

EDEN CENTRAL
SCHOOL DISTRICT, NEW YORK
*Basic Financial Statements, Required Supplementary
Information and Supplementary Information for the Year
Ended June 30, 2016 and Independent Auditors' Reports*

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
Eden Central School District, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eden Central School District, New York (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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position

thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

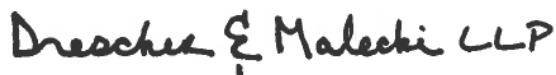
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 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 and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



September 21, 2016

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2016

As management of the Eden Central School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. This document should be read in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of liabilities at June 30, 2016 by \$22,838,238 (*net position*). This consists of \$8,228,964 net investment in capital assets, \$8,798,009 restricted for specific purposes and unrestricted net position of \$5,811,175.
- The District's net position increased by \$4,151,362 during the year ended June 30, 2016.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,717,772, an increase of \$1,722,601 in comparison with prior year's fund balance of \$8,995,171.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$1,094,768, or approximately 4.5 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 9.9 percent of the General Fund's total fund balance of \$11,087,340 at June 30, 2016.
- The District's total bonded indebtedness decreased by \$1,140,000 as a result of a refunding bond issuance and scheduled principal payments.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support to the basic financial statements themselves.

Government-wide financial statements—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, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, school food service, and interest and other fiscal charges. The District does not engage in any business-type activities.

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

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

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

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund and Capital Projects Fund, all of which are considered to be major.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains two fiduciary funds, the Private Purpose Trust Fund and the Agency Fund.

The fiduciary fund financial statements can be found on pages 17 and 18 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-42 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s progress in funding its obligation to provide post-employment benefits to its employees, the District’s net pension liability/(asset), and the District’s budgetary comparison for the General Fund. Required supplementary information and a related note to the supplementary information can be found on pages 43-50 of this report.

Other supplementary information is presented immediately following the required supplementary information in the Supplementary Information section of this report on pages 51-53.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$22,838,238 at June 30, 2016 as compared to \$18,686,876 at the close of the fiscal year ended June 30, 2015.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position

	June 30,	
	2016	2015
Current assets	\$ 12,979,513	\$ 12,122,817
Noncurrent assets	20,651,374	21,160,229
Total assets	<u>33,630,887</u>	<u>33,283,046</u>
Deferred outflows of resources	<u>3,088,396</u>	<u>1,972,019</u>
Current liabilities	1,981,705	2,914,276
Noncurrent liabilities	<u>9,396,615</u>	<u>8,881,868</u>
Total liabilities	<u>11,378,320</u>	<u>11,796,144</u>
Deferred inflows of resources	<u>2,502,725</u>	<u>4,772,045</u>
Net position:		
Net investment in capital assets	8,228,964	7,297,339
Restricted	8,798,099	7,195,658
Unrestricted	<u>5,811,175</u>	<u>4,193,879</u>
Total net position	<u>\$ 22,838,238</u>	<u>\$ 18,686,876</u>

The largest portion of the Districts’ net position, \$8,798,099, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

An additional portion of the District’s net position, \$8,228,964, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position of \$5,811,175 represents resources that may be used to meet the District's ongoing obligations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2016 and June 30, 2015:

Table 2—Condensed Statements of Changes in Net Position

	Year Ended June 30,	
	2016	2015
Program revenues:		
Charges for services	\$ 603,115	\$ 619,121
Operating grants and contributions	1,068,564	1,102,304
General revenues	<u>25,977,473</u>	<u>25,013,698</u>
Total revenues	<u>27,649,152</u>	<u>26,735,123</u>
Program expenses	<u>23,497,790</u>	<u>22,984,830</u>
Change in net position	4,151,362	3,750,293
Net position—beginning	<u>18,686,876</u>	<u>14,936,583</u>
Net position—ending	<u>\$ 22,838,238</u>	<u>\$ 18,686,876</u>

Overall revenues increased by 3.4 percent from the prior year, due primarily to increases in real property taxes and state aid. Total expenses increased by 2.2 percent from the year ended June 30, 2015, as a result of contractual increases.

A summary of sources of revenues for the years ended June 30, 2016 and June 30, 2015 is presented below in Table 3:

Table 3—Summary of Sources of Revenues

	Year ended June 30,		Increase/(Decrease)	
	2016	2015	Dollars	Percent
Charges for services	\$ 603,115	\$ 619,121	\$ (16,006)	(2.6)
Operating grants and contributions	1,068,564	1,102,304	(33,740)	(3.1)
Real property taxes and items	13,581,621	13,285,566	296,055	2.2
Non property tax items	1,585,114	1,649,542	(64,428)	(3.9)
Use of money and property	40,401	41,424	(1,023)	(2.5)
Sale of property and compensation for loss	69,365	3,806	65,559	1,722.5
State sources—unrestricted	10,168,382	9,735,303	433,079	4.4
Miscellaneous	532,590	298,057	234,533	78.7
Total revenues	<u>\$ 27,649,152</u>	<u>\$ 26,735,123</u>	<u>\$ 914,029</u>	3.4

The most significant sources of revenue for the year ended June 30, 2016 were real property taxes and items of \$13,581,621, or 49.1 percent of total revenues, and unrestricted State sources of \$10,168,382 or 36.8 percent of total revenues. Similarly, for the year ended June 30, 2015, the largest sources of revenue were real property taxes and items of \$13,285,566, or 49.7 percent of total revenues, and unrestricted State sources of \$9,719,334, or 36.4 percent of total revenues.

A summary of program expenses for the years ended June 30, 2016 and June 30, 2015 is presented below in Table 4:

Table 4—Summary of Program Expenses

	Year ended June 30,		Increase/(Decrease)	
	2016	2015	Dollars	Percent
General support	\$ 3,267,978	\$ 3,317,094	\$ (49,116)	(1.5)
Instruction	17,803,856	17,153,928	649,928	3.8
Pupil transportation	1,734,054	1,814,759	(80,705)	(4.4)
School food service	386,050	371,897	14,153	3.8
Interest and other fiscal charges	305,852	327,152	(21,300)	(6.5)
Total program expenses	<u>\$ 23,497,790</u>	<u>\$ 22,984,830</u>	<u>\$ 512,960</u>	2.2

The most significant expense items for the year ended June 30, 2016 were instruction of \$17,803,856, or 75.8 percent of total expenses, general support of \$3,267,978, or 13.9 percent of total expenses, and pupil transportation of \$1,734,054, or 7.4 percent of total expenditures. Similarly, for the year ended June 30, 2015, the most significant expense items were instruction which comprised \$17,153,928, or 74.6 percent of total expenses, general support which comprised \$3,317,094, or 14.4 percent of total expenses, and pupil transportation which comprised \$1,814,759, or 7.9 percent of total expenses.

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board of Education.

As of June 30, 2016, the District’s governmental funds reported combined ending fund balances of \$10,717,772, an increase of \$1,722,601 from the prior year. Approximately 6.5 percent of this amount, \$695,115, constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$46,772, (2) restricted for particular purposes, \$8,857,080, or (3) assigned for particular purposes, \$1,118,805

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,094,768, while the total fund balance increased to \$11,087,340. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out.

