GRAND ISLAND CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2016

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Table of Contents

June 30, 2016

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements
- Statement of Net Position
- Statement of Activities
- Balance Sheet – Governmental Funds
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
- Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP) and Actual – General Fund
- Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
- Notes to Financial Statements

Required Supplementary Information (Unaudited)
- Schedule of Funding Progress – Postemployment Benefit Plan
- Schedule of the District's Proportionate Share of the Net Pension Asset – New York State Teachers' Retirement System
- Schedule of District Contributions – New York State Teachers' Retirement System
- Schedule of the District's Proportionate Share of the Net Pension Liability – New York State and Local Employees' Retirement System
- Schedule of District Contributions – New York State and Local Employees' Retirement System

Supplementary Information
- Schedule of Change from Original to Final Budget and Calculation of Unrestricted Fund Balance Limit – General Fund
- Schedule of Capital Project Expenditures
- Schedule of Expenditures of Federal Awards and related notes

Reports on Federal Award Programs
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

Management's Response
- Summary Schedule of Prior Audit Findings

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Grand Island Central School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Grand Island Central School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and budgetary comparison for the general fund 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 management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 including the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 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 28, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

September 28, 2016

Grand Island Central School District
Management's Discussion and Analysis
June 30, 2016
Unaudited

Introduction

Management's Discussion and Analysis (MD&A) of Grand Island Central School District (the District) provides an overview of the District's financial performance and activities for the year ended June 30, 2016. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's financial statements which follow. This MD&A, the financial statements, and notes thereto are essential to obtaining a full understanding of the District's financial position and results of operations. The District's financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) reconciliations between the government-wide and governmental fund financial statements; (4) agency fund statements; (5) notes to the financial statements; and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. The statement of activities presents information showing how the District's net position changed during each 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the District as a whole. All of the activities of the District are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the District. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Department of Education.

Condensed Statement of Net Position	2016	2015	Change $	Change %
Current assets	$ 20,899,000	$ 27,293,000	$ (6,394,000)	-23.4%
Net pension asset	14,232,000	15,487,000	(1,255,000)	-8.1%
Capital assets	79,347,000	69,520,000	9,827,000	14.1%
Total assets	114,478,000	112,300,000	2,178,000	1.9%
Deferred outflows of resources	6,417,000	4,269,000	2,148,000	50.3%
Long-term liabilities	21,412,000	22,865,000	(1,453,000)	-6.4%
Other liabilities	53,630,000	49,126,000	4,504,000	9.2%
Net pension liability	3,428,000	703,000	2,725,000	387.6%
Total liabilities	78,470,000	72,694,000	5,776,000	7.9%
Deferred inflows of resources	5,314,000	10,644,000	(5,330,000)	-50.1%
Net position				
Net investment in capital assets	29,569,000	25,960,000	3,609,000	13.9%
Restricted	21,013,000	25,050,000	(4,037,000)	-16.1%
Unrestricted	(13,471,000)	(17,779,000)	4,308,000	-24.2%
Total net position	$ 37,111,000	$ 33,231,000	$ 3,880,000	11.7%

Net position amounted to $37,111,000 and $33,231,000 at June 30, 2016 and 2015. The largest portion of the District's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment less outstanding debt used to acquire those assets. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The District's net position includes resources that are subject to external restrictions on how they may be used. These reserves are set aside for specific purposes governed by statutory law, real property tax law, and commissioner's regulations and include the retirement contribution reserve restricted to fund contributions paid by the District for the New York State and Local Employees' Retirement System (ERS); the debt service reserve, which is set aside for the repayment of bonds issued to finance capital projects; and an employee benefit accrued liability reserve which must be used to pay future accumulated vacation and sick time. Other restricted resources include unemployment insurance, capital, and tax certiorari reserves. Additionally, the net pension asset under the New York State Teachers' Retirement System (TRS) is not available for spending and as such is restricted.

Total assets increased by $2,178,000 ($29,141,000 or 35% increase in 2015). The increase is due to an increase in capital assets ($21,369,000 increase in 2015) due to current year additions exceeding depreciation expense. This was offset by a decrease in current assets of $6,394,000 ($7,715,000 or 22% decrease in 2015) as a result of cash invested in capital assets and negative cash flow.

The increase in other liabilities of $4,504,000 ($15,042,000 or 44.1% increase in 2015) is due to an increase in bond anticipation notes of $6,585,000 for capital projects, partially offset by a decrease in accounts payable related to these projects and a reduction in payments due to TRS and ERS. The decrease in long-term liabilities is a result of current year principal payments on existing bonds.

Most of the District's employees participate in TRS and ERS. The amounts reported as net pension asset, net pension liability, deferred outflows of resources, and deferred inflows of resources relate to these two retirement systems. Changes in these balances are heavily influenced by actuarial assumptions and investment performance versus expected performance. See the footnotes to the financial statements for further details.

Condensed Statement of Activities	2016	2015	Change $	Change %
Revenues				
Program revenues				
Charges for services	$ 814,000	$ 777,000	$ 37,000	4.8%
Operating grants and contributions	2,085,000	2,092,000	(7,000)	-0.3%
General revenues				
Property and sales taxes	34,776,000	34,206,000	570,000	1.7%
State aid	16,521,000	15,867,000	654,000	4.1%
Other	1,109,000	812,000	297,000	36.6%
Total revenue	55,305,000	53,754,000	1,551,000	2.9%
Expenses				
Instruction	40,092,000	36,510,000	3,582,000	9.8%
Support services				
General support	6,190,000	7,050,000	(860,000)	-12.2%
Pupil transportation	3,176,000	3,362,000	(186,000)	-5.5%
Food service	1,002,000	1,087,000	(85,000)	-7.8%
Interest and other	965,000	613,000	352,000	57.4%
Total expenses	51,425,000	48,622,000	2,803,000	5.8%
Change in net position	3,880,000	5,132,000	(1,252,000)	-24.4%
Net position - beginning	33,231,000	28,099,000	5,132,000	18.3%
Net position - ending	$ 37,111,000	$ 33,231,000	$ 3,880,000	11.7%

District revenues increased by $1,551,000 ($1,249,000 increase in 2015). This increase was largely generated by an increase in taxes and State aid, due to a $725,000 reduction in the State's gap elimination adjustment for school funding. The District also received a $628,000 premium on bond anticipation notes issued in fiscal 2016 ($342,000 received in 2015), included in other general revenues. The premiums must be used to offset the cost of interest payments on outstanding short-term debt.

