

CANANDAIGUA CITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2016

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

Shareholders:

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
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, 2016, 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, 2016, 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, schedule of funding progress postemployment benefit plan, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and budgetary comparison information on pages 4–13 and 45–49 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 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 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 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 6, 2016 on our consideration of the Canandaigua City School District, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Canandaigua City School District, New York's internal control over financial reporting and compliance.

September 6, 2016

A handwritten signature in black ink that reads "Raymond F. Wager, CPA, P.C." The signature is written in a cursive, flowing style.

Canandaigua City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2016. 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 \$56,107,595 (net position) an increase of \$7,223,393 from the prior year. Of this amount net investment in capital assets increased \$4,686,469, restricted funds decreased \$515,068, and unrestricted funds increased \$3,051,992.

General revenues which include Federal and State Aid and Real Property Taxes accounted for \$69,307,651 or 94% of all revenues. Program specific revenues in the form of Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions accounted for \$4,233,645 or 6% of total revenues.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$24,318,099, an increase of \$4,039,992 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, the special aid fund, and the capital projects fund which are reported as major funds. Data for the school lunch fund and the debt service fund are aggregated into a single column and reported as non-major funds.

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

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

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

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

Notes to the Financial Statements

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

Government-Wide Statements

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

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

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

Financial Analysis of the School District As a Whole

Net Position

The District's combined net position were larger on June 30, 2016, than they were the year before, increasing by 15% to \$56,107,595 as shown in table below.

	<u>Governmental Activities</u>		Total Percentage Change
	<u>2016</u>	<u>2015</u>	
<u>ASSETS:</u>			
Current and Other Assets	\$ 46,478,189	\$ 45,628,332	1.86%
Capital Assets	72,960,048	71,888,850	1.49%
Total Assets	\$ 119,438,237	\$ 117,517,182	1.63%
<u>DEFERRED OUTFLOW OF RESOURCES:</u>			
Deferred Outflow of Resources	\$ 7,942,828	\$ 5,162,582	100.00%
<u>LIABILITIES:</u>			
Long-Term Debt Obligations	\$ 60,608,873	\$ 55,200,480	9.80%
Other Liabilities	4,394,250	6,339,305	-30.68%
Total Liabilities	\$ 65,003,123	\$ 61,539,785	5.63%
<u>DEFERRED INFLOW OF RESOURCES:</u>			
Deferred Inflow of Resources	\$ 6,270,347	\$ 12,255,777	100.00%
<u>NET POSITION:</u>			
Net Investment in Capital			
Assets	\$ 41,307,776	\$ 36,621,307	12.80%
Restricted For,			
Retirement Contribution Reserve	2,472,492	2,592,766	-4.64%
Capital Reserves	6,121,719	2,062,715	196.78%
Other Purposes	4,818,126	9,271,924	-48.04%
Unrestricted	1,387,482	(1,664,510)	-183.36%
Total Net Position	\$ 56,107,595	\$ 48,884,202	14.78%

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

By far, the largest component of the School District's net position (74%) 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 24% of total net position. The remaining balance of unrestricted net position, which is a surplus of \$1,387,482 or 2%, may be used to finance future operations.

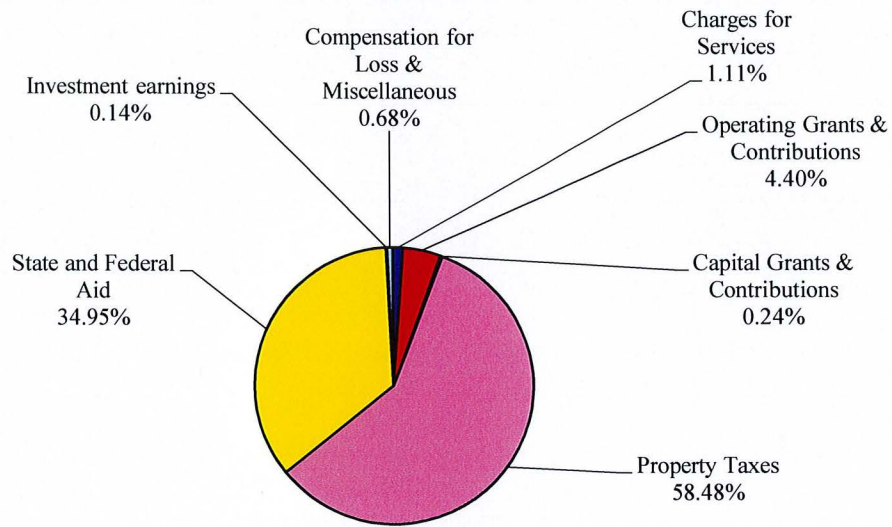
Changes in Net Position

The District's total revenue increased 3% to \$73,541,296. State and federal aid 35% and property taxes 58% accounted for most of the District's revenue. The remaining 7% of the revenue comes from operating grants, capital grants, charges for services, use of money and property, compensation for loss, and miscellaneous revenues.

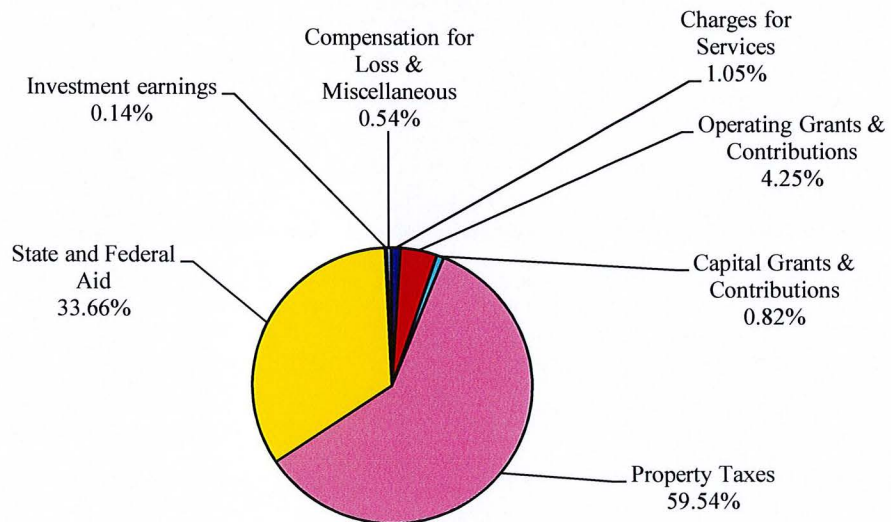
The total cost of all the programs and services increased 2% to \$67,853,713. The District's expenses are predominately related to education and caring for the students (instruction) 78%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 12% of the total costs. See table below:

	<u>Governmental Activities</u>		Total Percentage Change
	<u>2016</u>	<u>2015</u>	
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Services	\$ 815,912	\$ 754,448	8.15%
Operating Grants & Contributions	3,238,150	3,039,945	6.52%
Capital Grants & Contributions	179,583	588,994	100.00%
Total Program	<u>\$ 4,233,645</u>	<u>\$ 4,383,387</u>	-3.42%
<u>General -</u>			
Property Taxes	\$ 43,005,002	\$ 42,615,732	0.91%
State and Federal Aid	25,699,039	24,088,041	6.69%
Use of Money and Property	105,597	100,576	4.99%
Compensation for Loss	50,549	65,778	-23.15%
Miscellaneous	447,464	319,310	40.13%
Total General	<u>\$ 69,307,651</u>	<u>\$ 67,189,437</u>	3.15%
TOTAL REVENUES	<u>\$ 73,541,296</u>	<u>\$ 71,572,824</u>	2.75%
<u>SPECIAL ITEM:</u>			
Revaluation of assets/refunded debt	<u>\$ 1,535,810</u>	<u>\$ -</u>	100.00%
<u>EXPENSES:</u>			
General Support	\$ 7,940,361	\$ 7,726,452	2.77%
Instruction	52,692,081	51,635,227	2.05%
Pupil Transportation	4,748,688	4,522,262	5.01%
Community Services	43,273	91,971	-52.95%
School Lunch	1,441,356	1,374,315	4.88%
Interest on Long-Term Debt	987,954	1,237,427	-20.16%
TOTAL EXPENSES	<u>\$ 67,853,713</u>	<u>\$ 66,587,654</u>	1.90%
CHANGE IN NET POSITION	<u>\$ 7,223,393</u>	<u>\$ 4,985,170</u>	44.90%

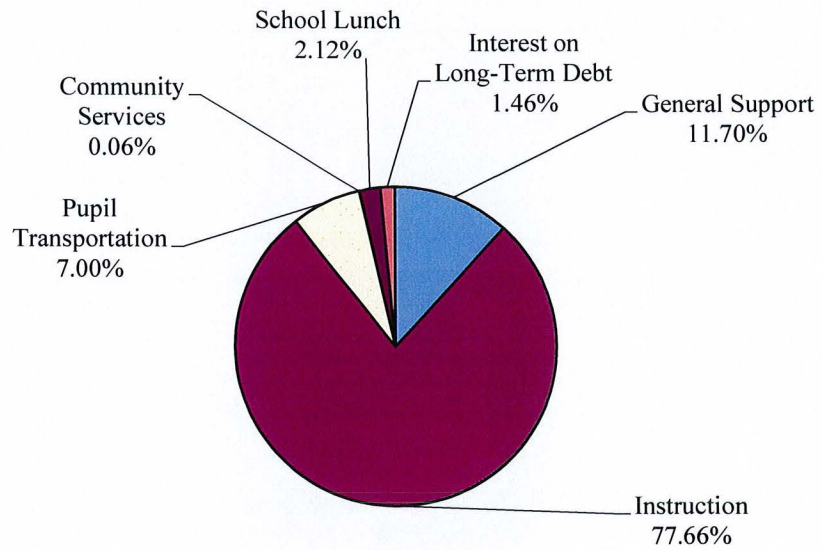
Sources of Revenue for 2015-16



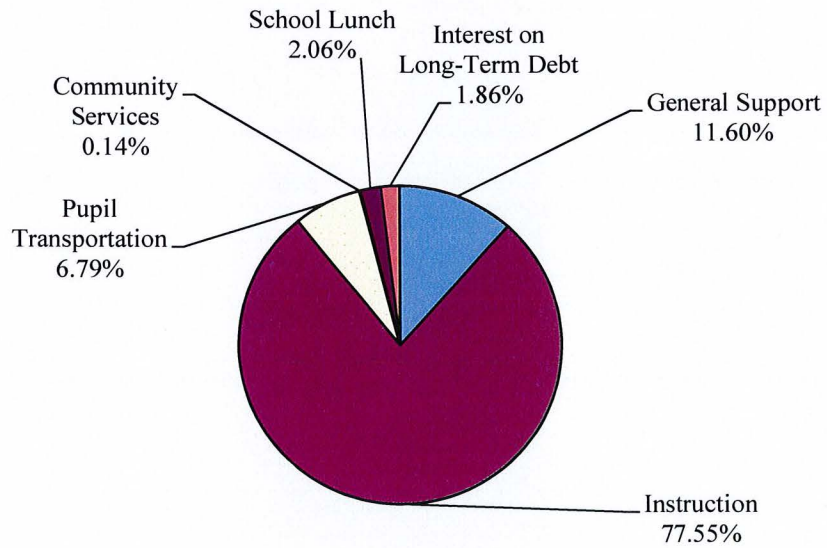
Sources of Revenue for 2014-15



Sources of Expenditures for 2015-16



Sources of Expenditures for 2014-15



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 \$24,318,099 which is more than last year's ending fund balance of \$20,278,107.

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 \$19,753,838. Fund balance for the General Fund increased by \$4,583,823 compared with the prior year. See table below:

<u>General Fund Balances:</u>	<u>2016</u>	<u>2015</u>	<u>Variance</u>
Nonspendable	\$ 1,932,577	\$ 1,851,455	\$ 81,122
Restricted	13,026,204	8,777,759	4,248,445
Assigned	1,919,800	1,711,932	207,868
Unassigned	2,875,257	2,828,869	46,388
Total General Fund Balances	<u>\$ 19,753,838</u>	<u>\$ 15,170,015</u>	<u>\$ 4,583,823</u>

The District appropriated funds from the following reserves for the 2016-17 budget:

Retirement Contribution	\$ 250,000
EBLAR	50,000
Unemployment	5,000
Insurance	5,000
Workers' Compensation	49,000
Tax Certiorari	250,000
Debt Service	380,000
Total	<u>\$ 989,000</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$2,033,210. This change is attributable to \$1,176,932 for carry over encumbrances from the prior year, \$83,060 for transfers to other funds, \$755,000 for the purchase of buses, \$2,433 for appropriations from the insurance reserve, and \$15,785 for donations.

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	\$838,060	The Board approved transfers for bus acquisitions in lieu of issuing debt.

Revenue Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Charges for Services	\$313,071	The District estimates Tuition for non-resident students. Actual data on non-resident students is not available until the school year starts
Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Central Services	\$689,565	The District budgeted utility costs at a higher rate than actual based on historical costs.
Teaching-Regular School	\$1,154,017	The District budgets for a portion of the grants to protect against reduction in grant programs.
Programs for Children with Handicapping Condition	\$909,983	The District did not incur the level of BOCES related service expenditures anticipated
Pupil Transportation	\$489,586	The District budgeted fuel and utilities at a higher rate based on historical costs.
Employee Benefits	\$1,725,718	The District is continuing to see a migration to more cost effective health insurance programs. In addition, the District budgeted a portion of the ERS grant expenditures to protect itself from a reduction in grant programs.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2015-16 fiscal year, the District had invested \$72,960,048 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>2016</u>	<u>2015</u>
Land	\$ 832,449	\$ 832,449
Work in Progress	14,441,155	13,587,166
Buildings and Improvements (net)	52,883,678	55,048,940
Machinery and Equipment (net)	4,802,766	4,536,105
Total	<u>\$ 72,960,048</u>	<u>\$ 74,004,660</u>

Long-Term Debt

At year end, the District had \$60,608,873 in general obligation bonds and other long-term debt outstanding as follows:

<u>Type</u>	<u>2016</u>	<u>2015</u>
Serial Bonds	\$ 31,260,000	\$ 34,615,000
Installment Purchase Debt	380,247	610,838
Net Pension Liability	4,578,198	938,379
OPEB	22,860,039	17,574,744
Compensated Absences	1,530,389	1,461,519
Total Long-Term Obligations	<u>\$ 60,608,873</u>	<u>\$ 55,200,480</u>

Factors Bearing on the District's Future

- If the Affordable Care Act compliance and reporting mandates are not met with absolute accuracy, the District could face significant fines.
- If the Consumer Price Index remains at current levels, it will present negative impacts upon the tax levy cap calculation.
- New and continuing tax certiorari cases continue to be received by the District. As a result, the District is faced with increased legal expenditures.
- Unpredictable market returns and low interest rate environment may impact pension contributions.