Unassigned fund balance represents approximately 4.5 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 45.5 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$2,142,708 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$1,281,838 of fund balance (this included funds appropriated from reserves of \$387,000, fund from unrestricted fund balance of \$413,346 and the re-appropriation of prior year’s encumbrances of \$481,492). As a result of revenues exceeding expectations, coupled with spending less than anticipated, the District’s General Fund fund balance ended \$3,037,546 higher than anticipated.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Total revenues totaled \$722,425 and were comprised of State and Federal sources. Expenditures totaled \$736,999 and were mostly used towards the instruction and transportation of students. The difference between revenues and expenditures is subsidized by a transfer from the General Fund.

The School Lunch Fund total fund balance is a deficit balance of \$44,096 as of June 30, 2016, of which \$9,660 of inventory is nonspendable. The fund balance of the District’s School Lunch Fund decreased by \$26,568 in the current fiscal year.

At June 30, 2016, the District’s Debt Service Fund reports a fund balance of \$20,425, an increase of \$37 from the prior year. This total fund balance amount is classified as restricted fund balance for future debt service payments.

At June 30, 2016, the District’s Capital Projects Fund total fund balance is a deficit balance of \$345,897, a decrease of \$393,573 from the prior year.

General Fund Budgetary Highlights

The District’s General Fund budget generally contains a minimal amount of budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. A summary of revisions from adopted budget to final budget is presented below in Table 5:

Table 5—General Fund Budget

Adopted budget 2015-2016	\$ 26,994,111
Add: Prior year's encumbrances—June 30, 2015	<u>481,492</u>
Original budget, 2015-2016	27,475,603
Budget revisions: gifts and donations and other various purposes	<u>111,543</u>
Final budget, 2015-2016	<u><u>\$ 27,587,146</u></u>

More detailed information about the District’s General Fund budget is presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund within the Required Supplementary Information section of this report.

Capital Assets and Debt Administration

Capital assets—The District’s investment in capital assets for its governmental activities as of June 30, 2016, amounted to \$14,048,569 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the District’s capital asset policy.

Capital assets, net of depreciation for the governmental activities at the years ended June 30, 2016 and June 30, 2015 are presented below in Table 6:

Table 6—Summary of Capital Assets (Net of Accumulated Depreciation)

	June 30,	
	2016	2015
Land	\$ 142,997	\$ 142,997
Construction in progress	493,573	-
Land improvements	1,806,291	1,950,074
Buildings and improvements	9,703,498	10,385,582
Furniture and equipment	1,136,527	1,222,038
Vehicles	765,683	505,563
Total	<u>\$ 14,048,569</u>	<u>\$ 14,206,254</u>

Additional information on the District’s capital assets can be found in Note 4 to the financial statements.

Long-term liabilities—At June 30, 2016, the District had serial bonds outstanding of \$5,365,000, as compared to \$6,505,000 in the prior year. During the year ended June 30, 2016, the District issued \$2,650,000 of refunding bonds and made debt payments of \$3,790,000.

A summary of the District’s long-term liabilities at June 30, 2016 and June 30, 2015 is presented below in Table 7:

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2016	2015
Serial bonds	\$ 5,365,000	\$ 6,505,000
Premium on serial bonds	294,836	-
Compensated absences	1,471,575	1,221,621
OPEB obligation	324,106	343,847
Energy performance contract	324,240	462,860
Net pension liability	1,616,858	348,540
Total	<u>\$ 9,396,615</u>	<u>\$ 8,881,868</u>

Additional information on the District’s long-term liabilities can be found in Note 9 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

The unemployment rate, not seasonally adjusted, for the region at June 30, 2016 was 4.8 percent. This is favorable as compared to New York State’s average unemployment rate of 4.5 percent. These factors, as well as others, are considered in preparing the District’s budget.

During the current fiscal year, the District appropriated \$518,143 of the General Fund's unassigned fund balance for spending in the District's 2016-2017 fiscal year budget. The 2016-2017 adopted budget appropriations total of \$27,369,231 is an approximate increase of 1.4 percent as compared to \$26,994,111 in 2015-2016. The District's total budgeted tax levy in 2016-2017 is \$13,697,577, which is an approximate increase of 0.9 percent as compared to \$13,571,363 levied during the 2015-2016 year.

Requests for Information

This financial report is designed to provide our community, taxpayers, creditors and investors with a general overview of the District's finances and to show the District's accountability. If you have any questions about this report or need additional financial information, contact Thomas T. Murphy, Director of Finance, 3150 Schoolview Road, Eden, New York 14057.

BASIC FINANCIAL STATEMENTS

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EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2016

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,050,843
Restricted cash and cash equivalents	8,917,426
Receivables	5,627
Due from Agency Fund	1,040
Intergovernmental receivables	1,957,805
Prepaid items	37,112
Inventories	9,660
Noncurrent net pension asset	6,602,805
Capital assets not being depreciated	636,570
Capital assets, net of accumulated depreciation	<u>13,411,999</u>
Total assets	<u>33,630,887</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow—relating to pension plans	2,982,906
Deferred outflow—refunding	<u>105,490</u>
Total deferred outflows of resources	<u>3,088,396</u>
LIABILITIES	
Accounts payable	58,567
Accrued liabilities	71,006
Due to retirement systems	1,469,776
Intergovernmental payables	360,569
Unearned revenue	21,787
Noncurrent liabilities:	
Due within one year	1,319,509
Due within more than one year	<u>8,077,106</u>
Total liabilities	<u>11,378,320</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow—relating to pension plans	<u>2,502,725</u>
Total deferred inflows of resources	<u>2,502,725</u>
NET POSITION	
Net investment in capital assets	8,228,964
Restricted:	
Unemployment insurance	950,233
Retirement contribution	2,842,607
Employee benefits	1,257,498
Repairs	164,343
Capital projects	3,583,418
Unrestricted	<u>5,811,175</u>
Total net position	<u>\$ 22,838,238</u>

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2016

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Governmental activities:				
General support	\$ 3,267,978	\$ -	\$ -	\$ (3,267,978)
Instruction	17,803,856	412,350	887,377	(16,504,129)
Pupil transportation	1,734,054	-	-	(1,734,054)
School food service	386,050	190,765	181,187	(14,098)
Interest and other fiscal charges	305,852	-	-	(305,852)
Total primary government	<u>\$ 23,497,790</u>	<u>\$ 603,115</u>	<u>\$ 1,068,564</u>	<u>(21,826,111)</u>
General revenues:				
Real property taxes and other tax items				13,581,621
Non property tax items				1,585,114
Use of money and property				40,401
Sale of property and compensation for loss				69,365
State sources—unrestricted				10,168,382
Miscellaneous				532,590
Total general revenues				<u>25,977,473</u>
Change in net position				4,151,362
Net position—beginning				<u>18,686,876</u>
Net position—ending				<u>\$ 22,838,238</u>

