

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, 2015 and Independent Auditors' Reports*

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
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FINANCIAL SECTION

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015 the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 the 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, 2015 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, 2015

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2015

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, 2015. For comparative purposes, certain data from the prior year has been reclassified to conform with the current year presentation. 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 \$48,504,076 (*net position*). This consists of \$26,414,688 net investment in capital assets, \$10,465,842 restricted for specific purposes, and unrestricted net position of \$11,623,546.
- The District's net position increased by \$5,579,241 during the year ended June 30, 2015.
- At the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance deficit of \$6,803,503, an improvement of \$11,876,800 in comparison with the prior year's fund balance deficit of \$18,680,303. Excluding the Capital Projects Fund, the District's governmental funds reported a combined ending fund balance of \$16,956,497.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,145,759, or approximately 1.8 percent of total General Fund expenditures and transfers out. This total amount is available for spending at the District's discretion and constitutes approximately 6.9 percent of the General Fund's total fund balance of \$16,510,418.
- The District's total bonded indebtedness increased \$8,050,000 as a result of a serial bond issuance of \$9,160,000 and scheduled principal payments of \$1,110,000.

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.

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 and deferred outflows of resources, and liabilities and deferred inflows 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 on long-term debt. 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The 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, which are considered to be major funds.

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 statements can be found on pages 18 and 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 20-44 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 and the District’s budgetary comparison for the General Fund. Required supplementary information can be found on pages 45-52 of this report.

Other supplementary information is presented immediately following the required supplementary information in the Supplementary Information section of this report on pages 53-55.

The Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 56-64 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 exceeded liabilities and deferred inflows by \$48,504,076 at June 30, 2015 as compared to \$42,924,835 (as restated) at the close of the fiscal year ended June 30, 2014.

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,	
	2015	2014 (as restated)
Current assets	\$ 24,930,138	\$ 23,537,115
Noncurrent assets	81,508,339	66,948,262
Total assets	<u>106,438,477</u>	<u>90,485,377</u>
Deferred outflows	<u>4,858,222</u>	<u>4,262,210</u>
Current liabilities	31,729,391	42,022,865
Noncurrent liabilities	<u>18,275,943</u>	<u>9,799,887</u>
Total liabilities	<u>50,005,334</u>	<u>51,822,752</u>
Deferred inflows	<u>12,787,289</u>	<u>-</u>
Net position:		
Net Investment in capital assets	26,414,688	26,754,669
Restricted	10,465,842	9,098,714
Unrestricted	<u>11,623,546</u>	<u>7,071,452</u>
Total net position	<u>\$ 48,504,076</u>	<u>\$ 42,924,835</u>

The largest portion of the Districts’ net position, \$26,414,688, 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, \$10,465,842, 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 \$11,623,546, represents resources that may be used to meet the District's ongoing operations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2015 and June 30, 2014.

Table 2—Condensed Statement of Changes in Net Position

	Year Ended June 30,	
	2015	2014 (as restated)
Program revenues:		
Charges for services	\$ 518,311	\$ 464,813
Operating grants and contributions	4,585,401	4,982,201
General revenues	63,123,315	60,761,073
Total revenues	<u>68,227,027</u>	<u>66,208,087</u>
Program expenses:	<u>62,647,786</u>	<u>66,438,740</u>
Change in net position	5,579,241	(230,653)
Net position—beginning	42,924,835	38,315,060
Restatement (Note 2)	-	4,609,775
Net position—ending	<u>\$ 48,504,076</u>	<u>\$ 42,924,835</u>

Overall revenues increased by 3.0 percent from the prior year, due primarily to increases in real property taxes, State sources and the sale of real property. Total expenses decreased 5.7 percent from the year ended June 30, 2015, which is primarily attributed to the effect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* had on 2015 activity. During 2015, the District recognized its' proportionate share of the New York State Employee Retirement System net pension asset, which reduced the employee benefit expenses recognized on the government-wide statements.

