

CANANDAIGUA CITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2013

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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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress postemployment benefit plan on pages 4–13 and 41–43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

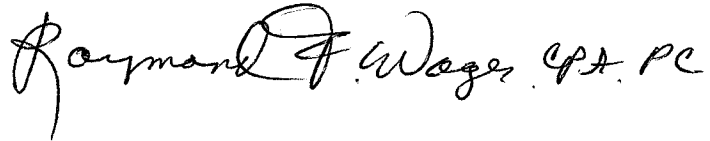
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2013 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.

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

September 11, 2013

Canandaigua City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2013. 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 \$38,353,215 (net position) an increase of \$1,048,321 from the prior year. Of this amount investment in capital assets, net of related debt increased \$2,268,748, restricted funds increased \$2,077,883, and unrestricted funds decreased \$3,298,310.

General revenues which include Federal and State Aid and Real Property Taxes accounted for \$63,096,899 or 94% of all revenues. Program specific revenues in the form of Charges for Services and Operating Grants and Contributions accounted for \$3,879,450 or 6% of total revenues.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$17,606,306, a decrease of \$159,945 in comparison with the prior year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

<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, 2013, than they were the year before, increasing by 3% to \$38,353,215 as shown in table below.

	<u>Governmental Activities</u>		Total Percentage Change
	<u>2013</u>	<u>2012</u>	
<u>ASSETS:</u>			
Current and Other Assets	\$ 23,062,736	\$ 23,742,877	-2.86%
Capital Assets	74,089,903	74,619,878	-0.71%
Total Assets	\$ 97,152,639	\$ 98,362,755	-1.23%
<u>LIABILITIES:</u>			
Long-Term Debt Obligations	\$ 54,582,885	\$ 56,094,281	-2.69%
Other Liabilities	4,216,539	4,963,580	-15.05%
Total Liabilities	\$ 58,799,424	\$ 61,057,861	-3.70%
<u>NET POSITION:</u>			
Net Investment in Capital			
Assets	\$ 31,628,171	\$ 29,359,423	7.73%
<u>Restricted For,</u>			
Retirement Contribution Reserve	2,249,042	2,041,129	10.19%
Debt Service	1,569,115	1,515,007	3.57%
Capital Reserves	2,516,861	2,087,856	20.55%
Other Purposes	4,104,327	2,717,470	51.03%
Unrestricted	(3,714,301)	(415,991)	792.88%
Total Net Position	\$ 38,353,215	\$ 37,304,894	2.81%

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

By far, the largest component of the School District's net position (83%) 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.

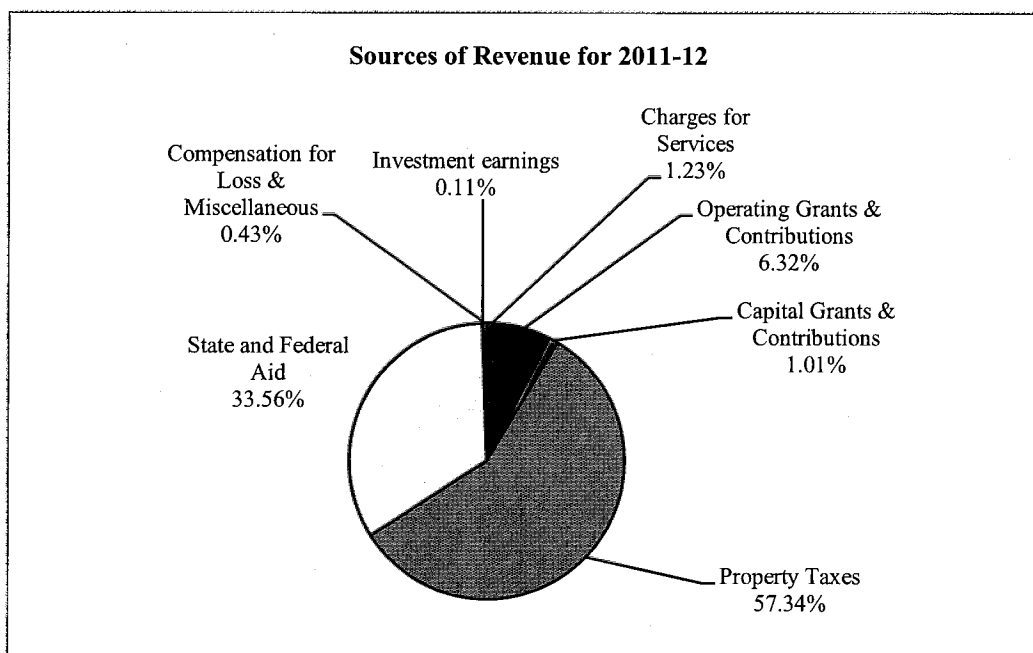
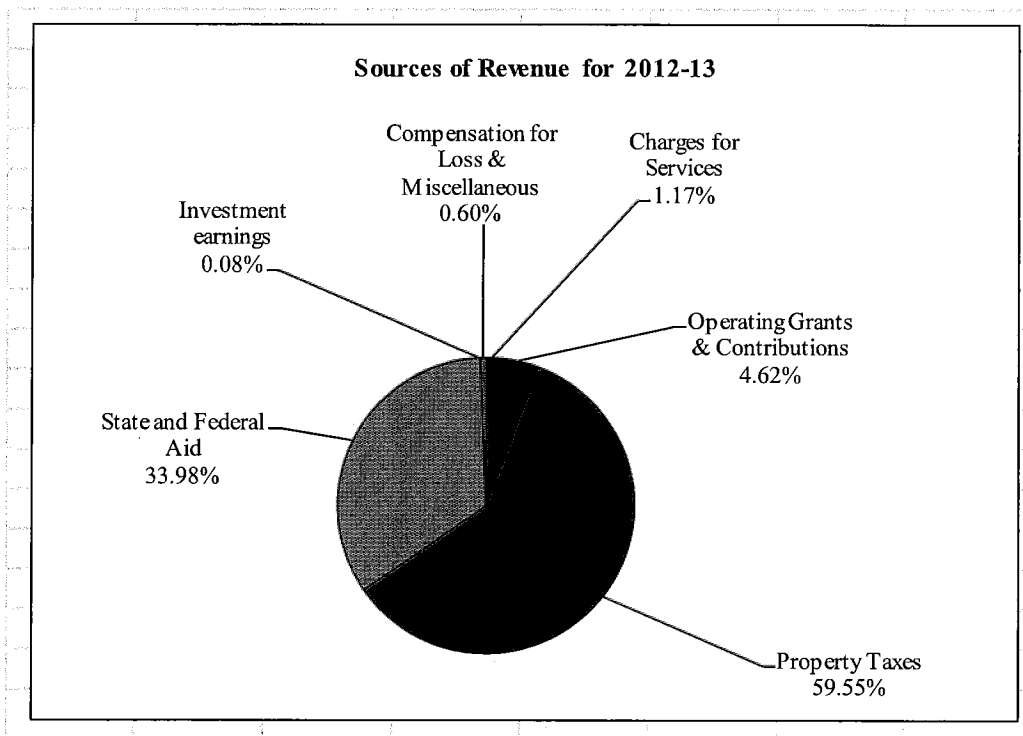
There are four restricted net asset balances Retirement Contribution Reserve, Debt Service, Capital Reserves, and Other Purposes which constitute 27% of total net position. The remaining balance of unrestricted net position is a deficit of (\$3,714,301).