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2016

	<u>Special Revenue</u>					Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
ASSETS						
Cash and cash equivalents	\$ 2,050,843	\$ -	\$ -	\$ -	\$ -	\$ 2,050,843
Restricted cash and cash equivalents	8,856,028	2,100	317	20,422	38,559	8,917,426
Receivables	5,627	-	-	-	-	5,627
Due from other funds	606,357	-	-	3	23,543	629,903
Intergovernmental receivables	1,794,837	153,128	9,840	-	-	1,957,805
Prepaid items	37,112	-	-	-	-	37,112
Inventories	-	-	9,660	-	-	9,660
Total assets	<u>\$ 13,350,804</u>	<u>\$ 155,228</u>	<u>\$ 19,817</u>	<u>\$ 20,425</u>	<u>\$ 62,102</u>	<u>\$ 13,608,376</u>
LIABILITIES						
Accounts payable	\$ 57,274	\$ 1,192	\$ -	\$ -	\$ 101	\$ 58,567
Accrued liabilities	44,800	-	-	-	-	44,800
Due to other funds	23,543	140,922	56,500	-	407,898	628,863
Due to retirement systems	1,469,776	-	-	-	-	1,469,776
Intergovernmental payables	360,319	-	250	-	-	360,569
Unearned revenue	1,510	13,114	7,163	-	-	21,787
Total liabilities	<u>1,957,222</u>	<u>155,228</u>	<u>63,913</u>	<u>-</u>	<u>407,999</u>	<u>2,584,362</u>
DEFERRED INFLOWS OF RESOURCES						
State aid receivable	306,242	-	-	-	-	306,242
FUND BALANCES (DEFICITS)						
Nonspendable	37,112	-	9,660	-	-	46,772
Restricted	8,836,655	-	-	20,425	-	8,857,080
Assigned	1,118,805	-	-	-	-	1,118,805
Unassigned	1,094,768	-	(53,756)	-	(345,897)	695,115
Total fund balances (deficits)	<u>11,087,340</u>	<u>-</u>	<u>(44,096)</u>	<u>20,425</u>	<u>(345,897)</u>	<u>10,717,772</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 13,350,804</u>	<u>\$ 155,228</u>	<u>\$ 19,817</u>	<u>\$ 20,425</u>	<u>\$ 62,102</u>	<u>\$ 13,608,376</u>

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances—governmental funds (page 13)		\$ 10,717,772
Net pension assets are not available financial resources and, therefore, are not reported in the funds.		6,602,805
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$36,328,674 and the accumulated depreciation is \$22,280,105.		14,048,569
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 1,584,360	
Deferred outflows related to change in assumption	431,167	
Deferred outflows related to experience and investment earnings	967,379	
Deferred inflows related to pension plans	<u>(2,502,725)</u>	480,181
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the refunded debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.		105,490
Other long-term items relating to state aid are not available to pay for current period expenditures and, therefore, are either recorded as deferred inflows of resources in the funds but are considered government-wide revenues.		306,242
Net accrued interest expense for serial bonds and the energy performance contract is not reported in the funds.		(26,206)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effect of these items are:		
Serial bonds	\$ (5,365,000)	
Premium on serial bonds	(294,836)	
Compensated absences	(1,471,575)	
Other post-employment benefits obligation	(324,106)	
Energy performance contract	(324,240)	
Net pension liability	<u>(1,616,858)</u>	<u>(9,396,615)</u>
Net position of governmental activities		<u>\$ 22,838,238</u>

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)—Governmental Funds
Year Ended June 30, 2016

	<u>Special Revenue</u>					<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
REVENUES						
Real property taxes	\$ 11,297,548	\$ -	\$ -	\$ -	\$ -	\$ 11,297,548
Real property tax items	2,284,073	-	-	-	-	2,284,073
Non property tax items	1,585,114	-	-	-	-	1,585,114
Charges for services	385,219	23,973	-	-	-	409,192
School lunch sales	-	-	190,765	-	-	190,765
Use of money and property	40,367	-	-	34	-	40,401
Sale of property and compensation for loss	69,365	-	-	-	-	69,365
Interfund revenues	3,158	-	-	-	-	3,158
State sources	10,303,732	192,913	7,742	-	-	10,504,387
Federal sources	37,200	505,539	173,445	-	-	716,184
Miscellaneous	532,557	-	33	-	-	532,590
Total revenues	<u>26,538,333</u>	<u>722,425</u>	<u>371,985</u>	<u>34</u>	<u>-</u>	<u>27,632,777</u>
EXPENDITURES						
Current:						
General support	2,728,001	3,158	-	-	-	2,731,159
Instruction	13,064,718	578,309	-	-	-	13,643,027
Pupil transportation	1,674,577	21,857	-	-	-	1,696,434
Community services	180	-	-	-	-	180
Employee benefits	5,368,158	133,675	22,605	-	-	5,524,438
Cost of sales	-	-	375,948	-	-	375,948
Debt service:						
Principal	138,620	-	-	1,025,000	-	1,163,620
Interest	9,826	-	-	346,317	-	356,143
Capital outlay	-	-	-	-	493,573	493,573
Total expenditures	<u>22,984,080</u>	<u>736,999</u>	<u>398,553</u>	<u>1,371,317</u>	<u>493,573</u>	<u>25,984,522</u>
Excess (deficiency) of revenues over expenditures	<u>3,554,253</u>	<u>(14,574)</u>	<u>(26,568)</u>	<u>(1,371,283)</u>	<u>(493,573)</u>	<u>1,648,255</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	14,574	-	1,296,971	100,000	1,411,545
Transfers out	(1,411,545)	-	-	-	-	(1,411,545)
Proceeds of refunding bonds	-	-	-	2,650,000	-	2,650,000
Payment to refunding bond escrow agent	-	-	-	(2,870,490)	-	(2,870,490)
Premium on refunding bonds	-	-	-	294,836	-	294,836
Total other financing sources (uses)	<u>(1,411,545)</u>	<u>14,574</u>	<u>-</u>	<u>1,371,317</u>	<u>100,000</u>	<u>74,346</u>
Net change in fund balances	2,142,708	-	(26,568)	34	(393,573)	1,722,601
Fund balances (deficit)—beginning	8,944,632	-	(17,528)	20,391	47,676	8,995,171
Fund balances (deficits)—ending	<u>\$ 11,087,340</u>	<u>\$ -</u>	<u>\$ (44,096)</u>	<u>\$ 20,425</u>	<u>\$ (345,897)</u>	<u>\$ 10,717,772</u>

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficits)—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances—total governmental funds (page 15) \$ 1,722,601

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 1,090,927	
Depreciation expense	<u>(1,248,612)</u>	(157,685)

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

District pension contributions	\$ 1,284,332	
Cost of benefits earned net of employee contributions	<u>376,387</u>	1,660,719

Certain revenue for state aid in the governmental funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected. 16,375

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 50,291

The issuance of long-term debt (e.g. refunding bonds, energy performance contract) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Proceeds from refunding bond	(2,650,000)	
Principal repayment of serial bonds	3,790,000	
Premium on refunding	(294,836)	
Deferred charge on refunding	105,490	
Change in compensated absences	(249,954)	
Change in other post-employment benefits obligation	19,741	
Principal payment of energy performance contract	<u>138,620</u>	<u>859,061</u>

Change in net position of governmental activities \$ 4,151,362

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Net Position—Fiduciary Funds
June 30, 2016

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 14,105	\$ 321,259
Total assets	<u>14,105</u>	<u>\$ 321,259</u>
LIABILITIES		
Extraclassroom activity funds	-	\$ 86,924
Due to other funds	-	1,040
Other liabilities	-	233,295
Total liabilities	<u>-</u>	<u>\$ 321,259</u>
NET POSITION		
Restricted for scholarships	<u>14,105</u>	
Total net position	<u>\$ 14,105</u>	

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Changes in Net Position—Fiduciary Funds
Year Ended June 30, 2016

	Private Purpose Trust
ADDITIONS	
Gifts and contributions	\$ 13,597
Investment earnings	<u>8</u>
Total additions	<u>13,605</u>
 DEDUCTIONS	
Scholarships and awards	<u>7,737</u>
Change in net position	5,868
Net position—beginning	<u>8,237</u>
Net position—ending	<u><u>\$ 14,105</u></u>

The notes to the financial statements are an integral part of this statement.