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, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 25,563,180
Accounts receivable	2,969,910
Inventories	41,325
Prepaid items	1,252,762
Net pension asset	16,651,012
Capital Assets:	
Land	832,449
Work in progress	14,441,155
Other capital assets (net of depreciation)	57,686,444
TOTAL ASSETS	<u>\$ 119,438,237</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	<u>\$ 7,942,828</u>
 LIABILITIES	
Accounts payable	\$ 12
Accrued liabilities	616,962
Unearned revenues	10,828
Due to teachers' retirement system	3,390,805
Due to employees' retirement system	375,643
Long-Term Obligations:	
Due in one year	4,821,523
Due in more than one year	55,787,350
TOTAL LIABILITIES	<u>\$ 65,003,123</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	<u>\$ 6,270,347</u>
 NET POSITION	
Net investment in capital assets	\$ 41,307,776
Restricted For:	
Reserve for employee retirement system	2,472,492
Capital reserves	6,121,719
Other purposes	4,818,126
Unrestricted	1,387,482
TOTAL NET POSITION	<u>\$ 56,107,595</u>

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Statement of Activities and Changes in Net Position
For Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
<u>Primary Government</u> -					
General support	\$ 7,940,361	\$ -	\$ -	\$ -	\$ (7,940,361)
Instruction	52,692,081	392,071	2,533,617	179,583	(49,586,810)
Pupil transportation	4,748,688	-	-	-	(4,748,688)
Community services	43,273	-	-	-	(43,273)
School lunch	1,441,356	423,841	704,533	-	(312,982)
Interest	987,954	-	-	-	(987,954)
Total Primary					
Government	<u>\$ 67,853,713</u>	<u>\$ 815,912</u>	<u>\$ 3,238,150</u>	<u>\$ 179,583</u>	<u>\$ (63,620,068)</u>
General Revenues:					
Property taxes					\$ 43,005,002
State and federal aid					25,699,039
Investment earnings					105,597
Compensation for loss					50,549
Miscellaneous					447,464
Total General Revenues					<u>\$ 69,307,651</u>
Special Item:					
Revaluation of assets and refunded debt					\$ 1,535,810
Total Special Items					<u>\$ 1,535,810</u>
Total General Revenues and Special Item					<u>\$ 70,843,461</u>
Changes in Net Position					\$ 7,223,393
Net Position, Beginning of Year					<u>48,884,202</u>
Net Position, End of Year					<u>\$ 56,107,595</u>

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2016

	General Fund	Special Aid Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 18,818,731	\$ 2,029,882	\$ 4,140,169	\$ 574,398	\$ 25,563,180
Receivables	2,195,804	676,227	50,800	47,079	2,969,910
Inventories	-	-	-	41,325	41,325
Due from other funds	3,070,496	89,555	-	234	3,160,285
Prepaid items	1,252,762	-	-	-	1,252,762
TOTAL ASSETS	\$ 25,337,793	\$ 2,795,664	\$ 4,190,969	\$ 663,036	\$ 32,987,462
LIABILITIES AND FUND BALANCES					
Liabilities -					
Accounts payable	\$ 12	\$ -	\$ -	\$ -	\$ 12
Accrued liabilities	419,725	-	-	4,873	424,598
Due to other funds	90,578	2,793,606	60,887	215,214	3,160,285
Due to TRS	3,390,805	-	-	-	3,390,805
Due to ERS	375,643	-	-	-	375,643
Compensated absences	623,812	-	-	-	623,812
Unearned revenue	-	2,058	-	8,770	10,828
TOTAL LIABILITIES	\$ 4,900,575	\$ 2,795,664	\$ 60,887	\$ 228,857	\$ 7,985,983
Deferred Inflows -					
Deferred inflows of resources	\$ 683,380	\$ -	\$ -	\$ -	\$ 683,380
Fund Balances -					
Nonspendable	\$ 1,932,577	\$ -	\$ -	\$ 41,325	\$ 1,973,902
Restricted	13,026,204	-	4,152,860	386,133	17,565,197
Assigned	1,919,800	-	-	6,721	1,926,521
Unassigned	2,875,257	-	(22,778)	-	2,852,479
TOTAL FUND BALANCE	\$ 19,753,838	\$ -	\$ 4,130,082	\$ 434,179	\$ 24,318,099
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,337,793	\$ 2,795,664	\$ 4,190,969	\$ 663,036	

**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.

72,960,048

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.

683,380

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

(192,364)

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	(31,260,000)
OPEB	(22,860,039)
Compensated absences	(906,577)
Installment purchase debt	(380,247)
Net pension asset	16,651,012
Deferred outflow - pension	7,942,828
Net pension liability	(4,578,198)
Deferred inflow - pension	(6,270,347)

Net Position of Governmental Activities

\$ 56,107,595

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2016

	General Fund	Special Aid Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real property taxes and tax items	\$ 43,033,344	\$ -	\$ -	\$ -	\$ 43,033,344
Charges for services	392,071	-	-	-	392,071
Use of money and property	102,412	-	-	3,185	105,597
Sale of property and compensation for loss	50,549	-	-	-	50,549
Miscellaneous	435,186	5,613	179,583	12,278	632,660
State sources	25,568,530	700,666	-	23,761	26,292,957
Federal sources	130,509	1,827,338	-	680,772	2,638,619
Sales	-	-	-	423,841	423,841
TOTAL REVENUES	<u>\$ 69,712,601</u>	<u>\$ 2,533,617</u>	<u>\$ 179,583</u>	<u>\$ 1,143,837</u>	<u>\$ 73,569,638</u>
EXPENDITURES					
General support	\$ 5,651,221	\$ -	\$ -	\$ -	\$ 5,651,221
Instruction	34,331,144	2,409,314	-	-	36,740,458
Pupil transportation	2,641,965	108,068	688,625	-	3,438,658
Community services	43,273	-	-	-	43,273
Employee benefits	16,378,455	125,256	-	227,342	16,731,053
Debt service - principal	4,165,591	-	-	-	4,165,591
Debt service - interest	975,988	-	-	-	975,988
Cost of sales	-	-	-	510,717	510,717
Other expenses	-	-	-	418,698	418,698
Capital outlay	-	-	853,989	-	853,989
TOTAL EXPENDITURES	<u>\$ 64,187,637</u>	<u>\$ 2,642,638</u>	<u>\$ 1,542,614</u>	<u>\$ 1,156,757</u>	<u>\$ 69,529,646</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 5,524,964</u>	<u>\$ (109,021)</u>	<u>\$ (1,363,031)</u>	<u>\$ (12,920)</u>	<u>\$ 4,039,992</u>
OTHER FINANCING SOURCES (USES)					
Transfers - in	\$ 160,654	\$ 109,021	\$ 929,039	\$ 63,735	\$ 1,262,449
Transfers - out	(1,101,795)	-	(60,654)	(100,000)	(1,262,449)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (941,141)</u>	<u>\$ 109,021</u>	<u>\$ 868,385</u>	<u>\$ (36,265)</u>	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,583,823</u>	<u>\$ -</u>	<u>\$ (494,646)</u>	<u>\$ (49,185)</u>	<u>\$ 4,039,992</u>
FUND BALANCE, BEGINNING OF YEAR	<u>15,170,015</u>	<u>-</u>	<u>4,624,728</u>	<u>483,364</u>	<u>20,278,107</u>
FUND BALANCE, END OF YEAR	<u>\$ 19,753,838</u>	<u>\$ -</u>	<u>\$ 4,130,082</u>	<u>\$ 434,179</u>	<u>\$ 24,318,099</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, 2016

NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS

\$ 4,039,992

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	\$ 853,989	
Additions to Assets, Net	782,118	
Revaluation of Assets	2,115,810	
Depreciation	<u>(2,680,719)</u>	
		1,071,198

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	\$ 4,165,591	
Advanced Refunding	<u>(580,000)</u>	
		3,585,591

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (11,966)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (28,342)

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. (5,285,296)

(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds

Teachers' Retirement System	4,232,898
Employees' Retirement System	(311,812)

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>(68,870)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 7,223,393

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2016

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 14,791	\$ 1,284,674
Investments	268,547	-
Receivable from general fund	-	1,022
TOTAL ASSETS	<u>\$ 283,338</u>	<u>\$ 1,285,696</u>
LIABILITIES		
Accounts payable	\$ -	\$ 6,062
Extraclassroom activity balances	-	162,942
Other liabilities	-	1,116,692
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 1,285,696</u>
NET POSITION		
Restricted for scholarships	\$ 283,338	
TOTAL NET POSITION	<u>\$ 283,338</u>	

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2016

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 6,442
Investment earnings	2,682
TOTAL ADDITIONS	<u>\$ 9,124</u>
DEDUCTIONS	
Scholarships and donations	\$ 24,478
TOTAL DEDUCTIONS	<u>\$ 24,478</u>
CHANGE IN NET POSITION	\$ (15,354)
NET POSITION, BEGINNING OF YEAR	<u>298,692</u>
NET POSITION, END OF YEAR	<u>\$ 283,338</u>

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2016

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.

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.

(I.) (Continued)

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 \$5,445,957 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,281,618.

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.

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

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.

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.

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.

(I.) (Continued)

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

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

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 27, 2015. 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.

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.

(I.) (Continued)

H. Estimates

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

I. Cash and Cash Equivalents

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

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

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

Investments are stated at fair value.

J. Receivables

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

K. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of 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.

(I.) (Continued)

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

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

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

M. Unearned Revenue

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

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

O. Vested Employee Benefits

1. Compensated Absences

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

(I.) (Continued)

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	\$ 1,238,992
Unemployment Costs	402,167
Insurance	57,923
Tax Certiorari	1,857,451
Debt	386,133
Employee Benefits Accrued Liability	<u>875,460</u>
Total Net Position - Restricted for Other Purposes	<u>\$ 4,818,126</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	\$ 41,325
Long-term receivable	679,815
Prepaid items	<u>1,252,762</u>
Total Nonspendable Fund Balance	<u>\$ 1,973,902</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:

(I.) (Continued)

Name of Reserve	Maximum Funding	Total Funding Provided	Total Year to Date Balance
2014 Vehicle Capital Reserve	\$ 1,750,000	\$ 1,750,000	\$ 1,122,516
2011 Building Capital Reserve	\$ 4,500,000	\$ 4,500,000	\$ 646,356
2016 Vehicle Capital Reserve	\$ 6,000,000	\$ 300,000	\$ 300,000
2016 Building Capital Reserve	\$ 10,000,000	\$ 4,052,847	\$ 4,052,847

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.

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

Restricted fund balances include the following:

General Fund -

Capital	\$ 6,121,719
Employee Benefit Accrued Liability	875,460
Insurance	57,923
Retirement Contribution	2,472,492
Tax Certiorari	1,857,451
Unemployment Insurance	402,167
Workers' Compensation	1,238,992

Capital Fund -

Capital Construction and Acquisition	4,152,860
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Debt Service Fund -

Debt Service	386,133
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Total Restricted Funds	<u>\$ 17,565,197</u>
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(I.) (Continued)

The District appropriated and/or budgeted funds from the following reserves for the 2016-17 budget:

Retirement Contribution	\$ 250,000
Employee Benefit Accrued Liability	50,000
Unemployment	5,000
Insurance	5,000
Workers' Compensation	49,000
Tax Certiorari	250,000
Debt Service	380,000
Total	\$ 989,000

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 \$89,000 are considered significant. The following are considered significant encumbrances:

- Central Services - \$380,344, Teaching - \$308,021, Handicapped Services - \$387,025, Instructional Media - \$184,035, Pupil Services - \$124,349, Pupil Transportation - \$110,019

Assigned fund balances include the following:

General Fund-Encumbrances	\$ 1,650,199
School Lunch Fund Balance	6,721
Appropriated Fund Balance	269,601
Total Assigned Fund Balance	\$ 1,926,521

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.

(I.) (Continued)

S. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2016, the District implemented the following new standards issued by GASB:

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

The GASB has issued Statement No. 77, *Tax Abatement Disclosure*, effective for the year ended June 30, 2016.

T. Future Changes in Accounting Standards

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 57, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which will be effective for the year ended June 30, 2017.

The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, which will be effective for the year ended June 30, 2017.

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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.

(II.) (Continued)

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: \$1,176,932 for carry over encumbrances from the prior year, \$83,060 for transfers to other funds, \$2,433 in appropriations from the insurance reserve, \$755,000 for the purchase of buses, and \$15,785 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.

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	10,231,633
Collateralized within Trust department or agent	16,508,219
Total	<u>\$ 26,739,852</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 \$17,565,197 within the governmental funds and \$14,791 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.

The following table presents information about the District’s investments measured at fair value as of June 30, 2016:

	<u>2016</u>	
	<u>Cost</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>
Common Stock	\$ 260,480	\$ 268,547

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

<u>Type</u>	<u>2016</u>
Unrealized Gains/(Losses)	\$ (26,021)

V. Receivables

Receivables at June 30, 2016 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>				
<u>Description</u>	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Accounts Receivable	\$ 266,545	\$ -	\$ 50,800	\$ 555	\$ 317,900
Taxes Receivable	671,380	-	-	-	671,380
Due From State and Federal	682,287	676,227	-	46,524	1,405,038
Due From Other Governments	575,592	-	-	-	575,592
Total	\$ 2,195,804	\$ 676,227	\$ 50,800	\$ 47,079	\$ 2,969,910

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, 2016 were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 3,070,496	\$ 90,578	\$ 160,654	\$ 1,101,795
Special Aid Fund	89,555	2,793,606	109,021	-
School Lunch Fund	-	215,214	63,735	-
Debt Service Fund	234	-	-	100,000
Capital Fund	-	60,887	929,039	60,654
Total government activities	\$ 3,160,285	\$ 3,160,285	\$ 1,262,449	\$ 1,262,449