Changes in Net Position

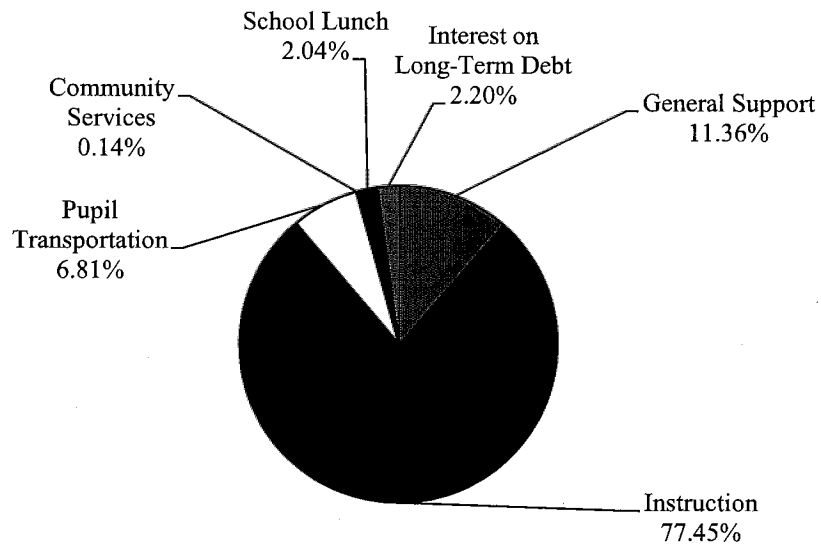
The District's total revenue decreased to \$66,976,349. State and federal aid 34% and property taxes 59% accounted for most of the District's revenue. The remaining 7% of the revenue comes from operating grants, charges for services, use of money and property, and miscellaneous revenues.

The total cost of all the programs and services increased to \$65,928,028. The District's expenses are predominately related to education and caring for the students (instruction) 77%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 11% of the total costs. See table below:

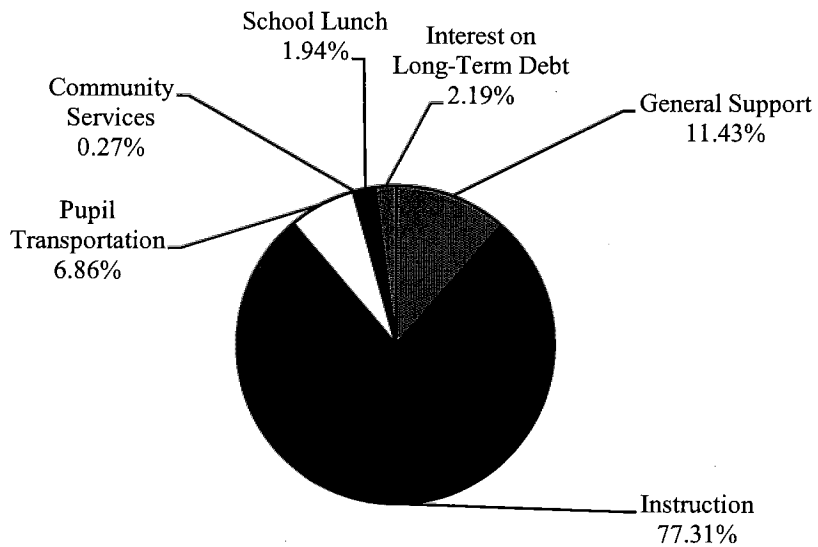
	<u>Governmental Activities</u>		Total
	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Services	\$ 784,632	\$ 825,127	-4.91%
Operating Grants & Contributions	3,094,818	4,252,520	-27.22%
Capital Grants & Contributions	-	679,322	-100.00%
Total Program	<u>\$ 3,879,450</u>	<u>\$ 5,756,969</u>	-32.61%
<u>General -</u>			
Property Taxes	\$ 39,885,425	\$ 38,560,269	3.44%
State and Federal Aid	22,761,847	22,567,140	0.86%
Use of Money and Property	53,946	74,173	-27.27%
Compensation for Loss	39,030	25,824	51.14%
Miscellaneous	356,651	262,231	36.01%
Total General	<u>\$ 63,096,899</u>	<u>\$ 61,489,637</u>	2.61%
TOTAL REVENUES	<u>\$ 66,976,349</u>	<u>\$ 67,246,606</u>	-0.40%
<u>EXPENSES:</u>			
General Support	\$ 7,491,100	\$ 7,453,373	0.51%
Instruction	51,047,106	50,403,729	1.28%
Pupil Transportation	4,491,142	4,474,415	0.37%
Community Services	92,186	173,891	-46.99%
School Lunch	1,346,853	1,266,909	6.31%
Interest on Long-Term Debt	1,459,641	1,420,911	2.73%
TOTAL EXPENSES	<u>\$ 65,928,028</u>	<u>\$ 65,193,228</u>	1.13%
CHANGE IN NET POSITION	<u>\$ 1,048,321</u>	<u>\$ 2,053,378</u>	-48.95%



Sources of Expenditures for 2012-13



Sources of Expenditures for 2011-12



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 \$17,606,306 which is less than last year's ending fund balance of \$17,766,251.

