

NORTH TONAWANDA CITY
SCHOOL DISTRICT, NEW YORK
*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and
Federal Awards Information for the Year Ended
June 30, 2016 and Independent Auditors' Reports*

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
North Tonawanda City School District, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Tonawanda City 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 of 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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, and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 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.

Drescher & Malecki LLP

October 7, 2016

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2016

As management of the North Tonawanda City 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 resources at the close of the most recent fiscal year by \$52,952,111 (*net position*). This consists of \$30,575,562 net investment in capital assets, \$5,162,062 restricted for specific purposes and unrestricted net position of \$17,214,487.
- The District's net position increased by \$4,448,035 during the year ended June 30, 2016.
- At the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$15,317,279, an improvement of \$22,120,782 in comparison with the prior year's fund balance deficit of \$6,803,503. The improvement resulted primarily from the issuance of serial bonds (\$19,065,000) and the related premium received (\$3,115,573).
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$2,627,458, or approximately 3.6 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 20.6 percent of the General Fund's total fund balance of \$12,782,300.
- The District's total bonded indebtedness increased \$17,520,000 as a result of a serial bond issuance of \$19,065,000 and scheduled principal payments of \$1,545,000.

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 contains other supplementary information in addition 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 inflow/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 operations, 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 12-13 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 four 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 balance for the General Fund, Special Aid Fund, School Lunch Fund and Capital Projects Fund, all of which are considered to be major.

The basic governmental fund financial statements can be found on pages 14-17 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 18-19 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 20-43 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 related note to the required supplementary information can be found on pages 44-51 of this report.

Other Supplementary Information, as listed in the table of contents, is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 52-54.

The Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 55-63 of this report.

Government-wide 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 of resources exceeded liabilities and deferred inflows of resources by \$52,952,111 at June 30, 2016 as compared to \$48,504,076 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 Statement of Net Position

	June 30,	
	2016	2015
Current assets	\$ 22,604,144	\$ 24,930,138
Noncurrent assets	<u>78,598,651</u>	<u>81,508,339</u>
Total assets	<u>101,202,795</u>	<u>106,438,477</u>
Deferred outflows of resources	<u>6,328,817</u>	<u>4,858,222</u>
Current liabilities	7,559,656	31,729,391
Noncurrent liabilities	<u>40,726,899</u>	<u>18,275,943</u>
Total liabilities	<u>48,286,555</u>	<u>50,005,334</u>
Deferred inflows of resources	<u>6,292,946</u>	<u>12,787,289</u>
Net position:		
Net investment in capital assets	30,575,562	26,414,688
Restricted	5,162,062	10,465,842
Unrestricted	<u>17,214,487</u>	<u>11,623,546</u>
Total net position	<u>\$ 52,952,111</u>	<u>\$ 48,504,076</u>

The largest portion of the Districts' net position, \$30,575,562 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.

An additional portion of the District's net position, \$5,162,062, represents resources that are subject to external restrictions on how they may be used. Any remaining portion of the District's net position would represent resources that are unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. Unrestricted net position of \$17,214,487 represents resources that may be used to meet the District's ongoing operations.

Table 2, shown below, presents the changes in net position for the years ended June 30, 2016 and June 30, 2015.

Table 2—Condensed Statement of Changes in Net Position

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services	\$ 538,800	\$ 518,311
Operating grants and contributions	4,312,275	4,585,401
General revenues	<u>65,670,831</u>	<u>63,123,315</u>
Total revenues	<u>70,521,906</u>	<u>68,227,027</u>
Program expenses:	<u>66,073,871</u>	<u>62,647,786</u>
Change in net position	4,448,035	5,579,241
Net position—beginning	<u>48,504,076</u>	<u>42,924,835</u>
Net position—ending	<u>\$ 52,952,111</u>	<u>\$ 48,504,076</u>

Overall revenues increased by 3.4 percent from the prior year, due primarily to increases in State sources and the sale of real property. Total expenses increased 5.5 percent from the year ended June 30, 2015, as a result of increased instruction costs related to contract settlements and programs for children with handicapping conditions.

A summary of sources of revenues for the years ended June 30, 2016 and June 30, 2015 is presented on the following page in Table 3.

Table 3—Summary of Sources of Revenues

	Year ended June 30,		Increase/(decrease)	
	2016	2015	Dollars	Percent (%)
Charges for services	\$ 538,800	\$ 518,311	\$ 20,489	4.0
Operating grants and contributions	4,312,275	4,585,401	(273,126)	(6.0)
Real property taxes and other tax items	27,670,315	27,635,294	35,021	0.1
Use of money and property	517,004	546,289	(29,285)	(5.4)
Sale of property and compensation for loss	5,225	416,156	(410,931)	n/a
Miscellaneous	1,538,603	691,817	846,786	122.4
State aid—unrestricted	35,939,684	33,833,759	2,105,925	6.2
Total revenues	<u>\$ 70,521,906</u>	<u>\$ 68,227,027</u>	<u>\$ 2,294,879</u>	3.4

The most significant sources of revenue for the year ended June 30, 2016 are unrestricted state aid of \$35,939,684, or 51.0 percent of total revenues, real property taxes and items of \$27,670,315, or 39.2 percent of total revenues, and operating grants and contributions of \$4,312,275, or 6.1 percent of total revenues. Similarly, for the year ended June 30, 2015, the largest revenues were unrestricted state aid of \$33,833,759, or 50.0 percent of total revenues, real property taxes and items of \$27,635,294, or 41.0 percent of total revenues, and operating grants and contributions of \$4,585,401, or 7.0 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	\$ 7,813,054	\$ 7,870,709	\$ (57,655)	(0.7)
Instruction	53,606,920	50,550,632	3,056,288	6.0
Pupil transportation	2,687,494	2,563,527	123,967	4.8
School food service	1,208,759	1,142,696	66,063	5.8
Interest and other fiscal charges	757,644	520,222	237,422	45.6
Total program expenses	<u>\$ 66,073,871</u>	<u>\$ 62,647,786</u>	<u>\$ 3,426,085</u>	5.5

The District's most significant expense items for the year ended June 30, 2016 were instruction of \$53,606,920, or 81.1 percent of total expenses, general support of \$7,813,054, or 11.8 percent of total expenses, and pupil transportation of \$2,687,494, or 4.1 percent of total expenses. Similarly, for the year ended June 30, 2015 significant expense items were instruction of \$50,550,632, or 80.7 percent of total expenses, general support \$7,870,709, or 12.6 percent of total expenses, and pupil transportation of \$2,563,527, or 4.1 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* 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 particular purposes by the Board of Education.

At June 30, 2016, the District’s governmental funds reported combined ending fund balances of \$15,317,279, an improvement of \$22,120,782 from the prior year fund balance deficit of \$6,803,503. The improvement resulted primarily from the issuance of serial bonds (\$19,065,000) and the related premium received (\$3,115,573). Approximately 17.2 percent (\$2,627,458) 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, \$105,982, 2) restricted for particular purposes, \$7,249,489, or 3) assigned for particular purposes, \$5,334,350.