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

VII. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance</u> <u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2016</u>
<u>Governmental Activities:</u>				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 832,449	\$ -	\$ -	\$ 832,449
Work in progress	13,587,166	853,989	-	14,441,155
<i>Total Nondepreciable</i>	<u>\$ 14,419,615</u>	<u>\$ 853,989</u>	<u>\$ -</u>	<u>\$ 15,273,604</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 91,810,023	\$ -	\$ -	\$ 91,810,023
Machinery and equipment	16,155,705	828,880	(462,836)	16,521,749
<i>Total Depreciable</i>	<u>\$ 107,965,728</u>	<u>\$ 828,880</u>	<u>\$ (462,836)</u>	<u>\$ 108,331,772</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ 36,761,083	\$ 2,165,262	\$ -	\$ 38,926,345
Machinery and equipment	11,619,600	515,457	(416,074)	11,718,983
<i>Total accumulated depreciation</i>	<u>\$ 48,380,683</u>	<u>\$ 2,680,719</u>	<u>\$ (416,074)</u>	<u>\$ 50,645,328</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 59,585,045</u>	<u>\$ (1,851,839)</u>	<u>\$ (46,762)</u>	<u>\$ 57,686,444</u>
Total Capital Assets	<u>\$ 74,004,660</u>	<u>\$ (997,850)</u>	<u>\$ (46,762)</u>	<u>\$ 72,960,048</u>

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

<u>Governmental Activities:</u>	
General government support	\$ 365,130
Instruction	1,645,251
Pupil transportation	472,343
School lunch	197,995
Total Depreciation Expense	<u>\$ 2,680,719</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>Balance</u>	<u>Due Within</u>
	<u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2016</u>	<u>One Year</u>
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 34,615,000	\$ 580,000	\$ 3,935,000	\$ 31,260,000	\$ 3,955,000
Installment Purchase Debt	610,838	-	230,591	380,247	242,711
Total Bonds and Notes Payable	\$ 35,225,838	\$ 580,000	\$ 4,165,591	\$ 31,640,247	\$ 4,197,711
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 938,379	\$ 3,639,819	\$ -	\$ 4,578,198	\$ -
OPEB	17,574,744	5,285,295	-	22,860,039	-
Compensated Absences	1,461,519	68,870	-	1,530,389	623,812
Total Other Liabilities	\$ 19,974,642	\$ 8,993,984	\$ -	\$ 28,968,626	\$ 623,812
Total Long-Term Obligations	\$ 55,200,480	\$ 9,573,984	\$ 4,165,591	\$ 60,608,873	\$ 4,821,523

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>Amount</u>	<u>Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding</u>
<u>Serial Bonds -</u>					<u>6/30/2016</u>
Construction	\$ 8,996,300	2008	2022	3.75%-4.00%	\$ 4,470,000
Construction	\$ 8,994,176	2008	2037	4.375%-4.500%	460,000
Construction	\$ 6,177,677	2008	2022	3.375%-3.625%	3,020,000
Construction	\$ 6,909,829	2011	2026	1.50%-3.00%	4,415,000
Construction	\$ 8,855,000	2012	2019	1.00%-4.00%	3,955,000
Construction	\$ 8,995,000	2012	2027	2.00%-2.50%	6,815,000
Construction	\$ 8,250,000	2016	2037	2.00%-3.25%	8,125,000
Total Serial Bonds					\$ 31,260,000
<u>Installment Purchase Debt -</u>					
Installment Purchase		2003	2018	Various	\$ 380,247

(VIII.) (Continued)

The following is a summary of debt service requirements:

<u>Year</u>	<u>Serial Bonds</u>		<u>Installment Purchase Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 3,955,000	\$ 891,666	\$ 242,711	\$ 21,041
2018	4,075,000	762,480	137,536	8,284
2019	3,940,000	645,019	-	-
2020	2,675,000	542,232	-	-
2021	2,755,000	462,113	-	-
2022-26	8,405,000	1,384,870	-	-
2027-31	2,610,000	643,770	-	-
2032-36	2,335,000	277,797	-	-
2037	510,000	8,288	-	-
Total	\$ 31,260,000	\$ 5,618,235	\$ 380,247	\$ 29,325

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. \$13,705,000 of bonds outstanding are considered defeased.

Interest on long-term debt for June 30, 2016 was composed of:

Interest paid	\$ 975,988
<u>Less: interest accrued in the prior year</u>	<u>(180,398)</u>
<u>Plus: interest accrued in the current year</u>	<u>192,364</u>
Total interest expense	\$ 987,954

IX. Pension Plans

A. General Information

New York State Employees' Retirement System (NYSERS), and the New York State Teachers' Retirement System (NYSTRS).

B. Provisions and Administration

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report and/or the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer, which can be found on the System's website at www.nystrs.org.

(IX.) (Continued)

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, and the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

C. Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>	<u>TRS</u>
2016	\$ 1,477,436	\$ 3,390,805
2015	\$ 1,637,692	\$ 4,473,059
2014	\$ 1,624,400	\$ 4,014,208

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2015	June 30, 2014
Net pension assets/(liability)	\$ (4,578,198)	\$ 16,651,012
District's portion of the Plan's total net pension asset/(liability)	0.0285241%	0.160309%

(IX.) (Continued)

For the year ended June 30, 2016, the District recognized pension expenses of \$1,742,737 for ERS and (\$1,101,865) for TRS. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expended and actual experience	\$ 23,135	\$ -	\$ 542,669	\$ 461,471
Changes of assumptions	1,220,867	-	-	-
Net difference between projected and actual earnings on pension plan investments	2,716,038	-	-	5,263,472
Changes in proportion and differences between the District's contributions and proportionate share of contributions	373,046	-	-	2,735
Subtotal	\$ 4,333,086	\$ -	\$ 542,669	\$ 5,727,678
District's contributions subsequent to the measurement date	375,643	3,234,099	-	-
Grand Total	<u>\$ 4,708,729</u>	<u>\$ 3,234,099</u>	<u>\$ 542,669</u>	<u>\$ 5,727,678</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2016	\$ -	\$ (2,123,627)
2017	973,923	(2,123,627)
2018	973,923	(2,123,627)
2019	973,923	874,677
2020	868,648	(58,183)
Thereafter	-	(173,291)
Total	<u>\$ 3,790,417</u>	<u>\$ (5,727,678)</u>

E. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

(IX.) (Continued)

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.00%	8.00%
Salary scale	3.80%	4.01%-10.91%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2005- June 30, 2010 System's Experience
Inflation rate	2.50%	3.00%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2016. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Long Term Expected Rate of Return		
	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2015	June 30, 2015
<u>Asset Type -</u>		
Cash	2.25%	0.00%
Inflation-index bonds	4.00%	0.00%
Domestic equity	7.30%	6.50%
International equity	8.55%	7.70%
Real estate	8.25%	4.60%
Alternative investments	0.00%	9.90%
Domestic fixed income securities	0.00%	2.10%
Global fixed income securities	0.00%	1.90%
Bonds/mortgages	4.00%	3.40%
Short-term	0.00%	1.20%
Private equity	11.00%	-
Absolute return strategies	6.75%	-
Opportunistic portfolios	8.60%	-
Real assets	8.65%	-

(IX.) (Continued)

F. Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 8% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 7% for TRS) or 1-percentagepoint higher (8.0% for ERS and 9% for TRS) than the current rate :

	<u>1% Decrease</u> <u>(6.0%)</u>	<u>Current</u> <u>Assumption</u> <u>(7.0%)</u>	<u>1% Increase</u> <u>(8.0%)</u>
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (10,323,503)	\$ (4,578,198)	\$ 276,340
	<u>1% Decrease</u> <u>(7%)</u>	<u>Current</u> <u>Assumption</u> <u>(8%)</u>	<u>1% Increase</u> <u>(9%)</u>
<u>TRS</u>			
Employer's proportionate share of the net pension asset liability	\$ (1,135,814)	\$ 16,651,012	\$ 31,819,440

H. Pension Plan Fiduciary Net Position

The components of the current year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	<u>(In Thousands)</u>	
	<u>ERS</u>	<u>TRS</u>
Valuation date	April 1, 2015	June 30, 2014
Employers' total pension liability	\$ 172,303,544	\$ 99,332,103
Plan net position	156,253,265	109,718,916
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,813</u>
Ration of plan net position to the employers' total pension asset/(liability)	90.70%	110.46%

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$375,643.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$3,390,805.

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, 2016 the District recognized \$1,874,456 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2016 which indicates that the total liability for other postemployment benefits is \$75,501,418.

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	\$ 7,473,110
Interest on net OPEB obligation	702,990
Adjustment to annual required contribution	<u>(1,016,349)</u>
Annual OPEB cost (expense)	\$ 7,159,751
Contributions made	<u>1,874,456</u>
Increase in net OPEB obligation	\$ 5,285,295
Net OPEB obligation - beginning of year	<u>17,574,744</u>
Net OPEB obligation - end of year	<u><u>\$ 22,860,039</u></u>

(X.) (Continued)

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 2016 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>
6/30/2014	\$ 3,423,780	31.43%	\$ 12,455,313
6/30/2015	\$ 6,884,320	25.64%	\$ 17,574,744
6/30/2016	\$ 7,159,751	26.18%	\$ 22,860,039

Funded Status and Funding Progress - As of June 30, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$75,501,418, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$75,501,418. The covered payroll (annual payroll of active employees covered by the plan) was \$34,376,255, and the ratio of the UAAL to the covered payroll was 219.63%.

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

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

In the June 30, 2016 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 8.5% initially, reduced by decrements to an ultimate rate of 3.886% 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, 2016, was twenty-two 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.

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, 2016, the Canandaigua City School District, New York incurred premiums or contribution expenditures totaling \$466,442. The District has established a workers' compensation reserve totaling \$1,238,992 as of June 30, 2016.

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, 2015, revealed that the Plan was underfunded.

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 2015-16 fiscal year totaled \$11,525. The balance of the fund at June 30, 2016 was \$402,167 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2016, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XII. Commitments and Contingencies

A. Litigation

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

B. Grants

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

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 2015-16 fiscal year was \$30,244. The account is recorded in the Trust and Agency Fund and the balance as of June 30, 2016 was \$1,000,147.

XIII. Lease Commitments

The District leases certain classroom space under the terms of various non-cancelable leases. The terms of the agreement call for fifty-eight (58) months and shall commence on November 1, 2015. In the event of early termination of the lease a termination fee shall equal the number of remaining months on the lease multiplied by \$5,545. Rental expense for the space was \$44,360.

Minimum annual rentals for each of the remaining years of the lease are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2017	\$ 66,540
2018	\$ 66,540
2019	\$ 66,540
2020	\$ 11,090

XIV. Subsequent Event

At the August 25, 2016 Board meeting the Board approved a reduction of the appropriated fund balance. As a result of this adjustment, the appropriated fund balance has been reflected in these financial statements.

Required Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Funding Progress
of Post Employment Benefit Plan
(Unaudited)
For Year Ended June 30, 2016

Actuarial		(2)		(4)		(6)
Valuation	(1)	Actuarial	(3)	Unfunded	(5)	UAAL
Date	Actuarial	Accrued	Funded	Accrued	Active	As a
June 30,	Value of	Liability	Ratio	Liability	Members	Percentage
	Assets	(AAL)	(1)/(2)	(UAAL)	Covered	of Covered
				(2) - (1)	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%
2015	\$ -	\$ 71,209,937	0.00%	\$ 71,209,937	\$ 34,383,578	207.10%
2016	\$ -	\$ 75,501,418	0.00%	\$ 75,501,418	\$ 34,376,255	219.63%

Required Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability
(Unaudited)
For Year Ended June 30, 2016

NYSERS Pension Plan		
	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0285241%	0.0277771%
Proportionate share of the net pension liability (assets)	\$ 4,578,198	\$ 938,379
Covered-employee payroll	\$ 8,225,297	\$ 8,259,702
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	55.660%	11.361%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%
NYSTRS Pension Plan		
	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.1603090%	0.1602940%
Proportionate share of the net pension liability (assets)	\$ (16,651,012)	\$ (17,855,784)
Covered-employee payroll	\$ 24,389,884	\$ 24,669,311
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	68.270%	72.381%
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%

Required Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions
(Unaudited)
For Year Ended June 30, 2016

NYSERS Pension Plan		
	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,477,436	\$ 1,637,692
Contributions in relation to the contractually required contribution	<u>(1,477,436)</u>	<u>(1,637,692)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,225,297	\$ 8,259,702
Contributions as a percentage of covered-employee payroll	17.96%	19.83%

NYSTRS Pension Plan		
	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 3,390,805	\$ 4,473,059
Contributions in relation to the contractually required contribution	<u>(3,390,805)</u>	<u>(4,473,059)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 24,389,884	\$ 24,669,311
Contributions as a percentage of covered-employee payroll	13.90%	18.13%

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, 2016

	Original	Amended	Current	Over (Under)
	<u>Budget</u>	<u>Budget</u>	<u>Year's</u>	<u>Revised</u>
			<u>Revenues</u>	<u>Budget</u>
REVENUES				
Local Sources -				
Real property taxes	\$ 42,381,568	\$ 38,134,661	\$ 38,145,915	\$ 11,254
Real property tax items	658,998	4,905,905	4,887,429	(18,476)
Charges for services	79,000	79,000	392,071	313,071
Use of money and property	45,000	45,000	102,412	57,412
Sale of property and compensation for loss	51,500	51,500	50,549	(951)
Miscellaneous	125,000	140,785	435,186	294,401
State Sources -				
Basic formula	23,727,307	19,664,105	18,858,482	(805,623)
Lottery aid	-	4,063,202	4,403,740	340,538
BOCES	1,176,302	1,176,302	1,281,618	105,316
Textbooks	296,808	217,236	216,500	(736)
All Other Aid -				
Computer software	55,234	112,054	111,895	(159)
Library loan	-	22,752	22,752	-
Handicapped students	450,000	450,000	487,000	37,000
Other aid	75,000	75,000	186,543	111,543
Federal Sources	<u>200,000</u>	<u>200,000</u>	<u>130,509</u>	<u>(69,491)</u>
TOTAL REVENUES	<u>\$ 69,321,717</u>	<u>\$ 69,337,502</u>	<u>\$ 69,712,601</u>	<u>\$ 375,099</u>
Other Sources -				
Transfer - in	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 160,654</u>	<u>\$ 60,654</u>
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 69,421,717</u>	<u>\$ 69,437,502</u>	<u>\$ 69,873,255</u>	<u>\$ 435,753</u>
Appropriated reserves	<u>\$ 765,000</u>	<u>\$ 1,064,807</u>		
Appropriated fund balance	<u>\$ 535,000</u>	<u>\$ 1,075,686</u>		
Prior year encumbrances	<u>\$ 1,176,932</u>	<u>\$ 1,176,932</u>		
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE	<u><u>\$ 71,898,649</u></u>	<u><u>\$ 72,754,927</u></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, 2016