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 \$14,815,315. Fund balance for the General Fund increased by \$389,738 compared with the prior year. See table below:

<u>General Fund Balances:</u>	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Nonspendable	\$ 2,031,322	\$ 1,874,031	\$ 157,291
Restricted	8,182,773	6,817,529	1,365,244
Assigned	1,921,428	3,239,366	(1,317,938)
Unassigned	2,679,792	2,494,651	185,141
Total General Fund Balances	<u>\$ 14,815,315</u>	<u>\$ 14,425,577</u>	<u>\$ 389,738</u>

The District appropriated funds from the following reserves for the 2013-14 budget:

Unemployment	\$ 10,000
Retirement Contribution	370,664
Employee Benefit	40,836
Debt Service	600,000
Tax Certiorari	50,000
Total	<u>\$ 1,071,500</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$3,231,206. This change is attributable to \$1,252,232 of prior year carryover encumbrances, \$155,705 of debt service defeasance, \$118,368 for grants, donations, and miscellaneous receipts, \$155,772 for a lease purchase agreement, \$167,225 for a tax certiorari settlement, and \$1,381,904 for bus purchases.

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	\$1,276,639	Transfer to capital project for bus purchases in lieu of debt issuance and to pay down existing BAN

	Budget Variance Amended Vs. Actual	
Revenue Items:		Explanation for Budget Variance
Transfer-In	(\$750,000)	Debt service transfer not required
Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Central Services	\$564,954	Utility and maintenance costs were lower than anticipated
Programs for Children with Handicapping Condition	\$919,959	Special Ed Tuitions lower than projected
Pupil Transportation	\$662,947	Questar-State aid made a recommendation in the reallocation of Workers' Compensation expenditures that in conjunction with fuel and parts expenditures being less than anticipated was the reason for the variance
Employee Benefits	\$1,135,473	Concessions in the health insurance program and ERS and TRS came in lower than projected

Capital Asset and Debt Administration

Capital Assets

By the end of the 2012-13 fiscal year, the District had invested \$74,089,903 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>2013</u>	<u>2012</u>
Land	\$ 832,449	\$ 832,449
Work in Progress	11,982,063	11,165,047
Buildings and Improvements (net)	59,365,496	60,757,297
Machinery and Equipment (net)	1,909,895	1,865,085
Total	<u>\$ 74,089,903</u>	<u>\$ 74,619,878</u>

Long-Term Debt

At year end, the District had \$54,582,885 in general obligation bonds and other long-term debt outstanding as follows:

<u>Type</u>	<u>2013</u>	<u>2012</u>
Serial Bonds	\$ 42,029,789	\$ 45,809,789
Installment Purchase Debt	1,038,050	1,235,793
OPEB	10,107,533	7,776,441
Compensated Absences	1,407,513	1,272,258
Total Long-Term Obligations	<u>\$ 54,582,885</u>	<u>\$ 56,094,281</u>

Factors Bearing on the District's Future

- During 2011 the governor signed State Law Chapter 97 which establishes a property tax cap in New York State. The tax cap limits levy growth to the lesser of two percent or the annual increase in CPI plus or minus certain exclusions. Given that state mandated pension costs and health insurance are rising at a much higher rate than two percent the District anticipates budget constraints for the foreseeable future unless significant mandate relief is provided by the state.
- The inequitable distribution of state aid, GEA, and the freeze in foundation aid will impact the appropriation budget as well as the types of quality programs we deliver to our students.

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, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 18,634,870
Accounts receivable	3,360,482
Inventories	36,063
Prepaid items	1,031,321
Capital Assets:	
Land	832,449
Work in progress	11,982,063
Other capital assets (net of depreciation)	61,275,391
TOTAL ASSETS	<u>\$ 97,152,639</u>
LIABILITIES	
Accounts payable	\$ 335,220
Accrued liabilities	463,380
Unearned revenues	40,714
Due to other governments	1,474
Due to teachers' retirement system	2,932,297
Due to employees' retirement system	443,454
Long-Term Obligations:	
Due in one year	4,583,414
Due in more than one year	49,999,471
TOTAL LIABILITIES	<u>\$ 58,799,424</u>
NET POSITION	
Net investment in capital assets	\$ 31,628,171
Restricted For:	
Debt service	1,569,115
Reserve for employee retirement system	2,249,042
Capital reserves	2,516,861
Other purposes	4,104,327
Unrestricted	(3,714,301)
TOTAL NET ASSETS	<u><u>\$ 38,353,215</u></u>

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Statement of Activities and Changes in Net Position
For Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
			<u>Grants and</u>	<u>Changes in</u>
		<u>Services</u>	<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
<u>Primary Government</u> -				
General support	\$ 7,491,100	\$ -	\$ -	\$ (7,491,100)
Instruction	51,047,106	326,210	2,505,003	(48,215,893)
Pupil transportation	4,491,142	-	-	(4,491,142)
Community services	92,186	-	-	(92,186)
School lunch	1,346,853	458,422	589,815	(298,616)
Interest	1,459,641	-	-	(1,459,641)
Total Primary Government	\$ 65,928,028	\$ 784,632	\$ 3,094,818	\$ (62,048,578)
General Revenues:				
Property taxes				\$ 39,885,425
State and federal aid				22,761,847
Investment earnings				53,946
Compensation for loss				39,030
Miscellaneous				356,651
Total General Revenues				\$ 63,096,899
Changes in Net Position				\$ 1,048,321
Net Position, Beginning of Year				37,304,894
Net Position, End of Year				\$ 38,353,215