A summary of sources of revenues for the years ended June 30, 2015 and June 30, 2014 is presented below in Table 3:

Table 3—Summary of Sources of Revenues

	Year ended June 30,		Increase/(decrease)	
	2015	2014	Dollars	Percent (%)
Charges for services	\$ 518,311	\$ 464,813	\$ 53,498	11.5
Operating grants and contributions	4,585,401	4,982,201	(396,800)	(8.0)
Real property taxes and other tax items	27,635,294	27,130,799	504,495	1.9
Use of money and property	546,289	493,016	53,273	10.8
Sale of property and compensation for loss	416,156	34,709	381,447	n/a
Miscellaneous	691,817	775,788	(83,971)	(10.8)
State aid—unrestricted	33,833,759	32,326,761	1,506,998	4.7
Total revenues	<u>\$68,227,027</u>	<u>\$66,208,087</u>	<u>\$ 2,018,940</u>	3.0

The most significant sources of revenue for the year ended June 30, 2015 are unrestricted state sources 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. Similarly, for the year ended June 30, 2014, the largest revenues were unrestricted state aid of \$32,326,761 or 48.8 percent of total revenues, real property taxes and items of \$27,130,799 or 41.0 percent of total revenues and operating grants and contributions of \$4,982,201 or 7.5 percent of total revenues.

A summary of program expenses for the years ended June 30, 2015 and June 30, 2014 is presented below in Table 4:

Table 4—Summary of Program Expenses

	Year ended June 30,		Increase/(decrease)	
	2015	2014	Dollars	Percent (%)
General support	\$ 7,870,709	\$ 8,336,399	\$ (465,690)	(5.6)
Instruction	50,550,632	53,341,745	(2,791,113)	(5.2)
Pupil transportation	2,563,527	3,171,913	(608,386)	(19.2)
School food service	1,142,696	1,116,630	26,066	2.3
Interest and other fiscal charges	520,222	472,053	48,169	10.2
Total program expenses	<u>\$ 62,647,786</u>	<u>\$ 66,438,740</u>	<u>\$ (3,790,954)</u>	(5.7)

The District's significant expense items for the year ended June 30, 2015 were instruction of \$50,550,632, or 80.7 percent of total expenses, general support of \$7,870,709, or 12.6 percent of total expenses and pupil transportation of \$2,563,527, or 4.1 percent of total expenses. Similarly, for the year ended June 30, 2014 significant expense items were instruction of \$53,341,745, or 80.3 percent of total expenses, general support \$8,336,399, or 12.5 percent of total expenses and pupil transportation of \$33,171,913, or 4.8 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 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, 2015, the District's governmental funds reported a combined ending fund balance deficit of \$6,803,503, an improvement of \$11,876,800 from the prior year fund deficit of \$18,680,303. Excluding the Capital Projects Fund, the District's governmental funds combined ending fund balances totaled \$16,956,497. Approximately 6.7 percent (\$1,145,759) constitutes unassigned fund balance which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable, restricted, or assigned*, to indicate that it is 1) not in spendable form, \$119,943, 2) restricted for particular purposes, \$10,465,842, or 3) assigned for particular purposes, \$5,224,953.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,145,759, while total fund balance increased to

\$16,510,418. 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 1.8 percent of total General Fund expenditures and transfers out, while total fund balance represents 6.9 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$443,276 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$4,786,807 of fund balance (this included funds appropriated from fund balance and the re-appropriation of prior year’s encumbrances). Thus, as a result of spending less than anticipated, the District’s General Fund fund balance ended \$5,230,083 higher than expected.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Total revenues totaled \$3,537,552 and were comprised of state, federal and local sources. Expenditures and transfers out totaled \$3,673,692 and were used toward the instruction and transportation of students. The difference between revenues and expenditures is subsidized by a transfer from the General Fund.

The School Lunch Fund balance is \$446,079 as of June 30, 2015. The District may use a portion of this balance to continue to update the school lunch facilities and equipment.

The Capital Projects Fund has a total fund deficit of \$23,760,000 as a result of the issuance of bond anticipation notes to finance the acquisition, construction and reconstruction of capital assets and related expenditures. The District plans to remedy this deficit through the future issuance of serial bonds.