	Original	Amended	Current		Unencumbered
	<u>Budget</u>	<u>Budget</u>	<u>Year's</u>	<u>Encumbrances</u>	<u>Balances</u>
EXPENDITURES			Expenditures		
General Support -					
Board of education	\$ 53,208	\$ 53,108	\$ 37,439	\$ 1,000	\$ 14,669
Central administration	250,633	260,823	258,269	-	2,554
Finance	663,390	821,116	743,119	46,784	31,213
Staff	370,725	389,660	330,650	47,190	11,820
Central services	4,594,321	4,553,243	3,483,334	380,344	689,565
Special items	1,075,135	1,016,720	798,410	-	218,310
Instructional -					
Instruction, administration and improvement	2,077,613	2,274,548	2,191,321	30,872	52,355
Teaching - regular school	21,157,857	20,861,647	19,399,609	308,021	1,154,017
Programs for children with handicapping conditions	8,938,705	8,812,237	7,515,229	387,025	909,983
Teaching - special schools	97,300	97,300	68,216	-	29,084
Instructional media	2,203,164	2,492,844	2,228,186	184,035	80,623
Pupil services	3,246,314	3,299,505	2,928,583	124,349	246,573
Pupil Transportation	3,360,183	3,241,570	2,641,965	110,019	489,586
Community Services	86,200	88,858	43,273	27,294	18,291
Employee Benefits	18,107,439	18,107,439	16,378,455	3,266	1,725,718
Debt service - principal	4,115,790	4,166,126	4,165,591	-	535
Debt service - interest	1,229,880	1,109,331	975,988	-	133,343
TOTAL EXPENDITURES	<u>\$ 71,627,857</u>	<u>\$ 71,646,075</u>	<u>\$ 64,187,637</u>	<u>\$ 1,650,199</u>	<u>\$ 5,808,239</u>
Other Uses -					
Transfers - out	\$ 270,792	\$ 1,108,852	\$ 1,101,795	\$ -	\$ 7,057
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 71,898,649</u>	<u>\$ 72,754,927</u>	<u>\$ 65,289,432</u>	<u>\$ 1,650,199</u>	<u>\$ 5,815,296</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 4,583,823		
FUND BALANCE, BEGINNING OF YEAR	<u>15,170,015</u>	<u>15,170,015</u>	<u>15,170,015</u>		
FUND BALANCE, END OF YEAR	<u><u>\$ 15,170,015</u></u>	<u><u>\$ 15,170,015</u></u>	<u><u>\$ 19,753,838</u></u>		

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

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, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 70,721,717
Prior year's encumbrances	<u>1,176,932</u>
Original Budget	\$ 71,898,649
Budget revisions -	
Donations	15,785
Voter approved proposition for bus purchases	755,000
Transfers to other funds	83,060
Appropriations from insurance reserve	<u>2,433</u>
FINAL BUDGET	<u><u>\$ 72,754,927</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2016-17 voter approved expenditure budget	\$ 71,881,434
<u>Unrestricted fund balance:</u>	
Assigned fund balance	\$ 1,919,800
Unassigned fund balance	<u>2,875,257</u>
Total Unrestricted fund balance	<u>\$ 4,795,057</u>
<u>Less adjustments:</u>	
Appropriated fund balance	\$ 269,601
Encumbrances included in assigned fund balance	<u>1,650,199</u>
Total adjustments	<u>\$ 1,919,800</u>
General fund fund balance subject to Section 1318 of	
Real Property Tax Law	<u>2,875,257</u>
ACTUAL PERCENTAGE	<u><u>4.00%</u></u>

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
CAPITAL PROJECTS FUND
Schedule of Project Expenditures
June 30, 2016

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Fund Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		<u>Obligations</u>	<u>Local Sources</u>	<u>Total</u>	
Bus Purchases 2016-17	\$ 755,000	\$ 755,000	\$ -	\$ -	\$ -	\$ 755,000	\$ -	\$ 755,000	\$ 755,000	\$ 755,000
Bus Purchases 2015-16	757,000	757,000	50,908	706,092	757,000	-	-	757,000	757,000	-
Bus Purchases 2014-15	760,000	760,000	759,494	506	760,000	-	-	760,000	760,000	-
Bus Purchases 2013-14	669,000	669,000	653,395	15,605	669,000	-	-	669,000	669,000	-
Bus Purchases 2012-13	359,000	359,000	345,853	13,147	359,000	-	-	359,000	359,000	-
2016 Capital Outlay Project	100,000	100,000	-	88,695	88,695	11,305	-	100,000	100,000	11,305
2015 Capital Outlay Project	100,000	100,000	84,906	-	84,906	15,094	-	100,100	100,100	15,194
2014 Capital Outlay Project	100,000	100,000	89,765	10,235	100,000	-	-	100,000	100,000	-
2013 Academy Project	100,000	100,000	96,202	3,798	100,000	-	-	100,000	100,000	-
2015 Renovations & Athletic fields	13,380,000	13,380,000	562,038	720,831	1,282,869	12,097,131	-	4,643,577	4,643,577	3,360,708
2010 Renovation Project	8,430,000	8,430,000	8,166,817	-	8,166,817	263,183	8,070,000	74,039	8,144,039	(22,778)
2009 Excel Aid project	9,519,000	9,519,000	9,288,959	44,359	9,333,318	185,682	7,834,830	1,509,241	9,344,071	10,753
TOTAL	\$ 35,029,000	\$ 35,029,000	\$ 20,098,337	\$ 1,603,268	\$ 21,701,605	\$ 13,327,395	\$ 15,904,830	\$ 9,926,957	\$ 25,831,787	\$ 4,130,182

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Combined Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue Fund</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 188,499	\$ 385,899	\$ 574,398
Receivables	47,079	-	47,079
Inventories	41,325	-	41,325
Due from other funds	-	234	234
TOTAL ASSETS	<u>\$ 276,903</u>	<u>\$ 386,133</u>	<u>\$ 663,036</u>
LIABILITIES AND FUND BALANCES			
<u>Liabilities</u> -			
Accrued liabilities	\$ 4,873	\$ -	\$ 4,873
Due to other funds	215,214	-	215,214
Unearned revenue	8,770	-	8,770
TOTAL LIABILITIES	<u>\$ 228,857</u>	<u>\$ -</u>	<u>\$ 228,857</u>
<u>Fund Balances</u> -			
Nonspendable	\$ 41,325	\$ -	\$ 41,325
Restricted	-	386,133	386,133
Assigned	6,721	-	6,721
TOTAL FUND BALANCE	<u>\$ 48,046</u>	<u>\$ 386,133</u>	<u>\$ 434,179</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 276,903</u>	<u>\$ 386,133</u>	<u>\$ 663,036</u>