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2013

	General Fund	Special Aid Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,545,262	\$ 842,037	\$ 2,247,571	\$ 18,634,870
Receivables	2,291,690	1,061,665	7,127	3,360,482
Inventories	-	-	36,063	36,063
Due from other funds	2,033,377	29,508	706,995	2,769,880
Prepaid items	1,031,321	-	-	1,031,321
TOTAL ASSETS	\$ 20,901,650	\$ 1,933,210	\$ 2,997,756	\$ 25,832,616
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u> -				
Accounts payable	\$ 314,131	\$ 5,793	\$ 15,296	\$ 335,220
Accrued liabilities	340,915	-	5,121	346,036
Due to other funds	698,303	1,904,848	166,729	2,769,880
Due to other governments	-	-	1,474	1,474
Due to TRS	2,932,297	-	-	2,932,297
Due to ERS	443,454	-	-	443,454
Compensated absences	623,812	-	-	623,812
Unearned revenue	733,423	22,569	18,145	774,137
TOTAL LIABILITIES	\$ 6,086,335	\$ 1,933,210	\$ 206,765	\$ 8,226,310
<u>Fund Balances</u> -				
Nonspendable	\$ 2,031,322	\$ -	\$ 36,063	\$ 2,067,385
Restricted	8,182,773	-	2,862,679	11,045,452
Assigned	1,921,428	-	-	1,921,428
Unassigned	2,679,792	-	(107,751)	2,572,041
TOTAL FUND BALANCE	\$ 14,815,315	\$ -	\$ 2,790,991	\$ 17,606,306
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,901,650	\$ 1,933,210	\$ 2,997,756	

**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.	\$ 74,089,903
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.	733,423
Interest is accrued on outstanding bonds in the statement of net position but not in the funds.	(218,810)
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	(42,029,789)
OPEB	(10,107,533)
Compensated absences	(682,235)
Installment purchase debt	(1,038,050)
Net Position of Governmental Activities	\$ 38,353,215

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2013

	General	Special	Nonmajor	Total
	Fund	Aid	Governmental	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
REVENUES				
Real property taxes and tax items	\$ 39,805,761	\$ -	\$ -	\$ 39,805,761
Charges for services	326,210	-	-	326,210
Use of money and property	49,059	-	4,887	53,946
Sale of property and compensation for loss	38,320	-	710	39,030
Miscellaneous	311,365	32,368	12,918	356,651
State sources	22,416,206	872,384	25,159	23,313,749
Federal sources	345,641	1,632,619	564,656	2,542,916
Sales	-	-	458,422	458,422
TOTAL REVENUES	<u>\$ 63,292,562</u>	<u>\$ 2,537,371</u>	<u>\$ 1,066,752</u>	<u>\$ 66,896,685</u>
EXPENDITURES				
General support	\$ 5,834,044	\$ -	\$ -	\$ 5,834,044
Instruction	33,321,031	2,473,362	-	35,794,393
Pupil transportation	2,587,758	84,045	345,853	3,017,656
Community services	79,619	-	-	79,619
Employee benefits	14,055,036	85,858	188,741	14,329,635
Debt service - principal	3,977,743	-	-	3,977,743
Debt service - interest	1,475,954	-	-	1,475,954
Cost of sales	-	-	526,467	526,467
Other expenses	-	-	430,059	430,059
Capital outlay	-	-	1,591,060	1,591,060
TOTAL EXPENDITURES	<u>\$ 61,331,185</u>	<u>\$ 2,643,265</u>	<u>\$ 3,082,180</u>	<u>\$ 67,056,630</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	<u>\$ 1,961,377</u>	<u>\$ (105,894)</u>	<u>\$ (2,015,428)</u>	<u>\$ (159,945)</u>
OTHER FINANCING SOURCES (USES)				
Transfers - in	\$ -	\$ 105,894	\$ 1,515,066	\$ 1,620,960
Transfers - out	(1,571,639)	-	(49,321)	(1,620,960)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (1,571,639)</u>	<u>\$ 105,894</u>	<u>\$ 1,465,745</u>	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES AND				
OTHER FINANCING SOURCES OVER				
EXPENDITURES AND OTHER FINANCING USES	<u>\$ 389,738</u>	<u>\$ -</u>	<u>\$ (549,683)</u>	<u>\$ (159,945)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>14,425,577</u>	<u>-</u>	<u>3,340,674</u>	<u>17,766,251</u>
FUND BALANCE, END OF YEAR	<u>\$ 14,815,315</u>	<u>\$ -</u>	<u>\$ 2,790,991</u>	<u>\$ 17,606,306</u>

(See accompanying notes to financial statements)

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, 2013

NET CHANGE IN FUND BALANCES -

TOTAL GOVERNMENTAL FUNDS **\$ (159,945)**

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	\$ 1,581,370	
Additions to Assets, Net	724,009	
Depreciation	<u>(2,835,353)</u>	
		(529,974)

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

Debt Repayments	3,977,743
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In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	16,313
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	79,664
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The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(2,331,092)
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In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences	<u>(4,388)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,048,321</u>
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CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2013

	Private Purpose <u>Trust</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 9,402	\$ 2,013,865
Investments	250,728	-
Receivable from general fund	-	1,207
TOTAL ASSETS	<u>\$ 260,130</u>	<u>\$ 2,015,072</u>
LIABILITIES		
Accounts payable	\$ -	\$ 43,739
Extraclassroom activity balances	-	122,636
Other liabilities	-	1,848,697
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 2,015,072</u>
NET POSITION		
Restricted for scholarships	\$ 260,130	
TOTAL NET POSITION	<u>\$ 260,130</u>	

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2013

	Private Purpose <u>Trust</u>
ADDITIONS	
Contributions	\$ 8,334
Investment earnings	23,631
TOTAL ADDITIONS	<u>\$ 31,965</u>
DEDUCTIONS	
Scholarships and donations	\$ 15,151
TOTAL DEDUCTIONS	<u>\$ 15,151</u>
CHANGE IN NET POSITION	\$ 16,814
NET POSITION, BEGINNING OF YEAR	243,316
NET POSITION, END OF YEAR	<u>\$ 260,130</u>

CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2013

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 \$5,554,405 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,167,998.

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:

(I.) (Continued)

a. **Major Governmental Funds**

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

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

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

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

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

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 September 6. 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 reserve 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.

(I.) (Continued)

L. Capital Assets

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

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

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

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

M. Unearned and Deferred Revenue

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recognized.

Many deferred or unearned revenues recorded in governmental funds are not recorded in the District-wide statements.

N. Vested Employee Benefits

1. Compensated Absences

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

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

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.