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EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Eden Central School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (the “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.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District reports no business-type activities or component units.

Reporting Entity

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food service, administration, finance, and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Joint Venture—The District is one of 27 participating school districts in the Erie No. 2—Chautauqua—Cattaraugus Board of Cooperative Educational Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that share 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. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

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. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The 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 also issue debt on behalf of BOCES. As of June 30, 2016 there was no debt issued by the District on behalf of BOCES.

During the year ended June 30, 2016, the District was billed \$2,662,324 for BOCES administrative and program costs and recognized \$94,454 in revenue as a refund from prior years' expenditures paid to BOCES. Audited financial statements are available from the BOCES administrative offices.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The District does not report any nonmajor funds.

The District reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Special Aid Fund*—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.
- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District's food service operations.
- *Debt Service Fund*—The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.
- *Capital Projects Fund*—The Capital Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Additionally, the District reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary Funds of the District includes a *Private Purpose Trust Fund* and an *Agency Fund*.

- *Private Purpose Trust Fund*—The Private Purpose Trust Fund is used to account for assets held by the District for scholarships.
- *Agency Fund*—The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, various student groups and clubs and/or other governmental units. Included within the Agency Fund are the extraclassroom activity funds of the District, which represent funds of the students of the District. The Board of Education exercises general oversight of these funds.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General

capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Private Purpose Trust Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The District’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the District’s investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The District had no investments at June 30, 2016; however, when the District does have investments they are recorded at fair value based on the quoted market value.

Restricted Cash and Cash Equivalents—Restricted cash represents amounts to support restricted fund balances, unspent proceeds of debt and unearned revenue.

Prepaid Items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

Inventories—Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets—Capital assets, which include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold for the type of asset and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1	n/a
Land improvements	50,000	15-20
Building and improvements	50,000	20-40
Furniture and equipment	1,000	5-15
Vehicles	14,000	8

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2016, the District has two items that qualifies for reporting in this category. The first item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the District’s proportion of the collective net pension asset or liability, and the difference during the measurement period between the District’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is a deferred charge on refunding which the District reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2016, the District has two items that qualify for reporting in this category. The first item represents the effect of the net change in the District’s proportion of the collective net pension liability and the difference during the measurement periods between the District’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide statements. The second item relates to a deferred inflow for state aid receivable within its fund statements. As the District is not able to precisely estimate when these funds will be received, they are currently classified as deferred inflows and will subsequently be recognized as revenue once they meet the proper recognition criteria.

Net Position Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Business Administrator to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually as of July 1st by the Board of Education and attached as an enforceable lien. Uncollected real property taxes are subsequently enforced by the County of Erie. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than April 1st.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2016, the District reported \$1,510, \$13,114 and \$7,163 of unearned revenues in the General Fund, Special Aid Fund, and School Lunch Fund, respectively. The District received cash in advance but has not yet spent the money on the specified items and therefore recognizes a liability. The cash is classified as restricted.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Pensions—The District is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Post Employment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees as discussed in Note 7.

Other

Estimates—The preparation of the financial statements in conformity with generally accepted accounting principles in the United States ("GAAP"), requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes as well as, guidance on applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans*; and No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*, effective for the year ending June 30, 2017, and No. 75, *Accounting and*

Financial Reporting for Postemployment Benefits Other Than Pensions; No. 81, Irrevocable Split-Interest Agreements; and No. 82, Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73, effective for the year ending June 30, 2018. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 73, 74, 75, 76, 77, 78, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

Deficit Fund Balances—At June 30, 2016, the School Lunch Fund reported a deficit fund balance of \$44,096. The deficit will be remedied through future operations or a transfer from the General Fund.

Additionally, the District’s Capital Projects Fund has a deficit fund balance at June 30, 2016 of \$345,897. This deficit will be remedied by anticipated grants and proceeds from future debt issuances.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District’s investment policies are governed by State statutes. District monies must be deposited in FDIC-Insured commercial banks or trust companies located within New York State. The District’s Business Manager is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents at June 30, 2016 are shown below.

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 400	\$ -	\$ 400
Deposits	<u>10,967,869</u>	<u>335,364</u>	<u>11,303,233</u>
Total	<u>\$ 10,968,269</u>	<u>\$ 335,364</u>	<u>\$ 11,303,633</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2016 as shown below.

	Bank Balance	Carrying Amount
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by pledging bank's agent in the District's name	<u>11,124,145</u>	<u>10,803,233</u>
Total	<u>\$ 11,624,145</u>	<u>\$ 11,303,233</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2016, the District’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the District’s name.

Restricted Cash and Cash Equivalents—The District reports amounts to support restricted fund balances, unspent proceeds of debt and unearned revenue as restricted cash and cash equivalents. At June 30, 2016, the District reported \$8,917,426 of restricted cash within its governmental funds.

Investments—The District had no investments at June 30, 2016.

Interest Rate Risk—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

3. RECEIVABLES

Major revenues accrued by the District at June 30, 2016 consisted of the following:

Receivables—The District reported a balance of \$5,627 for receivables in the General Fund. The balance primarily represents amounts due from donations for year-end field trips.

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2016 are:

General Fund:		
Federal aid - Medicaid	\$	16,585
New York State excess cost aid		259,087
New York State general aid		213,127
New York State homeless aid		25,879
Erie County		373,059
Capital Area School Development Association		85
City of Buffalo Public Schools		80,828
Erie-Cattaraugus BOCES		365
BOCES sub reimbursement		3,360
Maryvale Central School District		3,302
Friendship Central School District		45,278
Frontier Central School District		49,158
North Collins Central School District		63,616
Iroquis Centreal School District		4,465
Orchard Park Central School District		36,041
Springville - Griffith Institue		69,713
BOCES aid		<u>550,889</u>
	\$	1,794,837
Special Aid Fund:		
New York State - Summer Handicap Programs		23,763
New York State - Universal Pre K		13,462
Federal - various programs		<u>115,903</u>
		153,128
School Lunch Fund		
New York State - breakfast and lunch program		504
Federal - breakfast and lunch program		<u>9,336</u>
		<u>9,840</u>
	\$	<u>1,957,805</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2016 was as follows:

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Capital assets, not being depreciated:				
Land	\$ 142,997	\$ -	\$ -	\$ 142,997
Construction in progress	<u>-</u>	<u>493,573</u>	<u>-</u>	<u>493,573</u>
Total capital assets, not being depreciated	<u>142,997</u>	<u>493,573</u>	<u>-</u>	<u>636,570</u>
Capital assets, being depreciated:				
Land improvements	4,331,528	13,058	-	4,344,586
Buildings and improvements	23,332,434	-	-	23,332,434
Furniture and equipment	5,368,784	121,290	11,289	5,478,785
Vehicles	<u>2,954,839</u>	<u>463,006</u>	<u>881,546</u>	<u>2,536,299</u>
Total capital assets, being depreciated	<u>35,987,585</u>	<u>597,354</u>	<u>892,835</u>	<u>35,692,104</u>
Less accumulated depreciation for:				
Land improvements	2,381,454	156,841	-	2,538,295
Buildings and improvements	12,946,852	682,084	-	13,628,936
Furniture and equipment	4,146,746	206,801	11,289	4,342,258
Vehicles	<u>2,449,276</u>	<u>202,886</u>	<u>881,546</u>	<u>1,770,616</u>
Total accumulated depreciation	<u>21,924,328</u>	<u>1,248,612</u>	<u>892,835</u>	<u>22,280,105</u>
Total capital assets being depreciated, net	<u>14,063,257</u>	<u>(651,258)</u>	<u>-</u>	<u>13,411,999</u>
Governmental activities capital assets, net	<u>\$ 14,206,254</u>	<u>\$ (157,685)</u>	<u>\$ -</u>	<u>\$ 14,048,569</u>