Total expenses increased $2,803,000 ($4,523,000 decrease in 2015). Payroll expense increased $987,000 as a result of annual contractual increases. Expenses related to employee benefits increased $1,201,000, due to increases in health insurance premiums of $461,000, compensated absences of $453,000, and actuarially determined pension expenses increased $311,000. For 2016, the allocation of benefits is based on related payroll expenses, which caused more expense to be allocated to instruction rather than support services. Interest expense increased $352,000 due to the increase in outstanding BANs and amortization of a defeasance loss of $136,000.

Financial Analysis of the District's Funds

Total fund balances for the governmental funds deficit of $21,512,000 increased to a deficit of $32,171,000.

- Total fund revenue increased $928,000 or 1.7% ($1,202,000 or 2.3% in 2015) and total fund expenditures decreased $9,286,000 or 12.0% (increase of $4,411,000 or 6.1% in 2015). The increased revenue is due to state aid and property taxes as noted previously. Expenditures reflect $10,903,000 in capital outlays, a decrease of $11,469,000 over 2015. The District was required to make a principal payment of $1,160,000 concurrent with the refinancing of existing BANs.
- The capital projects fund deficit fund balance at June 30, 2016 was $42,861,000. The deficit will be relieved upon conversion of BANs into long-term serial bonds.
- The school lunch fund's deficit fund balance was $524,000 as of June 30, 2016, an additional $101,000 deficit from June 30, 2015.

General Fund Budgetary Highlights

The final general fund revenue budget for 2016 was $53,665,000. Actual revenues were $52,196,000, resulting in a $1,469,000 unfavorable variance from budget. This variance is due to state aid being $2,094,000 less than budget due to anticipated building aid projected in the budget that was not realized due to eligible capital projects not being completed. Additionally, the District lost $313,000 of State aid as a result of an audit of prior capital projects. Revenues for sales tax exceeded budgeted amounts.

Actual expenditures and carryover encumbrances were $3,801,000 less than the final amended budget of $58,093,000. This is mainly due to savings and cautious estimates of expenditures in the following budget categories: teaching – regular school, central services, employee benefits, and pupil transportation.

Capital Assets

	2016	2015
Land and land improvements	$ 2,161,000	$ 2,161,000
Buildings and improvements	87,042,000	39,062,000
Furniture and equipment	4,115,000	3,985,000
Vehides	8,015,000	7,426,000
Construction in progress	4,246,000	41,963,000
	105,579,000	94,597,000
Accumulated depreciation	(26,232,000)	(25,077,000)
	$ 79,347,000	$ 69,520,000

Current year additions of $11,064,000 were offset by depreciation expense and disposals totaling $1,237,000.

Debt

At June 30, 2016 the District had $6,789,000 of outstanding bonds, with $2,337,000 due within one year ($8,507,000 outstanding in 2015). Outstanding compensated absences were $14,187,000 ($13,734,000 in 2015) with $2,064,000 expected to be paid within one year.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

School districts in New York State are impacted by political pressures imposed on officials in funding of education. Year to year changes in funding levels and State Aid formulas complicate the planning process for schools. The District will continue to mitigate the impact of rising costs of education on the overall budget, including using reserve funds as permitted by law to lessen the budgetary impact. The property tax levy cap emphasizes the importance of using reserves judiciously and implementing creative cost cutting measures. These issues and concerns require management to plan carefully and prudently to provide the education resources necessary to meet student needs. The District's employment contracts are negotiated through 2019. Negotiation of these contracts could put further pressure on future budgets and how funds are allocated between personnel and programs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert McDow, Assistant Superintendent for School Business and Finance, Grand Island Central School District, 1100 Ransom Road, Grand Island, New York 14072.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2016
(With comparative totals as of June 30, 2015)

	2016	2015
Assets		
Cash	$ 17,135,289	$ 23,735,027
Due from other governments	2,024,892	1,879,550
Accounts receivable	144,009	133,077
State and federal aid receivable	1,178,793	1,140,999
Due from fiduciary funds	372,111	363,100
Inventory	44,339	41,540
Net pension asset	14,231,761	15,486,556
Capital assets (Note 5)	105,579,253	94,597,412
Accumulated depreciation	(26,232,153)	(25,077,548)
Total assets	114,478,294	112,299,713
Deferred Outflows of Resources		
Defeasance loss	-	135,628
Deferred outflows of resoures from pensions	6,417,216	4,133,185
Total deferred outflows of resources	6,417,216	4,268,813
Liabilities		
Accounts payable	1,486,197	3,068,914
Accrued liabilities	704,630	448,720
Due to retirement systems	3,259,467	4,013,571
Bond anticipation notes	48,180,000	41,595,000
Long-term liabilities		
Due within one year:		
Bonds	2,337,371	2,367,685
Compensated absences	2,064,000	1,882,000
Due beyond one year:		
Bonds and related premiums	4,579,505	6,362,346
Compensated absences	12,123,000	11,852,000
Other postemployment benefits	307,778	401,227
Net pension liability	3,428,496	702,621
Total liabilities	78,470,444	72,694,084
Deferred Inflows of Resources		
Deferred inflows of resources from pensions	5,313,770	10,643,462
Net Position		
Net investment in capital assets	29,569,356	25,959,695
Restricted	21,012,643	25,050,212
Unrestricted	(13,470,703)	(17,778,927)
Total net position	$ 37,111,296	$ 33,230,980