(I.) (Continued)

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

O. Other Benefits

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

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

P. Accrued Liabilities and Long-Term Obligations

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

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

Q. Equity Classifications

1. District-Wide Statements

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

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

(I.) (Continued)

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

	<u>Total</u>
Workers' Compensation	\$ 600,000
Unemployment Costs	395,651
Insurance	60,000
Tax Certiorari	1,451,072
Capital Projects	687,457
Employee Benefits Accrued Liability	910,147
Total Net Position - Restricted for Other Purposes	<u>\$ 4,104,327</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	\$ 36,063
Prepaid items	1,031,322
Noncurrent receivables	1,000,000
Total Nonspendable Fund Balance	<u>\$ 2,067,385</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:

<u>Name of Reserve</u>	<u>Maximum Funding</u>	<u>Total Funding Provided</u>	<u>Total Year to Date Balance</u>
2009 Vehicle Capital Reserve	\$ 1,500,000	\$ 1,498,135	\$ 648,056
2011 Building Capital Reserve	\$ 4,500,000	\$ 1,852,480	\$ 1,868,805

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.

(I.) (Continued)

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	\$ 2,516,861
Employee Benefit Accrued Liability	910,147
Insurance	60,000
Retirement Contribution	2,249,042
Tax Certiorari	1,451,072
Unemployment Insurance	395,651
Workers' Compensation	600,000

Capital Fund -

Capital Construction and Acquisition	1,293,564
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Debt Service Fund -

Debt Service	1,569,115
Total Restricted Funds	<u>\$ 11,045,452</u>

The District appropriated and/or budgeted funds from the following reserves for the 2013-14 budget:

Unemployment	\$ 10,000
Retirement Contribution	370,664
Employee Benefit	40,836
Debt Service	600,000
Tax Certiorari	50,000
Total	<u>\$ 1,071,500</u>

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

(I.) (Continued)

Significant encumbrances for the general fund, management has determined that amounts in excess of \$83,000 are considered significant, the District did not have any significant encumbrances at June 30, 2013.

Assigned fund balances include the following:

General Fund-Encumbrances	\$ 849,928
General Fund-Appropriated for Taxes	<u>1,071,500</u>
Total Assigned Fund Balance	<u>\$ 1,921,428</u>

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.

R. **New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2013, the District implemented the following new standard issued by GASB:

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and amends the net asset reporting provisions of GASB 34 by incorporating deferred inflows and outflows into the definitions of the residual measure and by renaming that measure as net position, rather than net assets.

S. **Future Changes in Accounting Standards**

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

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

(I.) (Continued)

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

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

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

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

II. Stewardship, Compliance and Accountability

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

A. Budgets

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

The voters of the District approved the proposed appropriation budget.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year: \$850,475 for the purchase of buses, \$167,225 for a tax cert settlement, \$155,772 for a lease purchase agreement, and \$118,368 for grants, donations, and miscellaneous receipts.

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

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

(II.) (Continued)

B. Encumbrances

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

C. Deficit Fund Balance - School Lunch Fund

As indicated in the financial statements, the District's School Lunch program had a net operating loss of \$83,302, which resulted in a deficit unassigned fund balance of \$107,751 at June 30, 2013. This deficit is a result of expenditures increasing at a higher rate than revenues.

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	9,993,469
Collateralized within Trust department or agent	10,730,326
Total	<u>\$ 20,723,795</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 \$11,045,452 within the governmental funds and \$1,763,137 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.

(IV.) (Continued)

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, 2013:

	<u>2013</u>	
	<u>Cost</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>
Common Stock	N/A	<u>\$ 250,728</u>

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

<u>Type</u>	<u>2013</u>
Unrealized Gains/(Losses)	<u>\$ 18,492</u>

V. Receivables

Receivables at June 30, 2013 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>Non-Major Funds</u>	<u>Total</u>
Accounts Receivable	\$ 288,611	\$ -	\$ 1,103	\$ 289,714
Taxes Receivable	835,328	-	-	835,328
Due From State and Federal	680,311	1,061,665	6,024	1,748,000
Due From Other Governments	487,440	-	-	487,440
Total	<u>\$ 2,291,690</u>	<u>\$ 1,061,665</u>	<u>\$ 7,127</u>	<u>\$ 3,360,482</u>

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, 2013 were as follows:

	Interfund		Interfund	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 2,033,377	\$ 698,303	\$ -	\$ 1,571,639
Special Aid Fund	29,508	1,904,848	105,894	-
School Lunch Fund	947	166,639	-	-
Debt Service Fund	89	-	49,321	-
Capital Fund	705,959	90	1,465,745	49,321
Total government activities	<u>\$ 2,769,880</u>	<u>\$ 2,769,880</u>	<u>\$ 1,620,960</u>	<u>\$ 1,620,960</u>

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

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

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

VII. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</u>
<u>Governmental Activities:</u>				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 832,449	\$ -	\$ -	\$ 832,449
Work in progress	11,165,047	1,581,369	(764,353)	11,982,063
<i>Total Nondepreciable</i>	<u>\$ 11,997,496</u>	<u>\$ 1,581,369</u>	<u>\$ (764,353)</u>	<u>\$ 12,814,512</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 91,045,670	\$ 764,353	\$ -	\$ 91,810,023
Machinery and equipment	8,103,724	733,496	(466,312)	8,370,908
<i>Total Depreciable</i>	<u>\$ 99,149,394</u>	<u>\$ 1,497,849</u>	<u>\$ (466,312)</u>	<u>\$ 100,180,931</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ 30,288,373	\$ 2,156,154	\$ -	\$ 32,444,527
Machinery and equipment	6,238,639	679,199	(456,825)	6,461,013
<i>Total accumulated depreciation</i>	<u>\$ 36,527,012</u>	<u>\$ 2,835,353</u>	<u>\$ (456,825)</u>	<u>\$ 38,905,540</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 62,622,382</u>	<u>\$ (1,337,504)</u>	<u>\$ (9,487)</u>	<u>\$ 61,275,391</u>
Total Capital Assets	<u>\$ 74,619,878</u>	<u>\$ 243,865</u>	<u>\$ (773,840)</u>	<u>\$ 74,089,903</u>

(VII.) (Continued)

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

<u>Governmental Activities:</u>	
General government support	\$ 380,248
Instruction	1,533,071
Pupil transportation	733,674
School lunch	188,360
Total Depreciation Expense	\$ 2,835,353