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 \$2,627,458, while total fund balance decreased to \$12,782,300 from \$16,510,418 at June 30, 2015. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. *Unassigned fund balance* represents 3.6 percent of total General Fund expenditures and transfers out, while total fund balance represents 17.5 percent of that same amount.

The total fund balance of the District’s General Fund decreased by \$3,728,118 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$4,792,550 of fund balance (this included funds appropriated from fund balance and the re-appropriation of prior year’s encumbrances). In addition, the District passed a voter approved increase in the budget of \$3,370,591. Thus, the District anticipated using a total of \$8,163,141 of fund balance, since it only decreased \$3,728,118, the District’s General Fund fund balance ended \$4,435,023 higher than expected.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Total revenues were \$3,159,062 and comprised of state, federal and local sources. Expenditures and transfers out totaled \$3,288,538 and were used toward the instruction and transportation of students. The difference between revenues and expenditures was subsidized by a transfer in from the General Fund.

The School Lunch Fund fund balance is \$447,552 as of June 30, 2016, of which \$5,239 represents inventory and is considered nonspendable. The District may use the remaining portion, \$442,313, to continue to update the school lunch facilities and equipment.

The Capital Projects Fund has a total fund balance of \$2,087,427 which represents serial bond proceeds received but not yet spent.

General Fund Budgetary Highlights

The District’s General Fund budget generally contains 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 on the following page in Table 5.

Table 5—General Fund Budget

Adopted budget, 2015-2016	\$ 70,548,964
Add: Prior year's encumbrances	<u>35,165</u>
Original budget, 2015-2016	70,584,129
Additions:	
Voter approved budget revisions	3,370,591
Bond premium	<u>3,115,572</u>
Final budget, 2015-2016	<u>\$ 77,070,292</u>

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 \$61,235,042 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land 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 in Table 6 below:

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

	June 30,	
	2016	2015
Land	\$ 246,107	\$ 246,107
Construction in progress	1,283,164	-
Buildings	58,305,053	61,002,618
Land improvements	412,924	464,029
Furniture and equipment	795,111	870,997
Vehicles	192,683	290,524
Total	<u>\$ 61,235,042</u>	<u>\$ 62,874,275</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 total long-term liabilities outstanding of \$40,726,899, as compared to \$18,275,943 in the prior year. Of the total long-term liabilities outstanding at June 30, 2016, \$28,220,000 represents serial bonds issued by the District.

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

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2016	2015
Serial bonds	\$ 28,220,000	\$ 10,700,000
Premium on serial bonds	3,800,045	1,084,244
Capital leases	726,862	915,343
Compensated absences	3,899,813	3,791,841
Net pension liability	2,710,543	573,201
OPEB obligation	<u>1,369,636</u>	<u>1,211,314</u>
Total	<u>\$ 40,726,899</u>	<u>\$ 18,275,943</u>

Additional information on the District’s long-term liabilities can be found in Note 10 to the financial statements.

Economic Factors and Next Year’s Budget and Rates

The unemployment rate, not seasonally adjusted, for the region at June 30, 2016 was 4.8 percent. This compares to New York State’s average unemployment rate of 4.9 percent.

During the current fiscal year, the District appropriated \$4,757,385 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 \$72,315,050 is an approximate increase of 2.5 percent as compared to \$70,548,964 in 2015-2016. The District’s total budgeted tax levy in 2016-2017 is \$27,680,053, which is an approximate increase of 1.3 percent as compared to \$27,338,052 levied during the 2015-2016 year.

Request for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed Alan Getter, Assistant Superintendent of Administrative Services, North Tonawanda City School District, 176 Walck Road, North Tonawanda, New York 14120.

BASIC FINANCIAL STATEMENTS

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NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2016

	<u>Primary Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 9,965,903
Restricted cash and cash equivalents	7,374,654
Receivables	997,865
Intergovernmental receivables	4,159,598
Due from Agency Fund	142
Prepaid items	1,731
Cash value of life insurance	99,012
Inventories	5,239
Noncurrent net pension asset	17,363,609
Capital assets not being depreciated	1,529,271
Capital assets, net of accumulated depreciation	<u>59,705,771</u>
Total assets	<u>101,202,795</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	<u>6,328,817</u>
LIABILITIES	
Accounts payable	1,322,296
Accrued liabilities	2,264,706
Due to retirement systems	3,854,182
Unearned revenue	118,472
Noncurrent liabilities:	
Due within one year	4,235,999
Due within more than one year	<u>36,490,900</u>
Total liabilities	<u>48,286,555</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	<u>6,292,946</u>
NET POSITION	
Net investment in capital assets	30,575,562
Restricted:	
Debt service	3,105,772
Workers' compensation	211,987
Unemployment insurance	156,262
Retirement contribution	420,826
Insurance	1,162,962
Employee benefits	104,253
Unrestricted	<u>17,214,487</u>
Total net position	<u>\$ 52,952,111</u>

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2016

<u>Functions/Programs</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 Government Governmental Activities</u>
Governmental activities:				
General support	\$ 7,813,054	\$ -	\$ -	\$ (7,813,054)
Instruction	53,606,920	195,729	3,329,445	(50,081,746)
Pupil transportation	2,687,494	-	-	(2,687,494)
School food service	1,208,759	343,071	982,830	117,142
Interest and other fiscal charges	<u>757,644</u>	<u>-</u>	<u>-</u>	<u>(757,644)</u>
Total primary government	<u>\$ 66,073,871</u>	<u>\$ 538,800</u>	<u>\$ 4,312,275</u>	<u>(61,222,796)</u>
		General revenues:		
				27,670,315
				517,004
				5,225
				1,538,603
				<u>35,939,684</u>
				<u>65,670,831</u>
				4,448,035
				<u>48,504,076</u>
				<u>\$ 52,952,111</u>