See accompanying notes.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Statement of Activities

For the year ended June 30, 2016
(With summarizied comparative totals for June 30, 2015)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue: 2016	Net (Expense) Revenue: 2015
Governmental activities					
General support	$ 6,189,624	$ 15,670	$ -	$ (6,173,954)	$ (7,036,777)
Instruction	40,092,180	303,284	1,692,482	(38,096,414)	(34,532,106)
Pupil transportation	3,175,937	-	-	(3,175,937)	(3,362,116)
Community service	2,487	-	-	(2,487)	(6,413)
Interest expense	962,658	-	-	(962,658)	(607,084)
School food service	1,001,787	495,267	392,564	(113,956)	(209,315)
	$ 51,424,673	$ 814,221	$ 2,085,046	(48,525,406)	(45,753,811)
	General revenues				
	Real property taxes			31,426,652	30,940,481
	Sales tax			3,348,787	3,265,803
	Miscellaneous			1,109,048	813,017
	State aid			16,521,235	15,866,533
	Total general revenues			52,405,722	50,885,834
	Change in net position			3,880,316	5,132,023
	Net position - beginning			33,230,980	28,098,957
	Net position - ending			$ 37,111,296	$ 33,230,980

See accompanying notes.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2016
(With summarized comparative totals as of June 30, 2015)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds 2016	Total Governmental Funds 2015
Assets						
Cash	$ 11,454,432	$ 5,643,400	$ 26,410	$ 11,047	$ 17,135,289	$ 23,735,027
Due from other governments	2,024,892	-	-	-	2,024,892	1,879,550
Accounts receivable	144,009	-	-	-	144,009	133,077
State and federal aid receivable	645,553	-	506,265	26,975	1,178,793	1,140,999
Due from other funds, net	716,006	775,214	-	-	1,491,220	2,811,625
Inventory	-	-	-	44,339	44,339	41,540
Total assets	$ 14,984,892	$ 6,418,614	$ 532,675	$ 82,361	$ 22,018,542	$ 29,741,818
Liabilities and Fund Balances						
Accounts payable	$ 368,537	$ 1,099,482	$ 18,178	$ -	$ 1,486,197	$ 3,068,914
Accrued liabilities	143,044	-	-	1,586	144,630	127,720
Due to retirement systems	3,259,467	-	-	-	3,259,467	4,013,571
Due to other funds, net	-	-	514,497	604,612	1,119,109	2,448,525
Bond anticipation notes	-	48,180,000	-	-	48,180,000	41,595,000
Total liabilities	3,771,048	49,279,482	532,675	606,198	54,189,403	51,253,730
Fund Balances						
Nonspendable:						
Inventory	-	-	-	44,339	44,339	41,540
Restricted:						
Capital projects	54,538	-	-	-	54,538	1,185,117
Debt service	2,256,973	-	-	-	2,256,973	2,776,870
Employee benefit accrued liability	3,010,214	-	-	-	3,010,214	3,842,269
Retirement contribution	900,000	-	-	-	900,000	1,200,912
Unemployment insurance	255,347	-	-	-	255,347	255,041
Tax certiorari	303,810	-	-	-	303,810	303,447
Assigned:						
Designated for subsequent year's expenditures	1,950,000	-	-	-	1,950,000	1,950,000
Other purposes	43,843	-	-	-	43,843	38,851
Unassigned	2,439,119	(42,860,868)	-	(568,176)	(40,989,925)	(33,105,959)
Total fund balances (deficit)	11,213,844	(42,860,868)	-	(523,837)	(32,170,861)	(21,511,912)
Total liabilities and fund balances	$ 14,984,892	$ 6,418,614	$ 532,675	$ 82,361	$ 22,018,542	$ 29,741,818

See accompanying notes.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2016

Total fund balances - governmental funds		$ (32,170,861)
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 are not reported as assets in governmental funds.		79,347,100
The District's proportionate share of the net pension asset and liability as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:		
Net pension asset	14,231,761	
Deferred outflows of resources from pensions	6,417,216	
Net pension liability	(3,428,496)	
Deferred inflows of resources from pensions	(5,313,770)	11,906,711
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:		
Bonds and related premiums	(6,916,876)	
Accrued interest	(560,000)	
Compensated absences	(14,187,000)	
Other postemployment benefits	(307,778)	(21,971,654)
Net position - governmental activities		$ 37,111,296