VIII. Long-Term Debt Obligations

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

	<u>Balance</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2013</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 45,809,789	\$ -	\$ 3,780,000	\$ 42,029,789	\$ 3,650,000
Installment Purchase Debt	1,235,793	-	197,743	1,038,050	208,136
Total Bonds and Notes Payable	\$ 47,045,582	\$ -	\$ 3,977,743	\$ 43,067,839	\$ 3,858,136
<u>Other Liabilities -</u>					
OPEB	\$ 7,776,441	\$ 2,331,092	\$ -	\$ 10,107,533	\$ -
Compensated Absences	1,272,258	135,255	-	1,407,513	725,278
Total Other Liabilities	\$ 9,048,699	\$ 2,466,347	\$ -	\$ 11,515,046	\$ 725,278
Total Long-Term Obligations	\$ 56,094,281	\$ 2,466,347	\$ 3,977,743	\$ 54,582,885	\$ 4,583,414

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

(VIII.) (Continued)

Existing serial and statutory bond obligations:

<u>Purpose</u>	<u>Original Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 6/30/2013</u>
<u>Serial Bonds -</u>					
Construction	\$ 2,880,000	2004	2018	3.00%-3.375%	\$ 1,175,000
Construction	\$ 8,996,300	2008	2022	3.75%-4.00%	6,335,000
Construction	\$ 8,994,176	2008	2037	4.375%-4.500%	8,260,000
Construction	\$ 6,177,677	2008	2022	3.375%-3.625%	4,305,000
Construction	\$ 6,909,829	2011	2026	1.50%-3.00%	5,705,000
Buses	\$ 383,833	2011	2015	1.25%-2.50%	220,000
Construction	\$ 8,855,000	2012	2019	1%-4%	7,579,789
Construction	\$ 8,995,000	2012	2027	2%-2.5%	8,450,000
Total Serial Bonds					<u>\$ 42,029,789</u>
<u>Installment Purchase Debt -</u>					
Installment Purchase		2003	2018	Various	<u>\$ 1,038,050</u>

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>
2013-14	\$ 3,650,000	\$ 1,318,352	\$ 208,135	\$ 55,616
2014-15	3,765,000	1,210,943	219,076	44,676
2015-16	3,810,000	1,108,646	230,591	33,162
2016-17	3,895,000	990,728	242,711	21,041
2017-18	4,015,000	862,413	137,537	8,284
2018-23	13,439,789	2,788,167	-	-
2024-28	5,310,000	1,318,797	-	-
2029-33	2,095,000	700,986	-	-
2034-37	2,050,000	189,450	-	-
Total	<u>\$ 42,029,789</u>	<u>\$ 10,488,482</u>	<u>\$ 1,038,050</u>	<u>\$ 162,779</u>

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. \$10,795,000 of bonds outstanding are considered defeased.

Interest on long-term debt for June 30, 2013 was composed of:

Interest paid	\$ 1,475,954
<u>Less:</u> interest accrued in the prior year	(235,123)
<u>Plus:</u> interest accrued in the current year	218,810
Total interest expense	<u>\$ 1,459,641</u>

IX. Pension Plans

A. General Information

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

B. Provisions and Administration

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

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

C. Funding Policies

Plan members who joined the System before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute three percent of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute three and one-half percent of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Employers are required to contribute at an actuarially determined rate, currently 11.84% of the annual covered payroll for the fiscal year ended June 30, 2013. Rates applicable to the fiscal years ended June 30, 2012 and 2011 were respectively, 11.11% and 8.62%.

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2013	\$ 2,787,529	\$ 1,561,950
2012	\$ 2,641,981	\$ 1,337,556
2011	\$ 1,983,761	\$ 1,062,871

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.

(X.) (Continued)

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, 2013 the District recognized \$980,000 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2013 which indicates that the total liability for other postemployment benefits is \$37,506,345.

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

Annual required contribution	\$ 3,449,747
Interest on net OPEB obligation	311,058
Adjustment to annual required contribution	(449,713)
Annual OPEB cost (expense)	<u>\$ 3,311,092</u>
Contributions made	<u>980,000</u>
Increase in net OPEB obligation	\$ 2,331,092
Net OPEB obligation - beginning of year	<u>7,776,441</u>
Net OPEB obligation - end of year	<u><u>\$ 10,107,533</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year end 2013 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>
6/30/2011	\$ 2,665,741	31.30%	\$ 5,939,456
6/30/2012	\$ 2,749,985	33.20%	\$ 7,776,441
6/30/2013	\$ 3,311,092	29.60%	\$ 10,107,533

Funded Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$37,506,345, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$37,506,345. The covered payroll (annual payroll of active employees covered by the plan) was \$32,854,792, and the ratio of the UAAL to the covered payroll was 114.16%.

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

(X.) (Continued)

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

In the June 30, 2013 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 9% initially, reduced by decrements to an ultimate rate of 5% after four years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was twenty five 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 thirteen districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

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

(XI.) (Continued)

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2013, the Canandaigua City School District, New York incurred premiums or contribution expenditures totaling \$290,066.

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, 2012, revealed that the Plan is fully funded.

C. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2012-13 fiscal year totaled \$13,644. The balance of the fund at June 30, 2013 was \$395,651 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2013, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XII. Commitments and Contingencies

A. Litigation

Management is not aware of any pending or threatening litigation.

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 2012-13 fiscal year was \$781,513. The account is recorded in the Trust and Agency Fund and the balance as of June 30, 2013 was \$1,685,672.

Required Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Funding Progress
of Post Employment Benefit Plan
(Unaudited)
For Year Ended June 30, 2013

Actuarial	(1)	(2)	(3)	(4)	(5)	(6)
Valuation	Actuarial	Actuarial	Funded	Unfunded	Active	UAAL
Date	Value of	Accrued	Ratio	Accrued	Members	As a
June 30,	Assets	Liability	(1)/(2)	Liability	Covered	Percentage
		(AAL)		(UAAL)	Payroll	of Covered
				(2) - (1)		(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%