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 below in Table 5.

Table 5—General Fund Budget

Adopted budget, 2014-2015	\$ 68,423,968
Add: Prior year's encumbrances—June 30, 2014	<u>29,422</u>
Final budget, 2014-2015	<u>\$ 68,453,390</u>

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

Capital Assets and Debt Administration

Capital Assets—The District’s investment in capital assets for its governmental activities as of June 30, 2015, amounted to \$62,874,275 (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, 2015 and June 30, 2014 are presented in Table 6 on the following page.

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

	June 30,	
	2015	2014
Land	\$ 246,107	\$ 246,107
Buildings	61,002,618	63,807,390
Land improvements	464,029	525,770
Furniture and equipment	870,997	916,719
Vehicles	290,524	337,977
Total	<u>\$ 62,874,275</u>	<u>\$ 65,833,963</u>

Additional information on the District's capital assets is presented in Note 5 to the financial statements.

Long-term debt—At June 30, 2015, the District had total long-term debt outstanding of \$18,275,943 as compared to \$9,799,887, as restated, in the prior year. Of the total long-term debt outstanding at June 30, 2015, \$10,700,000 represents serial bonds issued by the District.

A summary of the District's long-term liabilities at June 30, 2015 and June 30, 2014 is presented in Table 7 below.

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2015	2014 (as restated)
Serial bonds	\$ 10,700,000	\$ 2,650,000
Premium on serial bonds	1,084,244	145,878
Capital leases	915,343	1,095,941
Compensated absences	3,791,841	3,621,251
Net pension liability	573,201	766,734
OPEB obligation	1,211,314	996,231
Retirement system payable	-	523,852
Total	<u>\$ 18,275,943</u>	<u>\$ 9,799,887</u>

Additional information on the District's long-term liabilities is presented in Note 11 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, 2015 was 5.6 percent. This compares unfavorably to New York State's average unemployment rate of 5.3 percent. These factors are considered in preparing the District's budget.

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 2015-2016 fiscal year budget. The 2015-2016 adopted budget appropriations total of \$65,791,579 is an approximate decrease of 4.0 percent as compared to \$68,423,968 in 2014-2015. The District's total budgeted tax levy in 2015-2016 is \$27,338,052, which is the same as the amount levied during the 2014-2015 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, 2015

	Primary Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,280,681
Restricted cash and cash equivalents	10,472,498
Receivables	844,501
Intergovernmental receivables	5,200,656
Due from Agency Fund	11,859
Prepaid items	620
Cash value of life insurance	105,647
Inventories	13,676
Noncurrent net pension asset	18,634,064
Capital assets not being depreciated	246,107
Capital assets, net of accumulated depreciation	62,628,168
Total assets	106,438,477
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	4,858,222
Total deferred outflows of resources	4,858,222
LIABILITIES	
Accounts payable	800,719
Accrued liabilities	2,378,395
Due to retirement systems	4,741,620
Bond anticipation notes payable	23,760,000
Unearned revenue	48,657
Noncurrent liabilities:	
Due within one year	2,610,915
Due within more than one year	15,665,028
Total liabilities	50,005,334
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	12,787,289
Total deferred inflows of resources	12,787,289
NET POSITION	
Net investment in capital assets	26,414,688
Restricted for:	
Capital - buildings	3,370,591
Capital - technology	2,064,084
Debt service	2,975,864
Workers' compensation	211,885
Unemployment insurance	156,187
Retirement contribution	420,624
Insurance	1,162,404
Employee benefits	104,203
Unrestricted	11,623,546
Total net position	\$ 48,504,076