See accompanying notes.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the year ended June 30, 2016
(With summarized comparative totals for June 30, 2015)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds 2016	Total Governmental Funds 2015
Revenues						
Real property taxes	$ 26,951,468	$ -	$ -	$ -	$ 26,951,468	$ 26,462,746
Real property tax items	4,475,184	-	-	-	4,475,184	4,477,735
Nonproperty taxes	3,348,787	-	-	-	3,348,787	3,265,803
Charges for services	303,284	-	-	-	303,284	258,793
Use of money and property	27,132	2,629	-	22	29,783	32,579
Sale of property and compensation for loss	40,397	-	-	-	40,397	24,524
Miscellaneous	359,740	72,309	1,112	767	433,928	771,621
State sources	16,521,235	-	545,985	16,440	17,083,660	16,415,207
Federal sources	169,062	-	976,323	375,335	1,520,720	1,540,949
Sales	-	-	-	495,267	495,267	504,509
Total revenues	52,196,289	74,938	1,523,420	887,831	54,682,478	53,754,466
Expenditures						
General support	5,044,115	11,390	-	463,839	5,519,344	5,958,117
Instruction	28,900,885	-	1,470,394	-	30,371,279	28,478,313
Pupil transportation	2,240,786	-	160,026	-	2,400,812	2,623,935
Community service	2,487	-	-	-	2,487	6,413
Employee benefits	13,848,864	-	-	135,194	13,984,058	14,177,763
Debt service						
Principal	3,527,685	-	-	-	3,527,685	2,506,337
Interest	683,500	-	-	-	683,500	542,427
Cost of sales	-	-	-	386,947	386,947	400,018
Capital outlay	-	10,900,650	-	2,470	10,903,120	22,371,911
Total expenditures	54,248,322	10,912,040	1,630,420	988,450	67,779,232	77,065,234
Excess expenditures	(2,052,033)	(10,837,102)	(107,000)	(100,619)	(13,096,754)	(23,310,768)
Other financing sources (uses)						
Proceeds from issuance of debt and premium	627,805	650,000	-	-	1,277,805	655,280
BANs redeemed from appropriations	-	1,160,000	-	-	1,160,000	-
Operating transfers	(1,239,000)	1,132,000	107,000	-	-	-
Total other financing sources (uses)	(611,195)	2,942,000	107,000	-	2,437,805	655,280
Net change in fund balances	(2,663,228)	(7,895,102)	-	(100,619)	(10,658,949)	(22,655,488)
Fund balances (deficit) - beginning	13,877,072	(34,965,766)	-	(423,218)	(21,511,912)	1,143,576
Fund balances (deficit) - ending	$ 11,213,844	$ (42,860,868)	$ -	$ (523,837)	$ (32,170,861)	$ (21,511,912)

See accompanying notes.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the year ended June 30, 2016

Total net change in fund balances - governmental funds		$ (10,658,949)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense and disposals.		9,827,236
Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:		
2016 TRS and ERS contributions	4,030,198	
2016 ERS accrued contribution	249,132	
2015 ERS accrued contribution	(284,500)	
2016 TRS net pension revenue	936,131	
2016 ERS net pension expense	(1,297,908)	3,633,053
Debt proceeds are recorded as other financing sources in the governmental funds but increase long-term liabilities in the statement of net position.		(650,000)
Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position.		2,367,685
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:		
Amortization of bond premiums	95,470	
Amortization of defeasance loss	(135,628)	
Compensated absences	(453,000)	
Other postemployment benefits	93,449	
Interest	(239,000)	(638,709)
Change in net position - governmental activities		$ 3,880,316

See accompanying notes.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP) and Actual - General Fund

For the year ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
Revenues					
Local sources					
Real property taxes	$ 27,191,330	$ 27,191,330	$ 26,951,468		$ (239,862)
Real property tax items	4,274,300	4,274,300	4,475,184		200,884
Nonproperty taxes	2,985,000	2,985,000	3,348,787		363,787
Charges for services	153,500	153,500	303,284		149,784
Use of money and property	67,300	67,300	27,132		(40,168)
Sale of property and compensation for loss	11,000	11,000	40,397		29,397
Miscellaneous	266,500	267,000	359,740		92,740
State sources	18,615,380	18,615,380	16,521,235		(2,094,145)
Federal sources	100,000	100,000	169,062		69,062
Total revenues	53,664,310	53,664,810	52,196,289		(1,468,521)
Expenditures					
General support					
Board of education	37,436	39,436	37,240	-	(2,196)
Central administration	235,000	234,500	228,286	-	(6,214)
Finance	453,885	541,645	501,097	3,000	(37,548)
Staff	417,621	362,660	207,615	-	(155,045)
Central services	4,786,124	4,649,934	3,599,709	14,532	(1,035,693)
Special items	649,335	649,335	470,168	-	(179,167)
Instruction					
Instruction, administration and improvement	1,568,871	1,624,708	1,554,511	1,985	(68,212)
Teaching - regular school	17,689,432	16,431,848	15,896,686	5,800	(529,362)
Programs for children with handicapping conditions	5,189,400	6,269,893	6,151,474	2,000	(116,419)
Occupational education	1,284,132	1,284,132	1,277,869	-	(6,263)
Teaching - special schools	221,524	221,524	107,491	-	(114,033)
Instructional media	1,592,841	1,600,870	1,527,754	4,987	(68,129)
Pupil services	2,401,237	2,466,442	2,385,100	3,039	(78,303)
Pupil transportation	2,710,685	2,710,685	2,240,786	8,500	(461,399)
Community service	15,000	15,411	2,487	-	(12,924)
Employee benefits	14,538,814	14,688,814	13,848,864	-	(839,950)
Debt service					
Principal	3,366,650	3,366,650	3,527,685	-	161,035
Interest	935,000	935,000	683,500	-	(251,500)
Total expenditures	58,092,987	58,093,487	54,248,322	43,843	(3,801,322)
Excess expenditures	(4,428,677)	(4,428,677)	(2,052,033)	(43,843)	2,332,801
Other financing sources (uses)					
BAN premium	-	-	627,805		627,805
Operating transfers out	(60,000)	(60,000)	(1,239,000)		1,179,000
Appropriated fund balance, reserves, and carryover encumbrances	4,488,677	4,488,677	-		(4,488,677)
Total other financing sources (uses)	4,428,677	4,428,677	(611,195)		(5,039,872)
Excess revenues (expenditures) and other financing sources (uses)	$ -	$ -	$ (2,663,228)	$ (43,843)	$ (2,707,071)

See accompanying notes.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2016

	Private-Purpose Trusts	Agency
Assets		
Cash	$ 65,013	$ 614,446
Liabilities		
Extraclassroom activities balances	-	$ 89,229
Agency liabilities	-	153,106
Due to governmental funds	-	372,111
Total liabilities	-	$ 614,446
Net Position		
Restricted for scholarships	$ 65,013	

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GRAND ISLAND CENTRAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2016

	Private-Purpose Trusts
Additions	
Gifts and donations	$ 21,226
Interest income	1,935
	23,161
Deductions	
Scholarship awards	26,751
Change in net position	(3,590)
Net position - beginning	68,603
Net position - ending	$ 65,013

See accompanying notes.