Depreciation expense was charged to the functions and programs of governmental activities as follows:

Governmental activities:	
General support	\$ 134,257
Instruction	915,388
Pupil transportation	197,751
School lunch	<u>1,216</u>
	<u>\$ 1,248,612</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2016, were as follows:

	General Fund
Salary and employee benefits	<u>\$ 44,800</u>

6. PENSION OBLIGATIONS

The District participates in the New York State Teachers' Retirement System ("TRS") and the New York State and Local Employees' Retirement System ("ERS") (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution retirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Descriptions and Benefits Provided

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

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

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their

entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS' fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2016, the District reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of June 30, 2015 for TRS and March 31, 2016 for ERS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by actuarial valuations as of June 30, 2014 and April 1, 2015, respectively, with update procedures used to roll forward the total pension liability/(asset) to the measurement dates. The District's proportion of the net pension liability/(asset) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2015	March 31, 2016
Net pension (asset)/liability	\$ (6,602,805)	\$ 1,616,858
District's portion of the Plan's total net pension (asset)/liability	0.063569%	0.0100737%

For the year ended June 30, 2016, the District recognized a pension actuarial increase of \$439,883 for the TRS and pension expense of \$612,981 for the ERS. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experiences	\$ -	\$ 8,170	\$ 182,992	\$ 191,652
Changes in assumptions	-	431,167	-	-
Net difference between projected and actual earnings on pension plan investments	-	959,209	2,087,181	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	8,799	130,925	35,673	5,227
District contributions subsequent to the measurement date	<u>1,284,332</u>	<u>160,304</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,293,131</u>	<u>\$ 1,689,775</u>	<u>\$ 2,305,846</u>	<u>\$ 196,879</u>

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

<u>Year Ended June 30,</u>	<u>TRS</u>	<u>ERS</u>
2017	\$ (845,053)	\$ 341,463
2018	(845,053)	341,463
2019	(845,053)	341,463
2020	343,896	308,205
2021	(26,021)	308,203
Thereafter	(79,763)	-

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.00%	7.00%
Salary scale	4.01%-10.91%	3.80%
Decrement tables	July 1, 2005- June 30, 2010	April 1, 2010- March 31, 2015
Inflation rate	3.0%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System experience with adjustments for mortality improvements based on Society of Actuaries Scale AA. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014.

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

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

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2015	March 31, 2016
Asset class:				
Domestic equities	37.0 %	38.0 %	6.5 %	7.3 %
International equities	18.0	13.0	7.7	8.6
Private equity	0.0	10.0	0.0	11.0
Real estate	10.0	8.0	4.6	8.3
Alternative investments	7.0	0.0	9.9	0.0
Absolute return strategies	20.0	3.0	1.9	6.8
Opportunistic portfolio	0.0	3.0	0.0	8.6
Real assets	0.0	3.0	0.0	8.7
Bonds and mortgages	8.0	18.0	3.4	4.0
Cash	0.0	2.0	0.0	2.3
Inflation-indexed bonds	0.0	2.0	0.0	4.0
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate—The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the District’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 8.0% for TRS and 7.0% for ERS, as well as what the District’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (7.0% for TRS and 6.0% for ERS) or one percentage-point higher (9.0% for TRS and 8.0% for ERS) than the current assumption.

TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 450,396	\$ (6,602,805)	\$ (12,617,704)
ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 3,645,897	\$ 1,616,858	\$ (97,594)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the respective valuation dates, were as follows:

	(Dollars in Thousands)		
	TRS	ERS	Total
Valuation date	June 30, 2014	April 1, 2015	
Employers' total pension liability	\$ 99,332,103	\$ 172,303,544	\$ 271,635,647
Plan fiduciary net position	109,718,916	156,253,265	265,972,181
Employers' net pension (asset)/liability	<u>\$ (10,386,813)</u>	<u>\$ 16,050,279</u>	<u>\$ 5,663,466</u>
System fiduciary net position as a percentage of total pension liability	110.46%	90.68%	97.92%

Payables to the Pension Plan—For ERS, employer contributions are paid annually based on the System’s fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$160,304.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer’s contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$1,309,472.

7. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—The District provides postemployment (medical) coverage for current retirees and one employee with grandfathered benefits in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District’s contractual agreements. The estimate of such benefits totaled \$262,259 on behalf of 76 eligible retirees for the year ended June 30, 2016.

GASB requires the District to calculate and record a net other postemployment benefit obligation at year end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contribution made.

Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various contracts, which were ratified by the District’s Board of Education. For certain retirees and one employee with grandfathered benefits, the District pays a portion of the cost of the employee’s current coverage at the time of retirement until an employee reaches the age of 64. At age 65, retirees are required to elect post-65 coverage in the current plan and apply Medicare part B coverage. Retired employees are assumed to continue coverage currently elected.

Funding Policy—The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2016, the District recognized \$282,000 for its share of insurance premiums for currently enrolled retirees.

Annual OPEB Cost and Net Obligation—The District’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is project to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District’s annual OPEB cost for the past two years, the amount contributed to the plan, and changes in the District’s net OPEB obligation.

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Annual required contribution ("ARC")	\$ 262,748	\$ 262,748
Interest on net OPEB obligation	13,754	13,578
Adjustment to annual required contribution	<u>(14,243)</u>	<u>(14,062)</u>
Annual OPEB costs (expense)	262,259	262,264
Contributions made	<u>(282,000)</u>	<u>(257,877)</u>
Increase in net OPEB obligation	(19,741)	4,387
Net OPEB obligation—beginning of year	<u>343,847</u>	<u>339,460</u>
Net OPEB obligation—end of year	<u>\$ 324,106</u>	<u>\$ 343,847</u>

Funding Status and Funding Progress—As of April 1, 2015, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities was \$4,766,141.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The District’s schedule of contributions for the most recent three years is shown below:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Contributions Made</u>	<u>Percentage Contributed</u>
2016	\$ 262,259	\$ 282,000	107.5%
2015	262,264	257,877	98.3%
2014	277,622	209,000	75.3%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the April 1, 2015 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a valuation date and measurement date of April 1, 2015. The expected investment rate of return on employer's assets is 4.0%. The 2014 New York State Teachers' retirement System rates were used for mortality rates and retirement rates. The unfunded actuarial accrued liability is being amortized over thirty years, therefore the remaining amortization period at June 30, 2016 was twenty two years.

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; vehicle liability; injuries to employees; and natural disasters. The District purchases commercial insurances to cover such potential risks. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years. The general liability, school board legal liability and automobile liability insurance is limited to \$11 million; a primary liability of \$1 million with a \$10 million umbrella. There is a \$2,500 deductible applicable to school board legal liability claims. The property insurance limit is about \$71.3 million and claims are subject to a \$1,000 deductible.

The District participates in Erie No. 2 Area Schools Self-Funded Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Erie No. 2 Area Schools Self-Funded Workers' Compensation Plan is considered a self-sustaining risk pool that will provide coverage for its members up to \$450,000 per event. The Consortium maintains independent coverage for events in excess of \$450,000. The District has essentially transferred all related risk to the Plan.