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2016

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 8,157,921	\$ 1,207,092	\$ 600,890	\$ -	\$ 9,965,903
Restricted cash and cash equivalents	5,263,574	10,271	6,689	2,094,120	7,374,654
Receivables	997,865	-	-	-	997,865
Due from other funds	3,327,862	-	-	-	3,327,862
Intergovernmental receivables	2,029,331	2,072,251	58,016	-	4,159,598
Prepaid items	1,731	-	-	-	1,731
Cash value of life insurance	99,012	-	-	-	99,012
Inventories	-	-	5,239	-	5,239
Total assets	<u>\$ 19,877,296</u>	<u>\$ 3,289,614</u>	<u>\$ 670,834</u>	<u>\$ 2,094,120</u>	<u>\$ 25,931,864</u>
LIABILITIES					
Accounts payable	\$ 1,143,885	\$ 1,197	\$ 170,566	\$ 6,648	\$ 1,322,296
Accrued liabilities	1,471,888	818	-	-	1,472,706
Due to other funds	4,320	3,277,328	46,027	45	3,327,720
Due to retirement systems	3,854,182	-	-	-	3,854,182
Unearned revenue	101,512	10,271	6,689	-	118,472
Total liabilities	<u>6,575,787</u>	<u>3,289,614</u>	<u>223,282</u>	<u>6,693</u>	<u>10,095,376</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue—taxes	519,209	-	-	-	519,209
Total deferred inflows of resources	<u>519,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,209</u>
FUND BALANCES					
Nonspendable	100,743	-	5,239	-	105,982
Restricted	5,162,062	-	-	2,087,427	7,249,489
Assigned	4,892,037	-	442,313	-	5,334,350
Unassigned	2,627,458	-	-	-	2,627,458
Total fund balances	<u>12,782,300</u>	<u>-</u>	<u>447,552</u>	<u>2,087,427</u>	<u>15,317,279</u>
resources and fund balances	<u>\$ 19,877,296</u>	<u>\$ 3,289,614</u>	<u>\$ 670,834</u>	<u>\$ 2,094,120</u>	<u>\$ 25,931,864</u>

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Position
June 30, 2016

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

Total fund balances—governmental funds (page 14)		\$ 15,317,279
Net pension assets are not financial resources and, therefore, are not reported in the funds.		17,363,609
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$113,462,900 and the accumulated depreciation is \$52,227,858.		61,235,042
Real property taxes not collected within 60 days of year end are deferred inflows of resources for the fund statements, but are recognized on the accrual basis for the government-wide statements.		519,209
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	\$ 3,770,489	
Deferred outflows relating to experience, changes in assumptions and investment earnings	2,558,328	
Deferred inflows of resources related to pension plans	<u>(6,292,946)</u>	35,871
Net accrued interest expense for serial bonds and capital leases is not reported in the fund statements.		(792,000)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$(28,220,000)	
Unamortized premiums on serial bonds	(3,800,045)	
Capital leases	(726,862)	
Compensated absences	(3,899,813)	
Net pension liability	(2,710,543)	
Other post-employment benefits obligation	<u>(1,369,636)</u>	<u>(40,726,899)</u>
Net position of governmental activities		<u>\$ 52,952,111</u>

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds
Year Ended June 30, 2016

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes and other tax items	\$ 27,629,356	\$ -	\$ -	\$ -	\$ 27,629,356
Charges for services	195,729	-	-	-	195,729
School lunch, breakfast and other food sales	-	-	343,071	-	343,071
Use of money and property	516,917	-	87	-	517,004
Sale of property and compensation for loss	5,225	-	-	-	5,225
Miscellaneous	1,500,134	38,469	-	-	1,538,603
State sources	35,939,684	875,739	32,809	-	36,848,232
Federal sources	208,852	2,244,854	950,021	-	3,403,727
Total revenues	<u>65,995,897</u>	<u>3,159,062</u>	<u>1,325,988</u>	<u>-</u>	<u>70,480,947</u>
EXPENDITURES					
Current:					
General support	6,204,065	-	-	-	6,204,065
Instruction	38,878,718	3,273,951	-	-	42,152,669
Pupil transportation	2,112,138	-	-	-	2,112,138
Cost of sales (school lunch)	-	-	1,194,856	-	1,194,856
Employee benefits	15,020,949	-	-	-	15,020,949
Debt service:					
Principal	1,733,481	-	-	-	1,733,481
Interest and other fiscal charges	839,416	-	-	-	839,416
Capital outlay	-	-	-	1,283,164	1,283,164
Total expenditures	<u>64,788,767</u>	<u>3,273,951</u>	<u>1,194,856</u>	<u>1,283,164</u>	<u>70,540,738</u>
Excess (deficiency) of revenues over expenditures	<u>1,207,130</u>	<u>(114,889)</u>	<u>131,132</u>	<u>(1,283,164)</u>	<u>(59,791)</u>
OTHER FINANCING SOURCES (USES)					
Premium on serial bonds issuance	-	-	-	3,115,573	3,115,573
Issuance of serial bonds	-	-	-	19,065,000	19,065,000
Transfers in	3,261,594	129,476	1,775	8,065,591	11,458,436
Transfers out	(8,196,842)	(14,587)	(131,434)	(3,115,573)	(11,458,436)
Total other financing sources (uses)	<u>(4,935,248)</u>	<u>114,889</u>	<u>(129,659)</u>	<u>27,130,591</u>	<u>22,180,573</u>
Net change in fund balances	(3,728,118)	-	1,473	25,847,427	22,120,782
Fund balances (deficit)—beginning	<u>16,510,418</u>	<u>-</u>	<u>446,079</u>	<u>(23,760,000)</u>	<u>(6,803,503)</u>
Fund balances—ending	<u>\$ 12,782,300</u>	<u>\$ -</u>	<u>\$ 447,552</u>	<u>\$ 2,087,427</u>	<u>\$ 15,317,279</u>

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—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 13) are different because:

Net change in fund balances (deficit)—total governmental funds (page 16) \$ 22,120,782

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

Capital asset additions	\$ 1,339,633	
Depreciation expense	<u>(2,978,866)</u>	(1,639,233)

Governmental funds recognize real property taxes only if collected within 60 days after the end of the fiscal year; however, the government-wide statements recognize revenue on a full accrual basis. 40,959

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

District pension contributions	\$ 3,584,182	
Cost of benefits earned net of employee contributions	<u>972,959</u>	4,557,141

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (318,000)

The issuance of long-term debt 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:

Principal repayment of serial bonds	\$ 1,545,000	
Issuance of serial bonds	(19,065,000)	
Premium on serial bonds issuance	(3,115,573)	
Amortization of premiums on serial bonds	399,772	
Payment of capital leases	188,481	
Change in compensated absences	(107,972)	
Change in other-post employment benefits obligation	<u>(158,322)</u>	<u>(20,313,614)</u>

Change in net position of governmental activities \$ 4,448,035

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Fiduciary Net Position—Fiduciary Funds
June 30, 2016

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Restricted cash and cash equivalents	\$ 91,046	\$ 418,209
Total assets	<u>91,046</u>	<u>\$ 418,209</u>
LIABILITIES		
Agency liabilities	-	\$ 359,770
Due to other funds	-	142
Extraclassroom activity funds	<u>-</u>	<u>58,297</u>
Total liabilities	<u>-</u>	<u>\$ 418,209</u>
NET POSITION		
Restricted for scholarships	<u>\$ 91,046</u>	

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Changes in Fiduciary Net Position—Fiduciary Funds
Year Ended June 30, 2016

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$ 8,250
Investment earnings	<u>28</u>
Total additions	<u>8,278</u>
DEDUCTIONS	
Scholarships and awards	<u>19,193</u>
Total deductions	<u>19,193</u>
Change in net position	(10,915)
Net position—beginning	<u>101,961</u>
Net position—ending	<u><u>\$ 91,046</u></u>

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

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NORTH TONAWANDA CITY 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 North Tonawanda City 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 (“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 and intergovernmental revenues, 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 13 participating school districts in the Orleans-Niagara Board of Cooperative Education Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. 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 fiscal year ended June 30, 2016, the District was billed \$8,971,375 for BOCES administrative and program costs and recognized \$1,965,453 of BOCES aid from New York State and \$311,247 in revenue as a refund from prior years' expenditures paid to BOCES. Audited financial statements are available from 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 of the District's funds are considered major 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 sources of revenue for the General Fund are state sources and 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.
- *Capital Projects Fund*—The Capital Projects 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. The fiduciary funds of the District include 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, pensions, 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 so 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. 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. 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 its assets and liabilities.