1. Summary of Significant Accounting Policies

Reporting Entity

Grand Island Central School District (the District) is governed by Education and other laws of the State of New York (the State). The District's Board of Education has responsibility and control over all activities related to public school education within the District. The District's Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The District provides education and support services such as administration, transportation, and plant maintenance. The District receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America, nor does it contain any component units.

The financial statements of 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.

Joint Venture

The District is one of 19 participating school districts in the Erie 1 Board of Cooperative Educational Services (BOCES). Formed under §1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. BOCES may also contract with other municipalities on a cooperative basis under State General Municipal Law.

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

During the year ended June 30, 2016, the District was billed $3,855,000 for BOCES administrative and program costs and recognized revenue of $204,000 as a refund from prior year expenditures paid to BOCES. Audited financial statements are available from BOCES' administrative offices.

Public Entity Risk Pools

The District participates in the NY44 Health Benefits Plan Trust which is a public entity risk pool. The plan is designed to provide health insurance coverage for participating entities. This activity is further discussed in Note 10.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state aid, are presented as general revenues.

Fund Financial Statements: The fund financial 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 the fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District also elected to display the following as major funds:

- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.
- *School lunch fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the District's breakfast and lunch programs.

The District has elected not to use a debt service fund as debt activity is currently reflected in the general fund. Amounts accumulated for the payment of future principal and interest payments restricted for such purpose are included in the general fund.

The District reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit various third party scholarship arrangements.
- *Agency fund.* This fund accounts for assets held by the District as agent for various student groups and clubs, payroll, and employee third party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

The government-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 flows take place. Nonexchange transactions, in which the District receives value directly without giving equal value in exchange, include property and sales taxes, grants, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds 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 they are collected within ninety days after year end. 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. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Tax Calendar

The District levies real property taxes no later than September 1. For the year ended June 30, 2016, the tax lien was issued on August 18, 2015 for collection from September 1, 2015 through December 1, 2015. Thereafter, uncollected amounts became the responsibility of Erie County and were submitted to the District by April 1st of the following year as required by law.

Budget Process, Amendments and Encumbrances

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2015 was approved by a majority of the voters in a general election held on May 19, 2015.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished through budget appropriations.

Inventory

Inventory consists of food and similar food service goods related to school lunch operations and is recorded at the lower of first-in, first-out cost or net realizable value. Donated commodities are stated at values which approximate market.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life
Land improvements	$500	20
Buildings and improvements	$500	40
Furniture and equipment	$500	5-20
Vehicles	$500	8

Bond Premiums

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

Pensions

On the government-wide statements, the District recognizes the net pension asset (liability), deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The District's participation in the plans is mandated by State law and includes the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems). The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrators and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for payment of health insurance until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets, including the net pension asset, reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the District's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the District.

Governmental Fund Statements

The District considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the District considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law, State Education Law, or Real Property Tax Law as authorized for use by the Board of Education. Certain reserves may require voter approval for their establishment and/or use. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board of Education as recommended by the District's management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include the planned use of existing fund balance to offset the subsequent year's tax levy provided that it does not result in a deficit unassigned fund balance. Additionally, the Board of Education has given the District's management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory.

Fund balance restrictions consist of the following reserves:

- *Capital projects* – is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. In 2008, the District voters approved a capital reserve that can be funded up to $10,000,000. To date, $8,279,000 of this reserve has been funded.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond premiums), and remaining bond proceeds not needed for their original purpose as required by §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Employee benefit accrued liability* – is used to account for the payment of accumulated vacation and sick time due upon termination of an employee's services. It is 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.
- *Retirement contribution* – is used to finance retirement contributions payable to ERS.
- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the District has elected to use the benefit reimbursement method.
- *Tax certiorari* – is used to pay judgments and claims resulting from certiorari proceedings. Funds not used by July 1 of the fourth fiscal year following their deposit must be returned to unassigned fund balance.

Interfund Balances

The operations of the District include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds include transfers to provide financing or other services.

In the government-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, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the District's practice to settle these amounts at the net balances due between funds.

Reclassifications

The prior year statement of net position has been reclassified to conform to the presentation adopted for 2016.

2. Stewardship and Compliance

The capital projects deficit fund balance of $42,860,868 will be funded when bond anticipation notes are converted to permanent financing.

The fund balance in the school lunch fund reflects a deficit of $523,837 as of June 30, 2016 due to declining revenue and increased costs. The deficit will need to be funded through increased pricing or a permanent transfer from the general fund.

3. Cash

Cash management is governed by State laws and as established in the District's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Policies permit the Treasurer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. At June 30, 2016, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' agents in the District's name.

4. Interfund Transactions – Fund Financial Statements

			Transfers	
Fund	**Receivable**	**Payable**	**In**	**Out**
General	$ 1,491,220	$ 775,214	$ -	$ 1,239,000
Special aid	-	514,497	107,000	-
School lunch	-	604,612	-	-
Capital projects	775,214	-	1,132,000	-
Fiduciary	-	372,111	-	-
	$ 2,266,434	**$ 2,266,434**	**$ 1,239,000**	**$ 1,239,000**

The general fund provides cash flow to various other funds; these amounts will be repaid when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program and to the capital projects fund for capital reserve funds allocated to the current capital project.