9. LONG-TERM LIABILITIES

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The District's outstanding long-term liabilities include serial bonds, compensated absences, other post-employment obligation, energy performance contract, and net pension liability. The bonds payable of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District’s long-term liabilities at June 30, 2016 follows:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Serial bonds	\$ 6,505,000	\$ 2,650,000	\$ 3,790,000	\$ 5,365,000	\$ 1,045,000
Premium on serial bonds	-	294,836	-	294,836	58,967
Compensated absences	1,221,621	1,234,060	984,106	1,471,575	73,579
OPEB obligation	343,847	262,259	282,000	324,106	-
Energy performance contract	462,860	-	138,620	324,240	141,963
Net pension liability*	348,540	1,268,318	-	1,616,858	-
Total	<u>\$ 8,881,868</u>	<u>\$ 5,709,473</u>	<u>\$ 5,194,726</u>	<u>\$ 9,396,615</u>	<u>\$ 1,319,509</u>

(*Additions to the net pension liability are shown net of reductions.)

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction and renovations of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 6 to 16 years.

Current Year Bond Refunding—On May 25, 2016, the District issued \$2,650,000 in refunding bonds which partially refunded previously issued series of School District Serial bonds (“SDMT”). The outstanding principal amount of the previously issued SDMT bonds was \$2,765,000. The refunding bonds called for a \$990,000 cash contribution, were issued at a premium of \$294,836 and included issuance costs of \$74,346. The interest on the refunding ranges from 2.0 percent to 5.0 percent. The District deposited \$2,870,490 with an escrow agent and as a result, the portions of the original SDMT bonds, as shown in the following table, are considered refunded and the liability of these bonds, \$2,765,000, has been removed from the financial statements. The refund resulted in a net present value benefit to the District of \$176,522.

Description	Year of Issue/ Maturity	Interest Rate (%)	Balance			Balance 6/30/2016
			7/1/2015	Additions	Reductions	
2004 Bus garage bond	2004/2020	1.50-5.25	\$ 165,000	\$ -	\$ 30,000	\$ 135,000
2004 SDMT bond	2004/2018	2.00-5.00	1,110,000	-	350,000	760,000
2006 SDMT #2 bond	2006/2022	4.0-4.125	3,755,000	-	3,265,000	490,000
2009 Excel bond	2009/2024	4.0-4.375	1,475,000	-	145,000	1,330,000
2016 Refunding bond	2016/2022	2.00-5.00	-	2,650,000	-	2,650,000
Total			<u>\$ 6,505,000</u>	<u>\$ 2,650,000</u>	<u>\$ 3,790,000</u>	<u>\$ 5,365,000</u>

Premium on Serial Bonds—Premium on bond issuances are being amortized on a straight-line basis over the life of their related bonds. The unamortized premium as of June 30, 2016 was \$294,836.

Compensated Absences—As explained in Note 1, the District records the value of compensated absences in the government-wide financial statements. The annual budgets of the operating funds provide funding for these benefits as they become due. The liability for compensated absences consists of unpaid accumulated annual sick and vacation time. The value recorded in the government-wide financial statements at June 30, 2016 for governmental activities \$1,471,575. Management estimates that \$73,579 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 7, the District provides health insurance coverage for certain retirees. The District’s annual postemployment benefit (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The estimated long-term OPEB liability is \$324,106 at June 30, 2016.

Energy Performance Contract—The District has entered into an energy performance contract for the renovation of various facilities. The modifications were made to improve energy efficiency. The interest rate of the energy performance contract approximates 2.39 percent.

The District has purchased the following assets with the proceeds of the Energy Performance Contract:

Cogeneration Plant	\$ 1,342,199	
GLP Building	<u>290,351</u>	\$ 1,632,550
Less: Accumulated depreciation		<u>(857,088)</u>
Total		<u>\$ 775,462</u>

The following is a maturity schedule of the District’s Energy Performance Contract:

Year Ending June 30	Total
2017	\$ 148,446
2018	148,446
2019	<u>37,112</u>
Total minimum lease payments	334,004
Less: amounts representing imputed interest costs	<u>(9,764)</u>
Present value of minimum lease payments	<u>\$ 324,240</u>

Net Pension Liability—The District reported a liability, \$1,616,858, for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 6 for additional information related to the District’s net pension liability.

The following is a maturity schedule of the District’s indebtedness:

	Serial	Premium	Compensated	OPEB	Energy	Net Pension	Total
	Bonds	on Serial	Absences	Obligation	Performance	Liability	
		Bonds			Contract		
2017	\$ 1,045,000	\$ 58,967	\$ 73,579	\$ -	\$ 141,963	\$ -	\$ 1,319,509
2018	1,050,000	58,967	-	-	145,386	-	1,254,353
2019	690,000	58,967	-	-	36,891	-	785,858
2020	725,000	58,967	-	-	-	-	783,967
2021	725,000	58,968	-	-	-	-	783,968
2022-2024	1,130,000	-	-	-	-	-	1,130,000
Thereafter	<u>-</u>	<u>-</u>	<u>1,397,996</u>	<u>324,106</u>	<u>-</u>	<u>1,616,858</u>	<u>3,338,960</u>
	<u>\$ 5,365,000</u>	<u>\$ 294,836</u>	<u>\$ 1,471,575</u>	<u>\$ 324,106</u>	<u>\$ 324,240</u>	<u>\$ 1,616,858</u>	<u>\$ 9,396,615</u>

Interest requirements on serial bonds payable are as follows:

Year	Interest
2017	\$ 301,278
2018	293,496
2019	230,790
2020	175,503
2021	118,634
2022-2024	84,306
	<u>\$ 1,204,007</u>

10. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ***Net Investment in Capital Assets***—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construct or improvement of these assets reduce the balance in this category. A reconciliation of the District’s net investment in capital assets is presented as supplementary information in this report.
- ***Restricted Net Position***—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position***—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2016 includes:

- ***Prepaid Items***—Representing the portion of fund balance, \$37,112 composed of prepaid expenditures. This balance is nonspendable as the balance does not represent an available resource.
- ***Inventories***—Representing the portion of fund balance, \$9,660 composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. At June 30, 2016, the District had restricted funds as shown on the following page.

	General Fund	Debt Service Fund	Total
Unemployment insurance	\$ 950,233	\$ -	\$ 950,233
Retirement contribution	2,842,607	-	2,842,607
Employee benefits	1,257,498	-	1,257,498
Repairs	164,343	-	164,343
Debt service	-	20,425	20,425
Capital projects	3,621,974	-	3,621,974
Total	<u>\$ 8,836,655</u>	<u>\$ 20,425</u>	<u>\$ 8,857,080</u>

- **Restricted for Unemployment Insurance**—Represents funds that can be used to pay the cost of reimbursement to the New York State Unemployment Insurance Fund.
- **Restricted for Retirement Contribution**—Represents funds set aside for costs associated with retirement contributions.
- **Restricted for Employee Benefits**— Represents funds set aside for costs associated with benefits to be provided to retired employees.
- **Restricted for Repairs**—Represents funds set aside for costs associated with repairs.
- **Restricted for Debt Service**—Represents funds that can be used for debt payments.
- **Restricted for Capital Projects**—Represents unspent debt proceeds and local sources which are restricted for future spending on various approved capital projects.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority. As of June 30, 2016, the District has no committed fund balances.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2016 and include:

	General Fund
Subsequent year's expenditures	\$ 518,143
Encumbrances	600,662
Total	<u>\$ 1,118,805</u>

- **Assigned to Subsequent Year’s Expenditures**—Representing available fund balance being appropriated to meet expenditure requirements in the 2016-17 fiscal year.
- **Assigned to Encumbrances**—Representing amounts related to unperformed (executory) contracts for goods and services.