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, 2015

<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 Governmental Activities</u>
Governmental activities:				
General support	\$ 7,870,709	\$ -	\$ -	\$ (7,870,709)
Instruction	50,550,632	188,978	3,672,918	(46,688,736)
Pupil transportation	2,563,527	-	-	(2,563,527)
School food service	1,142,696	329,333	912,483	99,120
Interest and other fiscal charges	<u>520,222</u>	<u>-</u>	<u>-</u>	<u>(520,222)</u>
Total primary government	<u>\$ 62,647,786</u>	<u>\$ 518,311</u>	<u>\$ 4,585,401</u>	<u>(57,544,074)</u>
General revenues:				
				27,635,294
				546,289
				416,156
				33,833,759
				<u>691,817</u>
				<u>63,123,315</u>
				5,579,241
				<u>42,924,835</u>
				<u>\$ 48,504,076</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, 2015

	<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	\$ 5,903,009	\$ 2,098,631	\$ 279,041	\$ -	\$ 8,280,681
Restricted cash and cash equivalents	10,465,842	-	-	6,656	10,472,498
Receivables	844,501	-	-	-	844,501
Due from other funds	4,343,301	-	169,860	-	4,513,161
Intergovernmental receivables	2,535,443	2,600,705	64,508	-	5,200,656
Prepaid items	620	-	-	-	620
Cash value of life insurance	105,647	-	-	-	105,647
Inventories	-	-	13,676	-	13,676
Total assets	<u>24,198,363</u>	<u>4,699,336</u>	<u>527,085</u>	<u>6,656</u>	<u>29,431,440</u>
LIABILITIES					
Accounts payable	623,843	93,950	76,278	6,648	800,719
Accrued liabilities	1,803,201	101,194	-	-	1,904,395
Due to other funds	4,314	4,496,980	-	8	4,501,302
Due to retirement systems	4,741,620	-	-	-	4,741,620
Bond anticipation notes payable	-	-	-	23,760,000	23,760,000
Unearned revenue	36,717	7,212	4,728	-	48,657
Total liabilities	<u>7,209,695</u>	<u>4,699,336</u>	<u>81,006</u>	<u>23,766,656</u>	<u>35,756,693</u>
DEFERRED INFLOWS OF RESOURCES					
Taxes receivable	478,250	-	-	-	478,250
Total deferred inflows of resources	<u>478,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,250</u>
FUND BALANCES (DEFICIT)					
Nonspendable	106,267	-	13,676	-	119,943
Restricted	10,465,842	-	-	-	10,465,842
Assigned	4,792,550	-	432,403	-	5,224,953
Unassigned	1,145,759	-	-	(23,760,000)	(22,614,241)
Total fund balances (deficit)	<u>16,510,418</u>	<u>-</u>	<u>446,079</u>	<u>(23,760,000)</u>	<u>(6,803,503)</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 24,198,363</u>	<u>\$ 4,699,336</u>	<u>\$ 527,085</u>	<u>\$ 6,656</u>	<u>\$ 29,431,440</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, 2015

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

Total fund balances (deficit)—governmental funds (page 14)	\$ (6,803,503)
Net pension assets are not financial resources and, therefore, are not reported in the funds.	18,634,064
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$112,123,267 and the accumulated depreciation is \$49,248,992.	62,874,275
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 entity-wide statements.	478,250
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows related to employer contributions	\$ 4,602,809
Deferred outflows relating to experience and investment	255,413
Deferred inflows of resources related to pension plans	<u>(12,787,289)</u>
	(7,929,067)
Net accrued interest expense for bond anticipation notes, serial bonds and capital leases is not reported in the funds.	(474,000)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:	
Serial bonds	\$(10,700,000)
Unamortized bond premiums	(1,084,244)
Capital leases	(915,343)
Compensated absences	(3,791,841)
Net pension liability	(573,201)
Other post-employment benefits obligation	<u>(1,211,314)</u>
	<u>(18,275,943)</u>
Net position of governmental activities	<u>\$ 48,504,076</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, 2015