5. Capital Assets

	July 1, 2015	Increases	Retirements/ Reclassifications	June 30, 2016
Non-depreciable capital assets:				
Land	$ 152,746	$ -	$ -	$ 152,746
Construction in progress	41,962,565	10,262,998	(47,979,127)	4,246,436
Total non-depreciable assets	42,115,311	10,262,998	(47,979,127)	4,399,182
Depreciable capital assets:				
Land improvements	2,008,422	-	-	2,008,422
Buildings and improvements	39,062,405	-	47,979,127	87,041,532
Furniture and equipment	3,985,317	162,944	(33,613)	4,114,648
Vehicles	7,425,957	637,652	(48,140)	8,015,469
Total depreciable assets	52,482,101	800,596	47,897,374	101,180,071
Less accumulated depreciation:				
Land improvements	1,620,153	33,054	-	1,653,207
Buildings and improvements	15,458,191	310,024	-	15,768,215
Furniture and equipment	2,892,085	219,783	(33,101)	3,078,767
Vehicles	5,107,119	668,203	(43,358)	5,731,964
Total accumulated depreciation	25,077,548	1,231,064	(76,459)	26,232,153
Total depreciable assets, net	27,404,553	(430,468)	47,973,833	74,947,918
	$ 69,519,864	**$ 9,832,530**	**$ (5,294)**	**$ 79,347,100**

Depreciation expense has been allocated to the following functions: general support $172,130, instruction $970,602, pupil transportation $72,525, and school food service $15,807.

As of June 30, 2016, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	$ 79,347,100
Bonds and related premiums	(6,916,876)
Cash restricted for capital projects, net of related payables	5,319,132
Bond anticipation notes	(48,180,000)
	$ 29,569,356

6. Short-Term Debt

In 2016, the District issued bond anticipation notes (BANs) in the amount of $48,180,000 carrying interest of 2.0% with the principal and interest due December 2016 to refinance $41,595,000 after payment of one year's principal of $1,160,000 and to provide additional funding for current capital projects. The District intends to continue to reissue BANs until permanent financing is secured.

7. Long-Term Liabilities

	July 1, 2015	Increases	Decreases	June 30, 2016	Amount Due in One Year
Bonds	$ 8,507,268	$ 650,000	$ 2,367,685	$ 6,789,583	$ 2,337,371
Premium on 2013 bond refunding	222,763	-	95,470	127,293	-
Compensated absences	13,734,000	1,194,000	741,000	14,187,000	2,064,000
Other postemployment benefits	401,227	130,774	224,223	307,778	-
	$ 22,865,258	**$ 1,974,774**	**$ 3,428,378**	**$ 21,411,654**	**$ 4,401,371**

Existing Obligations

Description	Maturity	Rate	Balance
2008 bond	August 2023	3.38%-4.10%	$ 1,805,000
2012 bond	June 2017	1.98%	134,243
2013 refunding bond	October 2017	3.00%	3,020,000
2013 bond	June 2018	2.26%	230,200
2014 bond	June 2019	2.25%	425,916
2015 bond	June 2020	2.23%	524,224
2016 bond	June 2021	1.58%	650,000
			$ 6,789,583

Debt Service Requirements

Years ending June 30,	Principal	Interest
2017	$ 2,337,371	$ 175,828
2018	2,248,128	109,572
2019	613,028	69,661
2020	481,056	50,891
2021	360,000	36,914
2022-2024	750,000	46,450
	$ 6,789,583	**$ 489,316**

8. Pension Plans

Plan Descriptions

The District participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.

- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 13.26% for 2016. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the District to the pension accumulation fund. For 2016, these rates ranged from 10.6%-23.2%.

The amount outstanding and payable to TRS for the year ended June 30, 2016 was $2,871,515. A liability to ERS of $249,132 is accrued based on the District's legally required contribution for employee services rendered from April 1, 2016 through June 30, 2016.

Net Pension Asset (Liability), Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2016, the District reported an asset of $14,231,761 for its proportionate share of the TRS net pension asset and a liability of $3,428,496 for its proportionate share of the ERS net pension liability.

The TRS net pension asset was measured as of June 30, 2015, and the total pension liability was determined by an actuarial valuation as of June 30, 2014, with update procedures applied to roll forward the net pension position to June 30, 2015. The District's proportion of the net pension asset was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2015, the District's proportion was 0.137018%, a decrease of 0.002007% from its proportion measured as of June 30, 2014.

The ERS net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015. The District's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2016 measurement date, the District's proportion was 0.021361%, an increase of 0.000563% from its proportion measured as of March 31, 2015.

For the year ended June 30, 2016, the District recognized net pension expense of $361,777 on the government-wide statements (income from TRS of $936,131 and expense from ERS of $1,297,908). At June 30, 2016, the District reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 394,423	$ 17,325	$ 406,391
Changes of assumptions	-	-	914,276	-
Net difference between projected and actual earnings on pension plan investments	-	4,498,734	2,033,972	-
Changes in proportion and differences between District contributions and proportionate share of contributions	62,709	14,222	268,287	-
District contributions subsequent to the measurement date	2,871,515	-	249,132	-
	$ 2,934,224	**$ 4,907,379**	**$ 3,482,992**	**$ 406,391**

District contributions subsequent to the measurement date will be recognized as an addition to (reduction of) the net pension asset (liability) in the year ending June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	TRS	ERS
2017	$ (1,809,185)	$ 722,163
2018	(1,809,185)	722,163
2019	(1,809,185)	722,163
2020	753,490	660,980
2021	(43,833)	-
Thereafter	(126,772)	-
	$ (4,844,670)	**$ 2,827,469**