If the District must use funds for emergency expenditures the Board of Education shall authorize the Business Administrator to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

11. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2016 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental Funds:		
General Fund	\$ 606,357	\$ 23,543
Special Aid Fund	-	140,922
School Lunch Fund	-	56,500
Debt Service Fund	3	-
Capital Projects Fund	23,543	407,898
Total governmental funds	<u>629,903</u>	<u>628,863</u>
Fiduciary Funds:		
Agency Fund	-	1,040
Total fiduciary funds	-	1,040
Total	<u>\$ 629,903</u>	<u>\$ 629,903</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The District made the following transfers during the year ended June 30, 2016:

Fund	Transfers in:			
	Special Aid Fund	Debt Service Fund	Capital Projects Fund	Total
Transfers out:				
General Fund	\$ 14,574	\$ 1,296,971	\$ 100,000	\$ 1,411,545
Total	<u>\$ 14,574</u>	<u>\$ 1,296,971</u>	<u>\$ 100,000</u>	<u>\$ 1,411,545</u>

Transfers are used primarily to finance certain special aid programs and to support capital project expenditures and finance long-term liabilities.

12. AGENCY FUND

An agency fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2016:

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
ASSETS:				
Cash and cash equivalents	\$ 313,450	\$ 14,638,492	\$ 14,630,683	\$ 321,259
Total assets	<u>\$ 313,450</u>	<u>\$ 14,638,492</u>	<u>\$ 14,630,683</u>	<u>\$ 321,259</u>
LIABILITIES:				
Extraclassroom activity funds	\$ 87,897	\$ 173,516	\$ 174,489	\$ 86,924
Due to other funds	8	88,500	87,468	1,040
Other liabilities	<u>225,545</u>	<u>14,376,476</u>	<u>14,368,726</u>	<u>233,295</u>
Total liabilities	<u>\$ 313,450</u>	<u>\$ 14,638,492</u>	<u>\$ 14,630,683</u>	<u>\$ 321,259</u>

13. LABOR RELATIONS

District employees are represented by four bargaining units with the balance governed by Board of Education rules and regulations. The Eden Supervisory Staff Organization contract is in place through June 30, 2019; The Civil Service Employees Association, Eden Teachers Association and Eden Administrative-Supervisory Association contracts are in place through June 30, 2018.

14. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. The District considers encumbrances significant if they are in excess of \$10,000. As of June 30, 2016, the significant encumbrances are shown below:

Fund	Purpose	Amount
General Fund	Contract services	\$ 65,836
General Fund	Vehicle purchase	81,293
General Fund	Bus purchase	365,442

15. CONTINGENCIES

Litigation—Various legal actions are pending against the District. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

Grants—In the normal course of business, the District receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any

disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Other—The District is involved in litigation in the ordinary course of its operations. The District believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the District’s financial condition or results of operation.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2016, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Funding Progress—Other Post-Employment Benefits Plan
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/c)
April 1, 2015	-	4,766,141	4,766,141	0.0%	n/a	n/a
April 1, 2013	-	4,026,249	4,026,249	0.0%	n/a	n/a
April 1, 2011	-	1,981,665	1,981,665	0.0%	13,224,137	15.0%

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the
Net Pension Liability (Asset)—Teachers' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Measurement date	June 30, 2015	June 30, 2014	June 30, 2013
District's proportionation of the net pension liability (asset)	0.063569%	0.062427%	0.064115%
District's proportionate share of the net pension liability (asset)	<u>\$ (6,602,805)</u>	<u>\$ (6,953,975)</u>	<u>\$ (422,041)</u>
District's covered employee payroll	9,624,112	9,615,944	9,809,308
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(68.61%)	(72.32%)	(4.30%)
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.50%	100.70%

*Information prior to the year ended June 30, 2014 is not available.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions—
Teachers' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 1,673,930	\$ 1,498,483	\$ 1,111,955
Contribution in relation to the contractually required contribution	<u>(1,673,930)</u>	<u>(1,498,483)</u>	<u>(1,111,955)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,624,112	\$ 9,615,944	\$ 9,809,308
Contributions as a percentage of covered-employee payroll	17.39%	15.58%	11.34%

*Information prior to the year ended June 30, 2014 is not available.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the
Net Pension Liability (Asset)—Employees' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Measurement date	March 31, 2016	March 31, 2015	March 31, 2014
District's proportionation of the net pension liability (asset)	0.010073%	0.0103172%	0.0103172%
District's proportionate share of the net pension liability (asset)	<u>\$ 1,616,858</u>	<u>\$ 348,540</u>	<u>\$ 466,219</u>
District's covered employee payroll	3,103,310	3,328,854	3,223,575
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	52.10%	10.47%	14.46%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%	97.20%

*Information prior to the year ended June 30, 2014 is not available.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions—
Employees' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 542,531	\$ 583,594	\$ 623,050
Contribution in relation to the contractually required contribution	<u>(542,531)</u>	<u>(583,594)</u>	<u>(623,050)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,103,310	\$ 3,328,854	\$ 3,223,575
Contributions as a percentage of covered-employee payroll	17.48%	17.53%	19.33%

*Information prior to the year ended June 30, 2014 is not available.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Real property taxes	\$ 11,258,553	\$ 11,258,553	\$ 11,297,548	\$ 38,995
Real property tax items	2,320,310	2,320,310	2,284,073	(36,237)
Non property tax items	1,550,000	1,550,000	1,585,114	35,114
Charges for services	263,000	263,000	385,219	122,219
Use of money and property	36,000	36,000	40,367	4,367
Sale of property and compensation for loss	1,800	68,095	69,365	1,270
Interfund revenue	-	-	3,158	3,158
Miscellaneous	152,000	197,248	532,557	335,309
State sources:				
Basic formula - general aid	6,376,609	6,376,609	6,138,836	(237,773)
Basic formula - excess cost aid	1,150,414	1,150,414	1,164,656	14,242
Lottery aid	1,878,248	1,878,248	1,877,688	(560)
Commercial gaming aid	-	-	37,345	37,345
BOCES aid	878,803	878,803	881,187	2,384
Textbook aid	87,841	87,841	87,900	59
Computer software/hardware	45,793	45,793	45,763	(30)
Library loan program	9,062	9,062	9,056	(6)
Homeless aid	100,000	100,000	52,295	(47,705)
Emergency disaster assistance	25,000	25,000	9,006	(15,994)
Federal sources:				
Medicaid assistance	40,000	40,000	37,200	(2,800)
Total revenues	<u>26,173,433</u>	<u>26,284,976</u>	<u>26,538,333</u>	<u>253,357</u>
OTHER FINANCING SOURCES				
Transfers in	20,332	20,332	-	(20,332)
Appropriated reserves	387,000	387,000	-	(387,000)
Total other financing sources	<u>407,332</u>	<u>407,332</u>	<u>-</u>	<u>(407,332)</u>
Total revenues and other financing sources	<u>\$ 26,580,765</u>	<u>\$ 26,692,308</u>	<u>\$ 26,538,333</u>	<u>\$ (153,975)</u>

(continued)