	<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	\$ 27,640,597	\$ -	\$ -	\$ -	\$ 27,640,597
Charges for services	188,978	-	-	-	188,978
School lunch, breakfast and other food sales	-	-	329,333	-	329,333
Use of money and property	545,888	-	401	-	546,289
Sale of property and compensation for loss	416,156	-	-	-	416,156
State sources	33,833,759	937,376	32,801	-	34,803,936
Federal sources	184,503	2,551,039	879,682	-	3,615,224
Miscellaneous	471,046	49,137	325	1,248,841	1,769,349
Total revenues	<u>63,280,927</u>	<u>3,537,552</u>	<u>1,242,542</u>	<u>1,248,841</u>	<u>69,309,862</u>
EXPENDITURES					
Current:					
General support	6,248,750	25,898	-	-	6,274,648
Instruction	36,719,362	3,628,754	-	-	40,348,116
Pupil transportation	2,083,148	-	-	-	2,083,148
Food service cost of sales	-	-	1,121,849	-	1,121,849
Employee benefits	15,000,315	-	-	-	15,000,315
Debt service:					
Principal	1,290,598	-	-	-	1,290,598
Interest	474,388	-	-	-	474,388
Total expenditures	<u>61,816,561</u>	<u>3,654,652</u>	<u>1,121,849</u>	<u>-</u>	<u>66,593,062</u>
Excess (deficiency) of revenues over expenditures	<u>1,464,366</u>	<u>(117,100)</u>	<u>120,693</u>	<u>1,248,841</u>	<u>2,716,800</u>
OTHER FINANCING SOURCES (USES)					
Serial bond proceeds	-	-	-	9,160,000	9,160,000
Transfers in	1,506,565	136,140	6,515	2,385,000	4,034,220
Transfers out	<u>(2,527,655)</u>	<u>(19,040)</u>	<u>(121,159)</u>	<u>(1,366,366)</u>	<u>(4,034,220)</u>
Total other financing sources (uses)	<u>(1,021,090)</u>	<u>117,100</u>	<u>(114,644)</u>	<u>10,178,634</u>	<u>9,160,000</u>
Net change in fund balances (deficit)	443,276	-	6,049	11,427,475	11,876,800
Fund balances (deficit)—beginning	16,067,142	-	440,030	<u>(35,187,475)</u>	<u>(18,680,303)</u>
Fund balances (deficit)—ending	<u>\$ 16,510,418</u>	<u>\$ -</u>	<u>\$ 446,079</u>	<u>\$ (23,760,000)</u>	<u>\$ (6,803,503)</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, 2015

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) \$ 11,876,800

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	\$ 158,386	
Loss on disposal of assets	(557,119)	
Depreciation expense	<u>(2,560,955)</u>	(2,959,688)

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

District pension contributions	\$ 4,602,809	
Cost of benefits earned net of employee contributions	<u>919,212</u>	5,522,021

Governmental funds recognize real property taxes only if collected within 60 days after the end of the fiscal year; however, the entity-wide statements recognize revenue on an accrual basis. (5,303)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (185,000)

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:

Repayment of serial bonds	\$ 1,110,000	
Issuance of serial bonds	(9,160,000)	
Premium on bond issuance	(1,077,532)	
Amortization of bond premiums	139,166	
Payment of capital leases	180,598	
Change in compensated absences	(170,590)	
Change in other-post employment benefits obligation	(215,083)	
Change in retirement system payable	<u>523,852</u>	<u>(8,669,589)</u>

Change in net position of governmental activities \$ 5,579,241

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Net Position—Fiduciary Funds
June 30, 2015

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Restricted cash and cash equivalents	\$ 101,961	\$ 369,919
Total assets	<u>101,961</u>	<u>\$ 369,919</u>
LIABILITIES		
Agency fund liabilities	-	\$ 293,961
Due to other funds	-	11,859
Extraclassroom activity funds	<u>-</u>	<u>64,099</u>
Total liabilities	<u>-</u>	<u>\$ 369,919</u>
NET POSITION		
Restricted for scholarships	<u>\$ 101,961</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 Net Position—Fiduciary Funds
Year Ended June 30, 2015

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 5,736
Investment earnings	<u>20</u>
Total additions	<u>5,756</u>
DEDUCTIONS	
Scholarships and awards	<u>16,374</u>
Total deductions	<u>16,374</u>
Change in net position	(10,618)
Net position—beginning	<u>112,579</u>
Net position—ending	<u><u>\$ 101,961</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, 2015

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 a participating school district 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, 2015, there was no debt issued by the District on behalf of BOCES.