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

Cash, Cash Equivalents and Investments—The District’s cash, cash equivalents, and investments consist of cash on hand, demand deposits, time deposits and short-term highly liquid investments with original maturities of three months or less from 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 quoted market value.

Restricted Cash and Cash Equivalents—Restricted cash represents amounts to support restricted fund balances, unearned revenue and Agency Fund liabilities.

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 expenses/expenditures when consumed rather than purchased.

Cash Value of Life Insurance—Cash value of life insurance is stated at the lower of accumulated premiums paid or surrender value of the contracts, less outstanding policy loans, if any. In the governmental funds, a corresponding amount of fund balance is recorded as nonspendable to indicate these funds are not available expendable resources.

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, buildings, land 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:

	Capitalization Threshold	Estimated Useful Life (Years)
Buildings	\$5,000	50
Land improvements	5,000	20
Furniture, equipment and vehicles	5,000	8-20

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 one item that qualifies for reporting in this category. The item is related to pensions, reported in the government-wide financial statements, which 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.

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 reports a deferred inflow of resources on the government-wide financial statements related to pensions. This item 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 periods between the District’s contributions, and its proportionate share of total contributions to the pension systems not included in pension expense. Additionally, the governmental fund financial statements report unavailable revenue for taxes that the District does not expect to receive within 60 days of year-end.

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 an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 both the business official and the Superintendent 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 Expenses/Expenditures

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 taxes are levied annually by the Board of Education no later than September 1 and become a lien on September 1 each year. Taxes are collected during the period of September 1 to October 31 each year. The City of North Tonawanda, New York (the “City”), in which the District is located, enforces uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable within the fund financial statements.

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 \$101,512, \$10,271 and

\$6,689 of unearned revenues in the General Fund, Special Aid Fund and School Lunch Fund, respectively. The District received deposits in advance but has not performed the services and therefore recognizes a liability.

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 and 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 disclosed in Note 7.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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 Statements 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 into 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 Statements 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 fiscal 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 fiscal year ending June 30, 2018. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 73, 74, 75, 77, 78, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

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 Treasurer 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 obligations 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)	\$ 100	\$ -	\$ 100
Deposits	<u>17,340,457</u>	<u>509,255</u>	<u>17,849,712</u>
Total	<u>\$ 17,340,557</u>	<u>\$ 509,255</u>	<u>\$ 17,849,812</u>

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

	Bank Balance	Carrying Amount
FDIC insured	\$ 707,195	\$ 707,585
Uninsured:		
Collateral held by pledging bank's agent in the District's name	<u>17,966,295</u>	<u>17,142,127</u>
Total	<u>\$ 18,673,490</u>	<u>\$ 17,849,712</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 and unearned revenues as restricted cash and cash equivalents. At June 30, 2016, the District reported \$7,374,654 of restricted cash within its governmental funds and \$509,255 in its Fiduciary 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 \$411,832 for amounts due from various sources for out-of-District tuition, commissions, reimbursements and other services provided. In addition, taxes receivable represents amounts due from District taxpayers that remain unpaid. At June 30, 2016 that amount is \$586,033.

Intergovernmental Receivables—Represent 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:			
State - Medicaid	\$	16,420	
State - General Aid		17,590	
State - BOCES Aid		1,080,832	
State - Excess Cost Aid		<u>914,489</u>	\$ 2,029,331
Special Aid Fund:			
Federal - Title I	\$	489,276	
Federal - IDEA Part B, Section 619		39,649	
Federal - IDEA Part B, Section 611		849,467	
Federal - Title IIA		111,847	
Federal - Fit for Life		106,127	
State - Universal Pre-K		144,645	
State - Summer Handicapped 2012-13		70,048	
State - Summer Handicapped 2013-14		70,558	
State - Summer Handicapped 2014-15		65,954	
State - Summer Handicapped 2015-16		39,368	
State - Section 4201		<u>85,312</u>	2,072,251
School Lunch Fund:			
State - Breakfast and Lunch Program			<u>58,016</u>
Total governmental funds			<u>\$ 4,159,598</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	\$ 246,107	\$ -	\$ -	\$ 246,107
Construction in progress	-	1,283,164	-	1,283,164
Total capital assets, not being depreciated	<u>246,107</u>	<u>1,283,164</u>	<u>-</u>	<u>1,529,271</u>
Capital assets, being depreciated:				
Buildings	103,769,825	-	-	103,769,825
Land improvements	3,862,768	-	-	3,862,768
Furniture and equipment	2,993,284	56,469	-	3,049,753
Vehicles	1,251,283	-	-	1,251,283
Total capital assets, being depreciated	<u>111,877,160</u>	<u>56,469</u>	<u>-</u>	<u>111,933,629</u>
Less accumulated depreciation for:				
Buildings	42,767,207	2,697,565	-	45,464,772
Land improvements	3,398,739	51,105	-	3,449,844
Furniture and equipment	2,122,287	132,355	-	2,254,642
Vehicles	960,759	97,841	-	1,058,600
Total accumulated depreciation	<u>49,248,992</u>	<u>2,978,866</u>	<u>-</u>	<u>52,227,858</u>
Total capital assets, being depreciated, net	<u>62,628,168</u>	<u>(2,922,397)</u>	<u>-</u>	<u>59,705,771</u>
Governmental activities capital assets, net	<u>\$ 62,874,275</u>	<u>\$ (1,639,233)</u>	<u>\$ -</u>	<u>\$ 61,235,042</u>

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

Governmental activities:	
General support	\$ 289,953
Instruction	2,543,522
Pupil transportation	131,488
School lunch	<u>13,903</u>
Total	<u>\$ 2,978,866</u>

5. ACCRUED LIABILITIES

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

	General Fund	Special Aid Fund	Total Governmental Funds
Salary and employee benefits	\$ 202,631	\$ 818	\$ 203,449
Workers' compensation	328,000	-	328,000
Teachers' retirement incentive	845,500	-	845,500
Out-of-district tuition	76,047	-	76,047
Other	19,710	-	19,710
Total accrued liabilities	<u>\$ 1,471,888</u>	<u>\$ 818</u>	<u>\$ 1,472,706</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. 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 System 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 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 TRS, 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 System's website at www.nystrs.org.