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	(concluded)	
	<u>Original</u>	<u>Final</u>		<u>Encum- brances</u>	<u>Variance with Final Budget</u>
EXPENDITURES					
General support:					
Board of education	\$ 29,950	\$ 30,026	\$ 10,793	\$ 6,700	\$ 12,533
Central administration	254,540	251,787	241,188	-	10,599
Finance	357,984	359,686	330,104	16,361	13,221
Staff	122,381	118,092	70,380	-	47,712
Central services	1,951,095	2,072,099	1,707,408	139,810	224,881
Special items	411,409	398,025	368,128	-	29,897
Instruction:					
Instruction, administration and improvement	921,291	991,805	904,940	13,733	73,132
Teaching—regular school	7,701,020	7,693,458	7,081,743	24,924	586,791
Programs for students with disabilities	2,649,717	2,567,127	2,314,960	1,500	250,667
Occupational education	754,984	754,984	644,236	-	110,748
Teaching—special schools	21,360	22,012	16,497	-	5,515
Instructional media	973,908	981,843	860,234	587	121,022
Pupil services	1,387,775	1,408,733	1,242,108	7,940	158,685
Pupil transportation	1,883,121	2,322,064	1,674,577	384,357	263,130
Community services	11,000	11,000	180	-	10,820
Employee benefits	6,448,151	6,008,488	5,368,158	4,750	635,580
Debt Service:					
Principal	138,620	138,620	138,620	-	-
Interest	9,826	9,826	9,826	-	-
Total expenditures/encumbrances	<u>26,028,132</u>	<u>26,139,675</u>	<u>22,984,080</u>	<u>600,662</u>	<u>2,554,933</u>
OTHER FINANCING USES					
Transfers out	<u>1,447,471</u>	<u>1,447,471</u>	<u>1,411,545</u>	<u>-</u>	<u>35,926</u>
Total expenditures/encumbrances and other financing uses	<u>27,475,603</u>	<u>27,587,146</u>	<u>24,395,625</u>	<u>600,662</u>	<u>2,590,859</u>
Net change in fund balances*	(894,838)	(894,838)	2,142,708		
Fund balance—beginning	<u>8,944,632</u>	<u>8,944,632</u>	<u>8,944,632</u>		
Fund balance—ending	<u>\$ 8,049,794</u>	<u>\$ 8,049,794</u>	<u>\$ 11,087,340</u>		

*The net change in fund balances was included as appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Note to the Required Supplementary Information
Year Ended June 30, 2016

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Special Aid, School Lunch, and Debt Service funds. Appropriation limits, where applicable, for the Debt Service Fund, Special Aid Fund and Special Purpose Fund are maintained based on debt schedules, individual grants and donations or fundraising revenues accepted by the Board of Education. The periods of such grants may vary from the District's fiscal year. A budget is maintained for the School Lunch Fund as a management tool for internal control purposes.

The appropriated budget is prepared by fund, function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations exceeding \$10,000 between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

SUPPLEMENTARY INFORMATION

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit—General Fund
Year Ended June 30, 2016

Change from Adopted Budget to Final Budget

Adopted budget 2015-2016	\$ 26,994,111
Add: Prior year's encumbrances	<u>481,492</u>
Original budget	27,475,603
Budget revisions: gifts and donations and other various purposes	<u>111,543</u>
Final budget 2015-2016	<u><u>\$ 27,587,146</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2016-2017 voter approved expenditure budget	\$ 27,369,231	
Maximum allowed (4% of 2016-2017 budget)		<u>\$ 1,094,769</u>
General Fund fund balance subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	\$ 1,118,805	
Unassigned fund balance	<u>1,094,768</u>	
Total unrestricted fund balance		\$ 2,213,573
Less:		
Appropriated fund balance	\$ (518,143)	
Encumbrances included in assigned fund balance	<u>(600,662)</u>	
Total adjustments		<u>(1,118,805)</u>
General Fund fund balance subject to Section 1318 of Real Property Tax Law		<u><u>\$ 1,094,768</u></u>
Actual percentage		4.00%

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

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Capital Projects Fund—Project Expenditures and Financing Resources
Year Ended June 30, 2016

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date		Total		Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2016
			Prior Years	Current Year	Project Expenditures	Unexpended Balance		State Aid	Local Sources	Total	
Excel Project	\$ 2,849,065	\$ 2,849,065	\$ 2,810,509	\$ -	\$ 2,810,509	\$ 38,556	\$ 2,276,402	\$ 484,589	\$ 88,073	\$ 2,849,064	\$ 38,555
Emergency Masonry Repair	72,590	72,590	63,470	-	63,470	9,120	-	-	72,591	72,591	9,121
Capital Outlay	100,000	100,000	-	85,577	85,577	14,423	-	-	100,000	100,000	14,423
Eden 2020 Project	22,150,000	22,150,000	-	407,996	407,996	21,742,004	-	-	-	-	(407,996)
	<u>\$ 25,171,655</u>	<u>\$ 25,171,655</u>	<u>\$ 2,873,979</u>	<u>\$ 493,573</u>	<u>\$ 3,367,552</u>	<u>\$ 21,804,103</u>	<u>\$ 2,276,402</u>	<u>\$ 484,589</u>	<u>\$ 260,664</u>	<u>\$ 3,021,655</u>	<u>\$ (345,897)</u>

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
June 30, 2016

Capital assets, net of accumulated depreciation		\$ 14,048,569
Add:		
Unspent debt proceeds	\$ 58,981	
Deferred charge on refunding	<u>105,490</u>	164,471
Deduct:		
Serial bonds	\$ (5,365,000)	
Premium on bonds payable	(294,836)	
Energy performance contract	<u>(324,240)</u>	<u>(5,984,076)</u>
Net investment in capital assets		<u>\$ 8,228,964</u>

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Certified Public Accountants

**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
Eden Central School District, New York

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eden Central School District, New York (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 21, 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency

in internal control, described in the accompanying Schedule of Findings as item 2016-001 that we consider to be a significant deficiency.

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*.

The District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Drescher & Malecki LLP

September 21, 2016

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Findings
Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS SECTION

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2016-001—Financial Position – School Lunch Fund

Criteria—Budgeting practices should strive to accurately estimate the amount of revenues and expenditures to be earned and expended in order to adequately sustain the financial operations.

Condition and Context—For the year ended June 30, 2016 the District reported a total deficit in the School Lunch Fund of \$44,096.

Cause—An analysis of the most recent five fiscal years shows that the District has experienced decreases in fund balance for the School Lunch fund due to total expenditures consistently exceeding total revenues in the fund.

Effect or Potential Effect—Continued expenditures at this level without an immediate and substantial increase in the current level of revenue will further the School Lunch Fund’s deficit situation.

Recommendation—We recommend that the District carefully monitor the School Lunch Fund’s position to prevent further deterioration. The District should develop both a short-term and long-term plan to enhance the fund’s future position. The plan should pursue potential cost-cutting and/or revenue enhancing options.

Management’s Corrective Action Plan—This is the second year in which the School Lunch Fund has risen to the level of a finding. The Board realizes the negative trend in financial position and the negative cash flow. They realize that the fund will continue to show a negative balance for the foreseeable future. Given this fact it becomes prudent for the District to budget for an interfund transfer between the General Fund and School Lunch Fund. That being said, efforts continue to try and maximize revenue and minimize expenditures. The District is in year two of mobile food carts. The first year saw much success at the junior-senior high school level and is being expanded to the elementary level.

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