During the fiscal year ended June 30, 2015, the District was billed \$8,374,013 for BOCES administrative and program costs and recognized \$2,069,191 of BOCES aid from New York State and \$302,374 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.

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 real property taxes and state sources.
- *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*—This fund is used to account for assets held by the District for scholarships.
- *Agency Fund*—This 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 represents funds of the students of the District. The Board of Education exercises general oversight of these funds.

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

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

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability. 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, 2015; 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.

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

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, 2015, the District has one item that qualifies for reporting in this category. The District recorded \$4,858,222 related to pensions on the government-wide financial statements. This represents the effect of the net change in the District’s proportion of the collective net pension asset or liability, 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, 2015, the District has two items that qualify for reporting in this category. The first item represents the effect of the net change in the District’s proportion of the collective net pension liability and the difference during the measurement periods between the District’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide statements. The second item is a deferred inflow of resources on the governmental fund financial statements in the amount of \$478,250, which represents taxes receivable that the District does not expect to receive within 60 days of year end, in accordance with the modified accrual basis of accounting.

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, 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 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, 2015, the District reported \$36,717, \$7,212 and \$4,728 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 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 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, 2015, the District implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; No. 69, *Government Combinations and Disposals of Government Operations*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statements No. 68 and No. 71 improve accounting and financial reporting of governments for pensions by establishing standards for measuring and recognizing liabilities/(assets), deferred outflows of resources, deferred inflows of resources and expenses related to pensions. GASB Statement No. 69 improves accounting and financial reporting for reporting mergers, acquisitions, and transfers of operations by providing specific guidance for combinations and disposals in the governmental environment.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 72, *Fair Value Measurement and Application*; and No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the fiscal year ending June 30, 2016, 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*; and No. 77, *Tax Abatement Disclosures*, effective for the fiscal year ending June 30, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the fiscal year ending June 30, 2018. The District is, therefore, unable to disclose the impact that

adopting GASB Statements No. 72, 73, 74, 75, 76, and 77 will have on its financial position and results of operations when such statements are adopted.

2. RESTATEMENT

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and No. 71 resulted in the reporting of an asset, deferred outflows of resources, a liability and a deferred inflow of resources related to the District’s participation in the New York State Teachers’ and Employees’ Retirement Systems.

The District’s net position as of June 30, 2014 has been restated as follows:

Net position—June 30, 2014, as previously stated	\$42,924,835
GASB Statements No. 68 and No. 71 implementation:	
Beginning system asset—Teachers' Retirement System	1,114,299
Beginning system liability—Employees' Retirement System	(766,734)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:	
Teachers' Retirement System	4,015,377
Employees' Retirement System	<u>246,833</u>
Net position—June 30, 2014, as restated	<u>\$47,534,610</u>

3. 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 obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents at June 30, 2015 are shown below.

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 100	\$ -	\$ 100
Deposits	<u>18,753,079</u>	<u>471,880</u>	<u>19,224,959</u>
Total	<u>\$ 18,753,179</u>	<u>\$ 471,880</u>	<u>\$ 19,225,059</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2015 as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
FDIC insured	\$ 1,009,641	\$ 1,009,641
Uninsured:		
Collateral held by pledging bank's agent in the District's name	<u>18,611,763</u>	<u>18,215,318</u>
Total	<u>\$ 19,621,404</u>	<u>\$ 19,224,959</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, 2015, 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 as restricted cash and cash equivalents. At June 30, 2015, the District reported \$10,472,498 of restricted cash within its governmental funds.

Investments—The District had no investments at June 30, 2015.

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.

4. RECEIVABLES

Major revenues accrued by the District at June 30, 2015 consisted of the following:

Receivables—Represents amounts due from various sources for out-of-District tuition, commissions, reimbursements and other services provided. The District reported \$306,419 for receivables in the General Fund. In addition, taxes receivable represents amounts due from District taxpayers that remain unpaid. At June 30, 2015 that amount is \$538,082.