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2014 valuation, with update procedures used to roll forward the total pension liability to June 30, 2015, were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010. These assumptions are:

Inflation – 3.0%
Salary increases – Based on TRS member experience, dependent on age and gender, ranging from 4.0-10.9%
Projected Cost of Living Adjustments (COLA) – 1.625% compounded annually
Investment rate of return – 8.0% compounded annually, net of investment expense, including inflation
Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries Scale AA
Discount rate – 8.0%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations.* Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation, with update procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%
Salary increases – 3.8%
COLA – 1.3% annually
Investment rate of return – 7.0% compounded annually, net of investment expense, including inflation
Mortality – Based on ERS experience from April 1, 2010 – March 31, 2015 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014
Discount rate – 7.0%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class and the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:

	TRS		ERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	37%	6.5%	38%	7.3%
International equities	18%	7.7%	13%	8.5%
Private equities	-	-	10%	11.0%
Real estate	10%	4.6%	8%	8.3%
Alternative investments	7%	9.9%	-	-
Domestic fixed income securities	17%	2.1%	2%	4.0%
Global fixed income securities	2%	1.9%	-	-
Bonds and mortgages	8%	3.4%	18%	4.0%
Short-term	1%	1.2%	2%	2.3%
Other	-	-	9%	6.8%-8.7%
	100%		**100%**	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of its net pension asset and liability calculated using the discount rate of 8.0% (TRS) and 7.0% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
District's proportionate share of the TRS net pension asset (liability)	$ (970,790)	$ 14,231,761	$ 27,196,344
District's proportionate share of the ERS net pension asset (liability)	$ (7,731,008)	$ (3,428,496)	$ 206,944

9. Postemployment Healthcare Benefits

The District maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical, dental and vision insurance for certain District retirees and their spouses.

Benefit provisions are based on individual contracts with the District, as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility is based on covered employees who retire from the District over the age of 55 and have met vesting requirements. The required contribution is on a pay-as-you-go basis, with no current funding of actuarially determined liabilities. For the year ended June 30, 2016, the District contributed $224,223 for plan benefits. Retirees are provided with health insurance at different cost percentages depending on their retirement date and bargaining unit. The District principally provides a fixed per annum contribution towards insurance for those employee groups covered.

The Plan is also open to all eligible employees and provides continued insurance through the conversion of sick time or by payment of monthly premiums by retirees through participation in the District's plan. Plan options include single, family and post-age 65 Medicare advantage plans.

The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the District. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years. OPEB expense is calculated based upon the following components:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees at the beginning of the year.
- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The following table summarizes the District's annual OPEB for the year ended June 30, 2016:

Annual required contribution	
Normal cost	$ 84,147
Amortization of unfunded actuarial accrued liability	47,198
Interest	16,049
ARC adjustment	(16,620)
	130,774
Contributions made	(224,223)
Decrease in net OPEB obligation	(93,449)
Net OPEB obligation - beginning of year	401,227
Net OPEB obligation - end of year	$ 307,778

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 130,774	171.5%	$ 307,778
2015	146,961	142.3%	401,227
2014	108,924	128.5%	463,448

As of March 1, 2015, the actuarial accrued liability for benefits was $1,231,213, all of which is unfunded. The annual payroll of employees covered by the Plan was $24,838,065, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.0%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and ARC of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is presented as required supplementary information and displays trend data on plan assets (if any) and the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the District and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the District and Plan members. The 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 (if any), consistent with the long-term perspective of the calculations. The following assumptions were made:

Retirement age for active employees – 2014 TRS schedule; separate for males and females with ages 55-75
Marital status – 70% married and expect to elect spousal coverage at retirement, actual ages used for retirees
Mortality – 2014 TRS schedule; separate tables for males and females and actives and retirees
Turnover – 2003 Society of Actuaries small plan withdrawal rates, scaled 40% teachers, 80% non-teachers
Healthcare cost trend rate – National Health Expenditure Projection 2006-2022 at 6.4% in 2015 and settling at 4.2% after 2050, 5.0% for dental and vision coverage
Actuarial cost method – Entry Age Normal Method over a level percent of pay
Discount rate – 4.0%
Salary scale – 3.0%
Amortization method – 30 years, level percent of pay, open group

10. Risk Management

General Liability

The District purchases commercial insurance for various risks of loss due to torts, theft, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Health Insurance

The District participates in the NY44 Health Benefits Plan Trust (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the 55 participating members as of June 30, 2015 (the most recent information available).

The District has transferred all risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Refunds are not made nor additional assessments charged other than the annual premium equivalents. If the Plan's assets were to be exhausted, members would be equally responsible for the remaining liabilities.

The Plan has published its own financial report for the year ended June 30, 2015, which can be obtained from Erie 1 BOCES, 355 Harlem Road, West Seneca, NY 14224.

11. Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and are subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the District. Based on prior experience, management expects such amounts to be immaterial.

Litigation

The District is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims and lawsuits will not have a material adverse effect upon the financial position of the District.

Commitments

The District's taxpayers have approved a capital project expected to cost $57,802,000. As of June 30, 2016, $52,615,000 has been expended on the project with numerous open contracts.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of Funding Progress
Postemployment Benefit Plan

June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2012	$ -	$ 1,328,545	$ (1,328,545)	-	$ 27,380,000	4.9%
January 1, 2013	$ -	$ 1,431,739	$ (1,431,739)	-	$ 23,818,000	6.0%
March 1, 2015	$ -	$ 1,231,213	$ (1,231,213)	-	$ 24,838,065	5.0%

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Asset
New York State Teachers' Retirement System

As of the measurement date of June 30,	2015	2014	2013
District's proportion of the net pension asset	0.137018%	0.139025%	0.136296%
District's proportionate share of the net pension asset	$ 14,231,761	$ 15,486,556	$ 897,174
District's covered payroll	$ 20,581,900	$ 20,536,209	$ 19,964,426
District's proportionate share of the net pension asset as a percentage of its covered payroll	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%	100.70%

Data prior to 2013 is unavailable.