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, 2013

	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	\$ 39,343,772	\$ 35,438,878	\$ 35,358,469	\$ (80,409)
Real property tax items	548,912	4,453,806	4,447,292	(6,514)
Charges for services	154,000	154,000	326,210	172,210
Use of money and property	35,000	35,000	49,059	14,059
Sale of property and compensation for loss	-	-	38,320	38,320
Miscellaneous	94,000	141,301	311,365	170,064
State Sources -				
Basic formula	20,162,156	16,463,673	15,006,332	(1,457,341)
Lottery aid	-	3,698,483	4,587,816	889,333
BOCES	1,313,593	1,313,593	1,167,998	(145,595)
Textbooks	221,117	221,117	229,505	8,388
All Other Aid -				
Computer software	118,596	118,596	123,966	5,370
Library loan	23,725	23,725	25,268	1,543
Handicapped students	700,000	700,000	508,525	(191,475)
Other aid	-	51,000	766,796	715,796
Federal Sources	200,000	200,000	345,641	145,641
TOTAL REVENUES	<u>\$ 62,914,871</u>	<u>\$ 63,013,172</u>	<u>\$ 63,292,562</u>	<u>\$ 279,390</u>
Other Sources -				
Transfer - in	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ (750,000)</u>
TOTAL REVENUES AND OTHER				
SOURCES	<u>\$ 63,664,871</u>	<u>\$ 63,763,172</u>	<u>\$ 63,292,562</u>	<u>\$ (470,610)</u>
Appropriated reserves	<u>\$ 550,000</u>	<u>\$ 849,046</u>		
Appropriated fund balance	<u>\$ 1,300,000</u>	<u>\$ 4,133,859</u>		
TOTAL REVENUES AND				
APPROPRIATED RESERVES/				
FUND BALANCE	<u><u>\$ 65,514,871</u></u>	<u><u>\$ 68,746,077</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, 2013

	<u>Original</u>	<u>Amended</u>	<u>Current</u>		<u>Unencumbered</u>
	<u>Budget</u>	<u>Budget</u>	<u>Year's</u>	<u>Encumbrances</u>	<u>Balances</u>
			<u>Expenditures</u>		
EXPENDITURES					
General Support -					
Board of education	\$ 35,054	\$ 50,754	\$ 34,185	\$ -	\$ 16,569
Central administration	246,820	248,542	149,105	-	99,437
Finance	546,056	590,995	527,539	29,091	34,365
Staff	298,525	577,011	348,715	91,843	136,453
Central services	3,842,278	4,293,964	3,557,947	171,063	564,954
Special items	973,794	1,297,126	1,216,553	100	80,473
Instructional -					
Instruction, administration and improvement	2,193,453	2,259,082	2,191,460	32,433	35,189
Teaching - regular school	19,518,866	19,743,344	18,551,275	256,224	935,845
Programs for children with handicapping conditions	8,544,510	8,452,840	7,505,204	27,677	919,959
Teaching - special schools	163,354	161,950	93,016	-	68,934
Instructional media	1,906,380	2,282,186	2,145,561	83,282	53,343
Pupil services	2,886,759	3,001,600	2,834,515	41,563	125,522
Pupil Transportation	3,198,970	3,350,791	2,587,758	100,086	662,947
Community Services	21,000	122,786	79,619	16,115	27,052
Employee Benefits	15,222,170	15,190,960	14,055,036	451	1,135,473
Debt service - principal	3,927,743	3,977,743	3,977,743	-	-
Debt service - interest	1,694,139	1,572,764	1,475,954	-	96,810
TOTAL EXPENDITURES	<u>\$ 65,219,871</u>	<u>\$ 67,174,438</u>	<u>\$ 61,331,185</u>	<u>\$ 849,928</u>	<u>\$ 4,993,325</u>
Other Uses -					
Transfers - out	\$ 295,000	\$ 1,571,639	\$ 1,571,639	\$ -	\$ -
TOTAL EXPENDITURES AND					
OTHER USES	<u>\$ 65,514,871</u>	<u>\$ 68,746,077</u>	<u>\$ 62,902,824</u>	<u>\$ 849,928</u>	<u>\$ 4,993,325</u>
EXCESS (DEFICIENCY) OF REVENUE AND					
OTHER FINANCING SOURCES OVER					
EXPENDITURES AND OTHER					
FINANCING USES	\$ -	\$ -	\$ 389,738		
FUND BALANCE, BEGINNING OF YEAR	<u>14,425,577</u>	<u>14,425,577</u>	<u>14,425,577</u>		
FUND BALANCE, END OF YEAR	<u>\$ 14,425,577</u>	<u>\$ 14,425,577</u>	<u>\$ 14,815,315</u>		

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Change From Adopted Budget To Final Budget
And The Real Property Tax Limit
For Year Ended June 30, 2013

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 65,514,871
Budget revisions -	
Prior year's encumbrances	1,252,232
Debt service defeasance	155,705
Grants, donations, and miscellaneous receipts	118,368
Lease purchase agreement	155,772
Tax certiorari settlement	167,225
Bus purchases	1,381,904
FINAL BUDGET	<u><u>\$ 68,746,077</u></u>

SECTION 1318 OF REAL PROPERTY TAX ALW LIMIT CALCULATION:

2013-14 voter approved expenditure budget maximum allowed (4%)	\$ 66,994,794
<u>Unrestricted fund balance:</u>	
Assigned fund balance	\$ 1,921,428
Unassigned fund balance	<u>2,679,792</u>
Total Unrestricted fund balance	<u>\$ 4,601,220</u>
<u>Less adjustments:</u>	
Appropriated fund balance	\$ 1,071,500
Encumbrances included in assigned fund balance	<u>849,928</u>
Total adjustments	<u>\$ 1,921,428</u>
General fund fund balance subject to Section 1318 of	
Real Property Tax Law	<u>2,679,792</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, 2013

Project Title	Expenditures						Methods of Financing				
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Obligations	Transfer to			Fund Balance
								Local Sources	Debt Service Fund	Total	
Bus Purchases 2013-14	\$ 669,000	\$ 669,000	\$ -	\$ -	\$ -	\$ 669,000	\$ -	\$ 669,000	\$ -	\$ 669,000	\$ 669,000
Bus Purchases 2012-13	359,000	359,000	-	345,853	345,853	13,147	-	359,000	-	359,000	13,147
Bus Purchases 2011-12	513,000	513,000	502,841	-	502,841	10,159	-	502,841	-	502,841	-
Bus Purchases 2009-10	562,000	562,000	540,865	-	540,865	21,135	-	562,000	(21,135)	540,865	-
Bus Purchases 2007-08	590,000	590,000	588,361	-	588,361	1,639	-	590,000	(1,639)	588,361	-
Bus Purchases 2006-07	455,000	455,000	460,021	-	460,021	(5,021)	-	455,000	5,021	460,021	-
Bus Purchases 2005-06	455,000	455,000	449,154	-	449,154	5,846	-	455,000	(5,846)	449,154	-
Bus Purchases 2003-04	405,000	405,000	404,694	-	404,694	306	-	405,000	(306)	404,694	-
Solar Project	762,000	762,000	679,353	-	679,353	82,647	-	679,322	31	679,353	-
2013 Academy Project	100,000	100,000	-	94,690	94,690	5,310	-	100,000	-	100,000	5,310
2010 Renovation Project	8,430,000	8,430,000	6,202,410	1,573,192	7,775,602	654,398	8,070,000	-	-	8,070,000	294,398
2009 Excel Aid project	9,519,000	9,519,000	8,890,114	(76,822)	8,813,292	705,708	7,834,830	1,290,171	-	9,125,001	311,709
Technology 01-02	2,880,000	2,880,000	2,854,172	-	2,854,172	25,828	2,880,000	-	(25,828)	2,854,172	-
TOTAL	\$ 25,699,000	\$ 25,699,000	\$ 21,571,985	\$ 1,936,913	\$ 23,508,898	\$ 2,190,102	\$ 18,784,830	\$ 6,067,334	\$ (49,702)	\$ 24,802,462	\$ 1,293,564