Employees' Retirement System—The District participates in the ERS. This is a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net position and record changes in plan net position allocated to ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the NYSRSSL. Once a public employer elects to participate in 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. 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 three percent (3.0%) to three and one half percent (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 Systems' fiscal year ending March 31.

Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—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	\$ (17,363,609)	\$ 2,710,543
District's portion of the Plan's total net pension (asset)/liability	0.167170%	0.0168878%

For the year ended June 30, 2016, the District recognized an actuarial decrease of \$1,146,866 for the TRS and pension expense of \$1,025,729 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	\$ -	\$ 13,697	\$ 481,220	\$ 321,290
Changes in assumptions	-	722,820	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,608,043	5,488,727	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	13,900	199,868	-	1,709
District contributions subsequent to the measurement date	<u>3,511,869</u>	<u>258,620</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,525,769</u>	<u>\$ 2,803,048</u>	<u>\$ 5,969,947</u>	<u>\$ 322,999</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:

Year Ended June 30,	TRS	ERS
2017	\$ (2,212,355)	\$ 570,549
2018	(2,212,355)	570,549
2019	(2,212,355)	570,549
2020	914,264	509,782
2021	(58,518)	-
Thereafter	(174,728)	-

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:

	TRS	ERS
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 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/(Asset) 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)	\$ 1,184,422	\$ (17,363,609)	\$ (33,181,184)
ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 6,112,077	\$ 2,710,543	\$ (163,608)

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 (asset)/liability	\$ 99,332,103	\$ 172,303,544	\$ 271,635,647
Plan fiduciary net position	<u>109,718,916</u>	<u>156,253,265</u>	<u>265,972,181</u>
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/(asset)	110.46%	90.68%	97.92%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer’s contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$3,595,562.

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 \$258,620.

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

Plan Description—In addition to pension benefits, the District pays for a portion of eligible retirees’ health insurance, depending on the type of health plan provided in accordance with the provisions of various employment contracts. The benefit level, employee contributions and employer contributions are governed by the District’s contractual agreements. The estimated cost of such benefits totaled \$1,035,322 for the year ended June 30, 2016.

Funding Policy—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. Upon retirement, the District generally pays a portion of the cost of the employee’s current coverage at the time of retirement for a period of time as outlined in the various contracts.

The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. District governmental activities contributed \$877,000 for the fiscal year ended June 30, 2016.

The District’s annual OPEB cost 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 projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

	Year ended June 30,	
	2016	2015
Annual required contribution ("ARC")	\$ 1,037,046	\$ 1,037,046
Interest on net OPEB obligation	48,453	39,849
Adjustment to ARC	(50,177)	(41,267)
Annual OPEB costs (expense)	1,035,322	1,035,628
Contributions made	(877,000)	(820,545)
Increase in net OPEB obligation	158,322	215,083
Net OPEB obligation—beginning of year	1,211,314	996,231
Net OPEB obligation—end of year	\$ 1,369,636	\$ 1,211,314

Funding Status and Funding Progress—As of June 30, 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 \$17,742,627.

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. This schedule presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The District's Schedule of Contributions for the most recent three years is shown below:

Year Ended June 30,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2016	\$ 1,035,322	\$ 877,000	84.7%
2015	1,035,628	820,545	79.2%
2014	839,931	706,000	84.1%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year 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 employee 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 June 30, 2015 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a valuation date and measurement date of June 30, 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 30 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, health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The District purchases insurance for: general liability, property, crime, earthquake and flood. The general liability insurance is limited to \$1 million per occurrence and a \$3 million aggregate. The District also carries an umbrella policy with a \$15,000,000 coverage limit per occurrence. 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. At June 30, 2016, \$211,987 of the General Fund’s fund balance was restricted for loss contingencies for purposes of funding the District’s future workers’ compensation claim liabilities. At June 30, 2016, management believes that there are no material outstanding liabilities for workers’ compensation.

Medical Self-Insurance—During the year ended June 30, 2016, the District participated in a Administrative Services Agreement with Independent Health. As part of the agreement, Independent Health prepares forms, provides access to Independent Health’s Networks Providers and processes claims for a fee per covered person per month. The responsibility of insuring claims however, lies with the District.

In order to insure against larger than expected health care losses associated with the self-insurance plan, the District has entered into a Stop Loss Agreement negotiated through Independent Health. This agreement includes a “specific deductible” for each covered person of \$150,000 per year. This will cover the individual up to an unlimited lifetime maximum specific benefit. Above this dollar amount the District will not be liable for the claim. In return, the District pays premiums to Independent Health for the stop loss insurance. The plans coverage extends to both medical and prescription claims.

9. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the District’s short-term debt for the fiscal year ended June 30, 2016 is presented below:

Description	Date of Issue	Interest Rate	Maturity Date	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016
Buildings improvements	9/17/2014	1.00%	9/17/2015	\$ 23,760,000	\$ -	\$ 23,760,000	\$ -
				<u>\$ 23,760,000</u>	<u>\$ -</u>	<u>\$ 23,760,000</u>	<u>\$ -</u>

10. LONG-TERM LIABILITIES

In the government-wide financial statements long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

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 bonds payable, capital leases, compensated absences, net pension liability, and other post-employment benefits ("OPEB") obligation. The serial bonds 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	\$ 10,700,000	\$ 19,065,000	\$ 1,545,000	\$ 28,220,000	\$ 2,890,000
Premiums on serial bonds	<u>1,084,244</u>	<u>3,115,573</u>	<u>399,772</u>	<u>3,800,045</u>	<u>448,486</u>
Bonds payable	11,784,244	22,180,573	1,944,772	32,020,045	3,338,486
Capital leases	915,343	-	188,481	726,862	196,707
Compensated absences	3,791,841	205,091	97,119	3,899,813	700,806
Net pension liability*	573,201	2,137,342	-	2,710,543	-
OPEB obligation	<u>1,211,314</u>	<u>1,035,322</u>	<u>877,000</u>	<u>1,369,636</u>	<u>-</u>
Total	<u>\$ 18,275,943</u>	<u>\$ 25,558,328</u>	<u>\$ 3,107,372</u>	<u>\$ 40,726,899</u>	<u>\$ 4,235,999</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 renovation 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 District. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 10 years.

On September 16, 2015, the District issued \$19,065,000 of general obligation bonds to permanently finance certain capital projects. Principal payments begin on September 1, 2016 and mature on September 1, 2025. These bonds were issued at a premium of \$3,115,573 and bear an interest rate ranging between 2.0 percent and 5.0 percent.

Principal is paid annually, interest is paid semi-annually; these payments are recorded in the General Fund. A summary of additions and payments for the year ended June 30, 2016 is shown on the following page.

