Canandaigua City School District, New York's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Prior Year Deficiency Pending Corrective Action:

School Lunch Fund –

The Board authorized a transfer totaling \$213,000 to the School Lunch Fund in order to eliminate the overall program deficit as of June 30, 2014. Although this transfer eliminated the deficit the school lunch program reported an operating loss totaling \$100,554. In addition, the school lunch revenue budget used to support program expenditures should continue to be monitored to ensure it is achievable on past historical trends.

We recommend the District continue to monitor the school lunch program and develop cost containments and revenue enhancement measures to assist in maintaining the financial integrity of the program.

Current Year Deficiency in Internal Control:

VEBA Account Reconciliations –

During the year, the District changed third party providers for their flexible spending and VEBA health benefit program. As a result of the transition, the District is in the process of reconciling the account balances to the bank statement.

We recommend the District continue to work with the third party provider to reconcile the detailed participant balances to the bank statements.

Prior Year Recommendation:

We are pleased to report the following prior year recommendation have been implemented to our satisfaction:

1. The District is in the process of implementing the NutriKids inventory system.

This communication is intended solely for the information and use of management, the Board, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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We wish to express our appreciation to the business office staff for all the courtesies extended to us during the course of our examination.

Raymond J. Wager, CPA, PC

September 10, 2014