Required Supplementary Information
Schedule of District Contributions
New York State Teachers' Retirement System

June 30,	2016	2015	2014	2013
Contractually required contribution	$ 2,871,515	$ 3,607,866	$ 3,337,134	$ 2,363,788
Contribution in relation to the contractually required contribution	(2,871,515)	(3,607,866)	(3,337,134)	(2,363,788)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 21,655,468	$ 20,581,900	$ 20,536,209	$ 19,964,426
Contributions as a percentage of covered payroll	13.26%	17.53%	16.25%	11.84%

Data prior to 2013 is unavailable.

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System

As of the measurement date of March 31,	2016	2015
District's proportion of the net pension liability	0.021361%	0.020798%
District's proportionate share of the net pension liability	$ 3,428,496	$ 702,621
District's covered payroll	$ 6,329,519	$ 6,185,341
District's proportionate share of the net pension liability as a percentage of its covered payroll	54.17%	11.36%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

Data prior to 2015 is unavailable.

The following is a summary of assumption changes:

As of the measurement date of March 31,	2016	2015
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.0%	7.5%
Discount rate	7.0%	7.5%

Required Supplementary Information
Schedule of District Contributions
New York State and Local Employees' Retirement System

June 30,	2016	2015	2014	2013
Contractually required contribution	$ 1,158,683	$ 1,138,001	$ 1,276,662	$ 1,124,884
Contribution in relation to the contractually required contribution	(1,158,683)	(1,138,001)	(1,276,662)	(1,124,884)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 6,329,519	$ 6,185,341	$ 6,169,985	$ 6,046,960
Contributions as a percentage of covered payroll	18.31%	18.40%	20.69%	18.60%

Data prior to 2013 is unavailable.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Supplementary Information
Schedule of Change from Original to Final Budget and Calculation of Unrestricted Fund Balance Limit - General Fund

For the year ended June 30, 2016

Original expenditure budget	$	58,114,136
Encumbrances carried over from prior year		38,851
Budget amendments:		
Donations		500
Revised expenditure budget	$	58,153,487

* * *

Unrestricted Fund Balance

Assigned	$	1,993,843
Unassigned		2,439,119
		4,432,962
Encumbrances included in assigned fund balance		(43,843)
Appropriated fund balance used for tax levy		(1,950,000)
Amount subject to 4% limit pursuant to Real Property Tax Law §1318	$	2,439,119

§1318 of Real Property Tax Law - unrestricted fund balance limit calculation

2017 expenditure budget (unaudited)	$	60,977,971
4% of budget		2,439,119
Actual percentage of 2017 expenditure budget		4.0%

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2016

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
2012 Capital Project	$ 51,425,315	$ 57,802,315	$ 42,351,613	$ 10,262,998	$ 52,614,611	$ 5,187,704

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number	Expenditures
U.S. Department of Education:			
Passed Through New York State Department of Education			
Special Education Cluster:			
Special Education_Grants to States	84.027	0032-16-0227	$ 627,385
Special Education_Preschool Grants	84.173	0033-16-0227	11,077
Total Special Education Cluster			638,462
Title I Grants to Local Educational Agencies	84.010	0021-16-0795	268,990
Supporting Effective Instruction State Grant	84.367	0147-15-0795	6,991
Supporting Effective Instruction State Grant	84.367	0147-16-0795	61,880
Total U. S. Department of Education			976,323
U.S. Department of Agriculture:			
Passed Through New York State Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	39,979
National School Lunch Program	10.555	N/A	274,451
Total Child Nutrition Cluster			314,430
Passed Through New York State Office of General Services			
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	60,905
Total U.S. Department of Agriculture			375,335
Total Expenditures of Federal Awards			$ 1,351,658

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Grand Island Central School District (the District), an entity as defined in Note 1 to the District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The District uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

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

Indirect Costs

The District typically does not allocate indirect costs to Federal programs and as such the 10% de minimus indirect cost rate permitted by the Uniform Guidance is not applicable.

Non-Monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2016, the District used $60,905 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

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

The Board of Education
Grand Island Central School District

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 remaining fund information of Grand Island Central School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control over Financial Reporting

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

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

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

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.

Lumsden & McCormick, LLP

September 28, 2016

Lumsden McCormick LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Grand Island Central School District

Report on Compliance for Each Major Federal Program

We have audited Grand Island Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

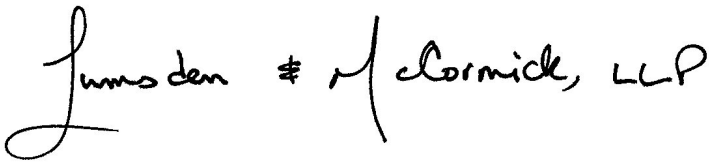
Report on Internal Control Over Compliance

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

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

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

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



September 28, 2016

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the year ended June 30, 2016

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Special Education Cluster		
Special Education_Grants to States	84.027	$ 627,385
Special Education_Preschool Grants	84.173	11,077
Total Special Education Cluster		$ 638,462

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

GRAND ISLAND CENTRAL SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

June 30, 2016

Finding 2007-001:
(Internal Control over Financial Reporting under *Government Auditing Standards*)

The auditors no longer believe their assistance with the financial statements rises to the level of a significant deficiency as the School District has hired a certified public accountant who serves as an Assistant Superintendent with primary responsibility over financial reporting. As a result, this finding has been resolved.