Description	Original Issue	Interest Rate (%)	Year of Issue/ Maturity				Balance 6/30/2016
				Balance 7/1/2015	Additions	Payments	
DASNY refunding	\$ 3,725,000	2.95%	2012/2017	\$ 1,540,000	\$ -	\$ 760,000	\$ 780,000
2015 serial bonds	9,160,000	4.00%	2015/2024	9,160,000	-	785,000	8,375,000
2016 serial bonds	19,065,000	2.00-5.00%	2015/2025	-	19,065,000	-	19,065,000
Total				<u>\$ 10,700,000</u>	<u>\$ 19,065,000</u>	<u>\$ 1,545,000</u>	<u>\$ 28,220,000</u>

Amortization of Bond Premium—On September 26, 2012, the District issued serial bonds totaling \$3,725,000 and received a bond premium of \$233,405. The premium is being amortized on a straight-line basis over the life of the bonds, which mature on June 1, 2017. On September 17, 2014, the District issued serial bonds totaling \$9,160,000 and received a bond premium of \$1,077,532. The premium is being amortized on a straight-line basis over the life of the bonds, which mature on September 15, 2024. On September 16, 2015, the District issued serial bonds totaling \$19,065,000 and received a bond premium of \$3,115,573. The premiums are being amortized on a straight-line basis over the life of the bonds, which mature on September 1, 2025. The unamortized premium as of June 30, 2016 totaled \$3,800,045.

Advanced Refunding—During the year ended June 30, 2013, the District issued \$3,725,000 in Refunding Serial Bonds, which collectively refunded the previously issued 2002 bonds, originally issued for various purposes. The total net proceeds were placed in an irrevocable trust fund to pay for all future debt service payments of the original bonds. As a result, the original 2002 bonds were considered defeased, and the June 30, 2016 financial statements do not reflect the obligation, now equal to \$863,000, in its financial statements.

Capital Leases—The District has entered into lease agreements as lessee for the financing of energy performance improvements and co-generation. These lease agreements qualify as capital leases for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Year Ending June 30,	Governmental Activities
2017	\$ 224,786
2018	224,786
2019	224,786
2020	<u>112,393</u>
Total minimum lease payments	786,751
Less: amount representing imputed interest costs	<u>(59,889)</u>
Present value of minimum lease payments	<u>\$ 726,862</u>

Compensated Absences—As described in Note 1, the District records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2016, for governmental activities is \$3,899,813. Management estimates that \$700,806 is due within one year.

Net Pension Liability—The District reported a liability, \$2,710,543, for its proportionate share of the net pension liability for the Employees’ Retirement System. Refer to Note 6 for additional information related to the District’s net pension liability.

OPEB Obligation—As described in Note 7, the District provides health insurance coverage for certain retirees. The District’s annual 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 long-term OPEB liability is estimated to be \$1,369,636 as of June 30, 2016.

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

Year Ending June 30,	Serial Bonds	Premiums on Serial Bonds	Capital Leases	Compensated Absences	Net Pension Liability	OPEB Obligation	Total
2017	\$ 2,890,000	\$ 448,486	\$ 196,707	\$ 700,806	\$ -	\$ -	\$ 4,235,999
2018	2,585,000	419,310	205,293	-	-	-	3,209,603
2019	2,695,000	419,310	214,253	-	-	-	3,328,563
2020	2,785,000	419,310	110,609	-	-	-	3,314,919
2021	2,930,000	419,310	-	-	-	-	3,349,310
2022-2026	14,335,000	1,674,319	-	3,199,007	2,710,543	1,369,636	23,288,505
Total	<u>\$ 28,220,000</u>	<u>\$ 3,800,045</u>	<u>\$ 726,862</u>	<u>\$ 3,899,813</u>	<u>\$ 2,710,543</u>	<u>\$ 1,369,636</u>	<u>\$ 40,726,899</u>

Interest requirements on serial bonds payable are as follows:

Year Ending June 30,	Interest
2017	\$ 1,580,223
2018	1,087,775
2019	990,700
2020	876,225
2021	751,600
2022-2026	<u>1,577,675</u>
Total	<u>\$ 6,864,198</u>

11. 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 into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the 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**—Represents expenditures for services that will benefit future periods. This balance is nonspendable as prepaids do not represent an available resource. The balance at June 30, 2016 was \$1,731.
- **Life Insurance**—Represents cash value of life insurance. This balance is nonspendable as the cash does not represent an available resource. The balance at June 30, 2016 was \$99,012.
- **Inventories**—Representing the portion of fund balance, \$5,239, 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. Restricted fund balance maintained by the District at June 30, 2016 includes:

	General Fund
Debt Service	\$ 3,105,772
Workers' compensation	211,987
Unemployment insurance	156,262
Retirement contribution	420,826
Insurance	1,162,962
Employee benefits	104,253
Total	<u>\$ 5,162,062</u>

- **Restricted for Debt Service**—Represents resources that have been legally restricted for principal payments that will be made in future periods.
- **Restricted for Workers' Compensation**—Represents resources that have been restricted for the future use in fulfilling District obligations relating to workers' compensation.
- **Restricted for Unemployment Insurance**—Represents resources that have been restricted for the future use in fulfilling District obligations relating to unemployment insurance.
- **Restricted for Retirement Contribution**—Represents resources that have been restricted for the future use in fulfilling District obligations relating to its retirement systems.
- **Restricted for Insurance**—Represents resources that have been restricted to pay liability, casualty and other types of losses.
- **Restricted for Employee Benefits**—Represents funds that have been reserved for the payment of accrued employee benefits due to an employee upon termination of service.

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 balance.

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:

- **Assigned to Encumbrances**—Represents amounts related to unperformed (executory) contracts for goods and services. At June 30, 2016, the District assigned \$134,652 to encumbrances within the General Fund.
- **Assigned to Subsequent Year’s Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2016-17 fiscal year, \$4,757,385 at June 30, 2016.
- **Assigned to School Lunch**— Represents remaining fund balance of \$442,313 within the special revenue fund used to maintain school lunch operations.

If the District must use funds for emergency expenditures the Board of Education shall authorize the Assistant Superintendent of Administrative Services to expend funds first from fund 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.

12. 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:

	Interfund	
	Receivables	Payables
Governmental funds:		
General Fund	\$ 3,327,862	\$ 4,320
Special Aid Fund	-	3,277,328
School Lunch Fund	-	46,027
Capital Projects Fund	-	45
Total Governmental Funds	3,327,862	3,327,720
Fiduciary funds:		
Agency Fund	-	142
Total	\$ 3,327,862	\$ 3,327,862

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:

Transfers out:	Transfers In:				Total
	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	
General Fund	\$ -	\$ 129,476	\$ 1,775	\$ 8,065,591	\$ 8,196,842
Special Aid Fund	14,587	-	-	-	14,587
School Lunch Fund	131,434	-	-	-	131,434
Capital Projects Fund	3,115,573	-	-	-	3,115,573
Total	<u>\$ 3,261,594</u>	<u>\$ 129,476</u>	<u>\$ 1,775</u>	<u>\$ 8,065,591</u>	<u>\$ 11,458,436</u>

Transfers are used primarily to support capital project expenditures and school lunch activities, to finance certain special aid programs, and to record BANs redeemed from appropriations.