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Combined Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue Fund</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	
REVENUES			
Use of money and property	\$ 265	\$ 2,920	\$ 3,185
Miscellaneous	12,278	-	12,278
State sources	23,761	-	23,761
Federal sources	680,772	-	680,772
Sales	423,841	-	423,841
TOTAL REVENUES	<u>\$ 1,140,917</u>	<u>\$ 2,920</u>	<u>\$ 1,143,837</u>
EXPENDITURES			
Employee benefits	\$ 227,342	\$ -	\$ 227,342
Cost of sales	510,717	-	510,717
Other expenses	418,698	-	418,698
TOTAL EXPENDITURES	<u>\$ 1,156,757</u>	<u>\$ -</u>	<u>\$ 1,156,757</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (15,840)</u>	<u>\$ 2,920</u>	<u>\$ (12,920)</u>
OTHER FINANCING SOURCES (USES)			
Transfers - in	\$ 63,735	\$ -	\$ 63,735
Transfers - out	-	(100,000)	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 63,735</u>	<u>\$ (100,000)</u>	<u>\$ (36,265)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 47,895</u>	<u>\$ (97,080)</u>	<u>\$ (49,185)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>151</u>	<u>483,213</u>	<u>483,364</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 48,046</u></u>	<u><u>\$ 386,133</u></u>	<u><u>\$ 434,179</u></u>

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
For Year Ended June 30, 2016

Capital assets, net		\$ 72,960,048
Add:		
Unspent bond proceeds	\$ 10,753	
		10,753
Deduct:		
Short-term portion of bonds payable	\$ 3,955,000	
Long-term portion of bonds payable	27,305,000	
Assets purchased with short-term financing	22,778	
Short-term portion of installment purchase debt	242,711	
Long-term portion of installment purchase debt	137,536	
		<u>31,663,025</u>
Net Investment in Capital Assets		<u><u>\$ 41,307,776</u></u>

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2016

<u>Grantor / Pass - Through Agency Federal Award Cluster / Program</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Pass-Through Agency Number</u>	<u>Total Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Direct Program:</u>				
<u>Direct From U.S. Treasury:</u>				
Elementary and Secondary School Counseling	84.215E	N/A	N/A	\$ 326,113
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Title IIA - Teacher Training	84.367	N/A	0147-16-2175	138,633
Title IIA - Teacher Training	84.367	N/A	0147-15-2175	2,562
<u>Title I, Part A Cluster -</u>				
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-16-2175	426,947
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-15-2175	13,635
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-16-0664	892,395
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-16-0664	27,053
Total U.S. Department of Education				\$ 1,827,338
<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	\$ 456,077
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	N/A	006905	101,801
National School Breakfast Program	10.553	N/A	006905	122,894
Total U.S. Department of Agriculture				\$ 680,772
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 2,508,110

Raymond F. Wager, CPA, P.C.
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**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, 2016, 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 6, 2016.

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, flowing style.

September 6, 2016

CANANDAIGUA CITY SCHOOL DISTRICT

NEW YORK

LETTER OF COMMUNICATION

For Year Ended June 30, 2016

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

Shareholders:

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September 6, 2016

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canandaigua City School District for the year ended June 30, 2016, and have issued our report thereon dated September 6, 2016. Professional standards require that we provide you with the following information related to our audit.

A. Our Responsibility Under U.S. Generally Accepted Auditing Standards and OMB Uniform Guidance

As stated in our engagement letter dated April 19, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Canandaigua City School District, New York's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Uniform Guidance.

As part of obtaining reasonable assurance about whether the Canandaigua City School District, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Uniform Guidance, we examined, on a test basis, evidence about the Canandaigua City School District, New York's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Uniform Guidance* applicable to each of its major federal programs for the purpose of expressing an opinion on the Canandaigua City School District, New York's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Canandaigua City School District, New York's compliance with those requirements.

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

B. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to your audit committee in our meeting about planning matters on April 20, 2016.

C. Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Canandaigua City School District, New York are described in Note 1 to the financial statements. The new accounting pronouncements which were implemented were GASB Statement 76, *The Hierarchy of Generally accepted Accounting Principles for State and Local Governments*, GASB Statement 72, *Fair Value Measurement and Application*, and GASB Statement 77, *Tax Abatement Disclosures*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no individually sensitive disclosures affecting the financial statements.

D. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

E. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has been made aware of immaterial misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

F. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

G. Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 6, 2016.

H. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

I. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

J. Other Matters

We applied certain limited procedures to the management’s discussion and analysis, schedule of funding progress of postemployment benefit plan, schedule of District’s proportionate share of the net pension liability, schedule of District contributions, and budget comparisons, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

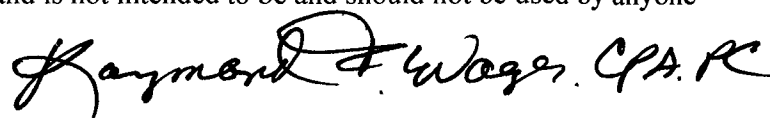
We were engaged to report on supplementary information accompanying the financial statements (as listed in the table of contents) but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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This information is intended solely for the use of the Board of Education and management of the Canandaigua City School District, New York and is not intended to be and should not be used by anyone other than these specified parties.

Raymond F. Wager, CPA, PC

September 6, 2016

CANANDAIGUA CITY SCHOOL DISTRICT

NEW YORK

***COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT***

For Year Ended June 30, 2016

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

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September 6, 2016

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, 2016, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 material weaknesses. 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.

The District's responses to the deficiencies identified in our audit have not been subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Prior Year Deficiency Pending Corrective Action:

School Lunch Fund –

The District continues to monitor the school lunch program which was subsidized by the general fund totaling \$63,735 in the 2015-16 fiscal year. Had this subsidy not occurred the school lunch program would have incurred an operating loss totaling \$15,840.

We recommend the District continue to monitor the school lunch program for cost containment and revenue enhancement strategies.

District's Response –

District Administration agrees with the finding and is continuing to explore options to enhance student participation in the school lunch program while containing costs. This is an ongoing effort and is embraced by the District's Central Office Management Team. Given that this is an issue that is plaguing all schools as a result of the nutritional guidelines and mandates that have been implemented by the Federal Government, the District does not have a defined date for resolution.

Current Year Deficiencies in Internal Control:

Year End Closing Procedures –

As a result of turnover within the Business Office, the District rolled the outstanding purchase orders (year end encumbrances) into the new fiscal year prior to charging accounts payable and liquidating any remaining encumbrances. As a result, we identified several encumbrances which exceeded the actual amounts of the claims. We proposed and the District accepted an audit adjustment for those material transactions, however, there were other immaterial encumbrances which exceeded the actual amount of the claim.

We recommend for future year end closings the District apply accounts payable against the encumbrances and liquidate any remaining encumbrances prior to rolling the encumbrances into the new fiscal year.

District's Response –

The District rolled over outstanding purchase orders based on estimates. The District made an adjustment to accounting records to correct the situation. We will put in place a plan to more accurately forecast estimated expenditures at year end.

Prior Year Recommendation:

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

1. The District developed procedures to determine if reimbursements to employees for tuition should be taxable.

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 F. Wager, CPA, PC

September 6, 2016