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Combined Balance Sheet - Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Fund			Total Nonmajor Governmental Funds
	School Lunch Fund	Debt Service Fund	Capital Projects Fund	
ASSETS				
Cash and cash equivalents	\$ 90,850	\$ 1,569,026	\$ 587,695	\$ 2,247,571
Receivables	7,127	-	-	7,127
Inventories	36,063	-	-	36,063
Due from other funds	947	89	705,959	706,995
TOTAL ASSETS	\$ 134,987	\$ 1,569,115	\$ 1,293,654	\$ 2,997,756
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u> -				
Accounts payable	\$ 15,296	\$ -	\$ -	\$ 15,296
Accrued liabilities	5,121	-	-	5,121
Due to other funds	166,639	-	90	166,729
Due to other governments	1,474	-	-	1,474
Unearned revenue	18,145	-	-	18,145
TOTAL LIABILITIES	\$ 206,675	\$ -	\$ 90	\$ 206,765
<u>Fund Balances</u> -				
Nonspendable	\$ 36,063	\$ -	\$ -	\$ 36,063
Restricted	-	1,569,115	1,293,564	2,862,679
Unassigned	(107,751)	-	-	(107,751)
TOTAL FUND BALANCE	\$ (71,688)	\$ 1,569,115	\$ 1,293,564	\$ 2,790,991
TOTAL LIABILITIES AND FUND BALANCES	\$ 134,987	\$ 1,569,115	\$ 1,293,654	\$ 2,997,756

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Combined Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended June 30, 2013

	<u>Special Revenue Fund</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
REVENUES				
Use of money and property	\$ 100	\$ 4,787	\$ -	\$ 4,887
Sale of property and compensation for loss	710	-	-	710
Miscellaneous	12,918	-	-	12,918
State sources	25,159	-	-	25,159
Federal sources	564,656	-	-	564,656
Sales	458,422	-	-	458,422
TOTAL REVENUES	<u>\$ 1,061,965</u>	<u>\$ 4,787</u>	<u>\$ -</u>	<u>\$ 1,066,752</u>
EXPENDITURES				
Pupil transportation	\$ -	\$ -	\$ 345,853	\$ 345,853
Employee benefits	188,741	-	-	188,741
Cost of sales	526,467	-	-	526,467
Other expenses	430,059	-	-	430,059
Capital outlay	-	-	1,591,060	1,591,060
TOTAL EXPENDITURES	<u>\$ 1,145,267</u>	<u>\$ -</u>	<u>\$ 1,936,913</u>	<u>\$ 3,082,180</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (83,302)</u>	<u>\$ 4,787</u>	<u>\$ (1,936,913)</u>	<u>\$ (2,015,428)</u>
OTHER FINANCING SOURCES (USES)				
Transfers - in	\$ -	\$ 49,321	\$ 1,465,745	\$ 1,515,066
Transfers - out	-	-	(49,321)	(49,321)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ 49,321</u>	<u>\$ 1,416,424</u>	<u>\$ 1,465,745</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (83,302)</u>	<u>\$ 54,108</u>	<u>\$ (520,489)</u>	<u>\$ (549,683)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>11,614</u>	<u>1,515,007</u>	<u>1,814,053</u>	<u>3,340,674</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (71,688)</u></u>	<u><u>\$ 1,569,115</u></u>	<u><u>\$ 1,293,564</u></u>	<u><u>\$ 2,790,991</u></u>

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
For Year Ended June 30, 2013

Capital assets, net		\$ 74,089,903
Add:		
Unspent bond proceeds	<u>\$ 606,107</u>	606,107
Deduct:		
Short-term portion of bonds payable	\$ 3,650,000	
Long-term portion of bonds payable	38,379,789	
Short-term portion of installment purchase debt	208,136	
Long-term portion of installment purchase debt	<u>829,914</u>	
		<u>43,067,839</u>
Net Investment in Capital Assets		<u><u>\$ 31,628,171</u></u>

Supplementary Information
CANANDAIGUA CITY SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Grantor / Pass - Through Agency</u>	<u>CFDA</u>	<u>Grantor</u>	<u>Pass-Through Agency</u>	<u>Total</u>
<u>Federal Award Cluster / Program</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Title IIA - Teacher Training	84.367	N/A	0147-12-2175	\$ 464
Title IIA - Teacher Training	84.367	N/A	0147-13-2175	137,291
Race to the Top - ARRA	84.395	N/A	5500-13-2175	35,142
<u>Title I, Part A Cluster -</u>				
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-12-2175	21,417
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-13-2175	503,006
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-13-0664	906,372
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-13-0664	28,927
Total U.S. Department of Education				<u>\$ 1,632,619</u>
<u>U.S. Department of Agriculture:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department (Child Nutrition Services) -</u>				
<u>Nutrition Cluster -</u>				
National School Lunch Program	10.555	N/A	006905	\$ 371,831
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	N/A	006905	96,264
National School Breakfast Program	10.553	N/A	006905	96,561
Total U.S. Department of Agriculture				<u>\$ 564,656</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 2,197,275</u>

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

Shareholders:

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

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

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

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, 2013, 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 11, 2013.

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, P.C." The signature is written in a cursive, flowing style.

September 11, 2013