13. AGENCY FUNDS

The 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				
Restricted cash and cash equivalents	\$ 369,919	\$ 57,775,556	\$ 57,727,266	\$ 418,209
Total assets	<u>\$ 369,919</u>	<u>\$ 57,775,556</u>	<u>\$ 57,727,266</u>	<u>\$ 418,209</u>
LIABILITIES				
Agency liabilities	\$ 293,961	\$ 1,918,656	\$ 1,852,847	\$ 359,770
Due to other funds	11,859	22,133,645	22,145,362	142
Extraclassroom activity funds	64,099	309,447	315,249	58,297
Total liabilities	<u>\$ 369,919</u>	<u>\$ 24,361,748</u>	<u>\$ 24,313,458</u>	<u>\$ 418,209</u>

14. LABOR CONTRACTS

District employees are represented by six bargaining units, with the balance of employees governed by Board of Education rules and regulations. Negotiated contracts are in place for the CSEA School Bus Drivers, Substitute School Bus Drivers, and School Bus Attendants – Local 872, the CSEA Clerical, Nursing and Teacher Aide Unit #7686 – Local 872, the North Tonawanda School Administrators Association and the North Tonawanda Substitute Teachers Association through June 30, 2016, and for the CSEA Custodial and Maintenance Unit #7686 – Local 872 through June 30, 2018, and for the North Tonawanda United Teachers through June 30, 2019.

15. 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 to be significant for amounts that are encumbered in excess of \$10,000. As of June 30, 2016, significant encumbrances of the District's General Fund include:

Purpose	Amount Encumbered
Building condition survey	\$ 67,924
Building improvements	14,425

16. 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 operations, 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 operations.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 7, 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

NORTH TONAWANDA CITY 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)
As of June 30, 2015	\$ -	\$ 17,742,627	\$ 17,742,627	-	\$ 5,813,539	**	305.2%
As of September 15, 2013	-	12,941,078	12,941,078	-	5,116,870	*	252.9%
As of September 15, 2011	-	13,343,968	13,343,968	-	4,920,067	*	271.2%

*Estimated

**Payroll reflects only those employees eligible for a District contribution.

NORTH TONAWANDA CITY 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 proportion of the net pension liability (asset)	0.167170%	0.167281%	0.169281%
District's proportionate share of the net pension liability (asset)	<u>\$ (17,363,609)</u>	<u>\$ (18,634,064)</u>	<u>\$ (1,114,299)</u>
District's covered-employee payroll	\$ 25,477,447	\$ 24,710,014	\$ 24,796,031
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(68.2%)	(75.4%)	(4.5%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.46%	111.48%	100.70%

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Contributions—
Teachers' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 4,401,987	\$ 4,015,377	\$ 3,025,099
Contribution in relation to the contractually required contribution	<u>(4,401,987)</u>	<u>(4,015,377)</u>	<u>(3,025,099)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	25,477,447	\$ 24,710,014	\$ 24,796,031
Contributions as a percentage of covered-employee payroll	17.3%	16.2%	12.2%

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

NORTH TONAWANDA CITY 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 proportion of the net pension liability (asset)	0.0168878%	0.0169674%	0.0169674%
District's proportionate share of the net pension liability (asset)	<u>\$ 2,710,543</u>	<u>\$ 573,201</u>	<u>\$ 766,734</u>
District's covered-employee payroll	\$ 4,841,399	\$ 5,065,175	\$ 5,087,885
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.99%	11.32%	15.07%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.7%	97.9%	97.2%

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Contributions—
Employees' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 866,199	\$ 987,331	\$ 1,165,954
Contribution in relation to the contractually required contribution	<u>(866,199)</u>	<u>(987,331)</u>	<u>(1,165,954)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,841,399	\$ 5,065,175	\$ 5,087,885
Contributions as a percentage of covered-employee payroll	17.9%	19.5%	22.9%

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

NORTH TONAWANDA CITY 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</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Local sources:				
Real property taxes and other tax items	\$ 27,608,051	\$ 27,608,051	\$ 27,629,356	\$ 21,305
Charges for services	162,420	162,420	195,729	33,309
Use of money and property	499,808	499,808	516,917	17,109
Sale of property and compensation for loss	2,636	2,636	5,225	2,589
Miscellaneous	1,191,412	1,191,412	1,500,134	308,722
State sources:				
Basic formula	19,500,774	19,500,774	20,498,200	997,426
Excess cost	7,188,068	7,188,068	6,922,712	(265,356)
Lottery	5,278,187	5,278,187	4,503,741	(774,446)
VLT lottery	1,411,700	1,411,700	1,412,596	896
BOCES	1,910,843	1,910,843	1,965,453	54,610
Tuition for students with disabilities	-	-	19,155	19,155
Textbooks	237,078	237,078	235,913	(1,165)
Computer software	129,834	129,834	129,236	(598)
Library loan program	24,368	24,368	24,256	(112)
State aid - rail infrastructure	-	-	3,625	3,625
State medicaid assistance	-	-	224,797	224,797
Federal sources:				
Medicaid assistance	<u>330,000</u>	<u>330,000</u>	<u>208,852</u>	<u>(121,148)</u>
Total revenues	<u>65,475,179</u>	<u>65,475,179</u>	<u>65,995,897</u>	<u>520,718</u>
OTHER FINANCING SOURCES				
Transfers in	<u>316,400</u>	<u>3,431,973</u>	<u>3,261,594</u>	<u>(170,379)</u>
Total other financing sources	<u>316,400</u>	<u>3,431,973</u>	<u>3,261,594</u>	<u>(170,379)</u>
Total revenues and other financing sources	<u>\$ 65,791,579</u>	<u>\$ 68,907,152</u>	<u>\$ 69,257,491</u>	<u>\$ 350,339</u>

(continued)

NORTH TONAWANDA CITY 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

(concluded)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Encumbrances</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>			<u>Final Budget</u>
EXPENDITURES					
General support:					
Board of Education	\$ 70,833	\$ 70,833	\$ 52,791	\$ -	\$ 18,042
Central administration	208,689	239,221	239,055	-	166
Finance	413,140	624,760	468,798	316	155,646
Staff	533,568	507,548	321,395	-	186,153
Central services	6,149,461	6,149,461	4,380,577	114,151	1,654,733
Special items	838,643	824,642	741,449	-	83,193
Instruction:					
Instruction, administration and improvement	1,815,595	1,685,949	1,621,377	-	64,572
Teaching—regular school	18,926,106	19,209,909	19,100,496	-	109,413
Programs for children with handicapping conditions	12,126,064	12,761,237	12,700,380	-	60,857
Occupational education	1,494,206	1,564,103	1,564,103	-	-
Teaching—special schools	60,815	12,689	12,689	-	-
Instructional media	1,054,896	1,073,579	1,009,699	6,173	57,707
Pupil services	2,957,462	2,927,100	2,869,974	-	57,126
Pupil transportation	2,394,895	2,393,465	2,112,138	14,012	267,315
Employee benefits	16,933,169	16,133,620	15,020,949	-	1,112,671
Debt service	2,576,587	2,576,587	2,572,897	-	3,690
Total expenditures/encumbrances	<u>68,554,129</u>	<u>68,754,703</u>	<u>64,788,767</u>	<u>134,652</u>	<u>3,831,284</u>
OTHER FINANCING USES					
Transfers out	<u>2,030,000</u>	<u>8,315,590</u>	<u>8,196,842</u>	<u>-</u>	<u>118,748</u>
Total expenditures/encumbrances and other financing uses	<u>70,584,129</u>	<u>77,070,293</u>	<u>72,985,609</u>	<u>134,652</u>	<u>3,950,032</u>
Net change in fund balance*	(4,792,550)	(8,163,141)	(3,728,118)		
Fund balance—beginning	<u>16,510,418</u>	<u>16,510,418</u>	<u>16,510,418</u>		
Fund balance—ending	<u>\$ 11,717,868</u>	<u>\$ 8,347,277</u>	<u>\$ 12,782,300</u>		

* The net change in fund balance was included as a appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances. The final budget reflects a voter approved increase totaling \$3,370,591.

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

NORTH TONAWANDA CITY 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 in the United States of America 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 and School Lunch Funds. Appropriation limits, where applicable, for the Special Aid Fund are maintained based on individual grants 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 function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations 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

NORTH TONAWANDA CITY 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

Changes from Adopted Budget to Final Budget

Adopted budget, 2015-2016	\$ 70,548,964
Add: Prior year's encumbrances	<u>35,165</u>
Original budget	70,584,129
Additions:	
Budget revisions: Use of capital reserves	3,370,591
Budget revisions: Use of debt reserve	<u>3,115,573</u>
Final budget, 2015-2016	<u><u>\$ 77,070,293</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2016-17 Voter-approved expenditure budget	\$ <u>72,315,050</u>
Maximum allowed (4% of 2016-2017 budget)	\$ 2,892,602

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:		
Assigned fund balance	\$ 4,892,037	
Unassigned fund balance	<u>2,627,458</u>	
Total unrestricted fund balance		7,519,495
Less:		
Appropriated fund balance	\$ 4,757,385	
Encumbrances included in assigned fund balance	<u>134,652</u>	
Total adjustments		<u>4,892,037</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 2,627,458</u></u>
Actual percentage		3.63%

* 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.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Capital Project Expenditures
Year Ended June 30, 2016

Project Title	S.E.D. Project No.	Original Approp- riation	Revised Approp- riation	Expenditures to Date			Unexpended Balance
				Prior Years	Current Year	Total	
Unallocated Series 2016 serial bond	N/A	\$ 7,970,000	\$ 7,970,000	\$ -	\$ 1,283,164 *	\$ 1,283,164	\$ 6,686,836
Spruce School	011-010	400,000	400,000	-	-	-	400,000
Ohio School	014-012	640,000	640,000	-	-	-	640,000
Meadow Complex	015-016	25,684,000	25,684,000	-	-	-	25,684,000
Concession Stand	024-001	529,000	529,000	-	-	-	529,000
Press Box	025-001	67,000	67,000	-	-	-	67,000
NT Former Middle School (4-6)	016-015	4,560,000	4,560,000	-	-	-	4,560,000
Totals		<u>\$ 39,850,000</u>	<u>\$ 39,850,000</u>	<u>\$ -</u>	<u>\$ 1,283,164</u>	<u>\$ 1,283,164</u>	<u>\$ 38,566,836</u>

*Expenditures to date will be allocated to individual projects upon completion based on final allocations.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
Year Ended June 30, 2016

Capital assets, net of accumulated depreciation	\$ 61,235,042
Add: Unspent debt proceeds	2,087,427
Deduct:	
Serial bonds	\$ (28,220,000)
Premiums on serial bonds	(3,800,045)
Capital leases	<u>(726,862)</u> <u>(32,746,907)</u>
Net investment in capital assets	<u>\$ 30,575,562</u>

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FEDERAL AWARDS INFORMATION

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor Program or Cluster Title (1)	Federal CFDA Number (2)	Pass-Through Entity's Identifying Number	Federal Expenditures (3)
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through New York State Department of Agriculture:</i>			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	n/a	\$ 180,039
National School Lunch Program	10.555	n/a	<u>653,384</u>
Total Child Nutrition Cluster			<u>833,423</u>
Commodity Supplemental Food Program	10.565	n/a	<u>116,598</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>950,021</u>
U.S. DEPARTMENT OF EDUCATION:			
<i>Passed through New York State Department of Education:</i>			
Special Education Cluster:			
Special Education-Grants to States	84.027	0032-16-0611	1,050,746
Special Education-Preschool Grants	84.173	0033-16-0611	<u>50,563</u>
Total Special Education Cluster			<u>1,101,309</u>
Title I Grants to Local Educational Agencies	84.010	021-16-1970	646,820
Fund for the Improvement of Education	84.215	S215E150186	351,624
Improving Teacher Quality - State Grants	84.367	0147-15-1970, 0147-16-1970	<u>145,101</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,244,854</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 3,194,875</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the North Tonawanda City School District, New York ("the District") under programs of the Federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District. The following notes were identified on the Schedule:

- (1) Includes all federal award programs of the North Tonawanda City School District, New York.
- (2) Source: Catalog of Federal Domestic Assistance.
- (3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10 percent de minimus indirect cost rate, as allowed under the Uniform Guidance.

3. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2016, the District used \$116,598 worth of commodities.

4. RECONCILIATION OF FEDERAL AID

Total federal expenditures for the District's 2015-2016 fiscal year is reconciled to Federal Sources, as reported in the basic financial statements, as follows:

Balance per schedule of expenditures of federal awards	\$ 3,194,875
Medicaid reimbursement	<u>208,852</u>
Total Federal Sources per financial statements	<u>\$ 3,403,727</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
North Tonawanda City 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 North Tonawanda City 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 October 7, 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 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

October 7, 2016

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Board of Education
North Tonawanda City School District, New York:

Report on Compliance for Each Major Federal Program

We have audited the North Tonawanda City School District, New York's (the "District") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Drescher & Malecki LLP

October 7, 2016

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes _____ No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010

Dollar threshold used to distinguish between Type A and Type B programs?

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes _____ No

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Year Ended June 30, 2016
(Follow-up of June 30, 2015 Findings)

No findings were noted.

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