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, 2015 are:

General Fund:			
State - Medicaid	\$	45,379	
State - BOCES Aid		931,136	
State - Excess Cost Aid		<u>1,558,928</u>	\$ 2,535,443
Special Aid Fund:			
Federal - Title I	\$	501,313	
Federal - IDEA Part B, Section 619		55,999	
Federal - IDEA Part B, Section 611		862,571	
Federal - Title IIA		115,910	
Federal - Race to the Top		420,636	
Federal - Fit for Life		59,952	
State - Records Management		12,499	
State - Universal Pre-K		138,588	
State - Summer Handicapped 2011-12		52,638	
State - Summer Handicapped 2012-13		72,712	
State - Summer Handicapped 2013-14		70,558	
State - Summer Handicapped 2014-15		191,298	
State - Section 4201		<u>46,031</u>	2,600,705
School Lunch Fund:			
State - Breakfast and Lunch Program			<u>64,508</u>
Total governmental funds	\$		<u><u>5,200,656</u></u>

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2015 was as follows:

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Capital assets, not being depreciated:				
Land	\$ 246,107	\$ -	\$ -	\$ 246,107
Total capital assets, not being depreciated	<u>246,107</u>	<u>-</u>	<u>-</u>	<u>246,107</u>
Capital assets, being depreciated:				
Buildings	104,326,944	-	557,119	103,769,825
Land improvements	3,862,768	-	-	3,862,768
Furniture and equipment	2,893,964	99,320	-	2,993,284
Vehicles	1,192,217	59,066	-	1,251,283
Total capital assets, being depreciated	<u>112,275,893</u>	<u>158,386</u>	<u>557,119</u>	<u>111,877,160</u>
Less accumulated depreciation for:				
Buildings	40,519,554	2,711,554	463,901	42,767,207
Land improvements	3,336,998	61,741	-	3,398,739
Furniture and equipment	1,977,245	145,042	-	2,122,287
Vehicles	854,240	106,519	-	960,759
Total accumulated depreciation	<u>46,688,037</u>	<u>3,024,856</u>	<u>463,901</u>	<u>49,248,992</u>
Total capital assets, being depreciated, net	<u>65,587,856</u>	<u>(2,866,470)</u>	<u>(93,218)</u>	<u>62,628,168</u>
Governmental activities capital assets, net	<u>\$ 65,833,963</u>	<u>\$ (2,866,470)</u>	<u>\$ (93,218)</u>	<u>\$ 62,874,275</u>

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

Governmental activities:	
General support	\$ 305,878
Instruction	2,558,162
Pupil transportation	139,969
School lunch	20,847
Total	<u>\$ 3,024,856</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2015, were as follows:

	General Fund	Special Aid Fund	Total Governmental Funds
Salary and employee benefits	\$ 1,423,001	\$ 101,194	\$ 1,524,195
Workers' compensation	344,832	-	344,832
Out of district tuition	15,658	-	15,658
Other	19,710	-	19,710
Total accrued liabilities	<u>\$ 1,803,201</u>	<u>\$ 101,194</u>	<u>\$ 1,904,395</u>

7. PENSION OBLIGATIONS

District participates in the New York State Teachers' Retirement ("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 ("TRS")—The District participates in the New York State Teachers' Retirement System ("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 ("ERS")—The District participates in the New York State and Local Employees' Retirement System ("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 assets 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 New York State Retirement and Social Security Law ("RSSL"). 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 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2015, the District reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of June 30, 2014 for TRS and March 31, 2015 for ERS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by actuarial valuations as of June 30, 2013 and April 1, 2014, respectively, with update procedures used to roll forward the total pension liability 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, 2014	March 31, 2015
Net pension (asset)/liability	\$ (18,634,064)	\$ 573,201
District's portion of the Plan's total net pension (asset)/liability	0.167281%	0.016967%

For the year ended June 30, 2015, the District recognized an actuarial increase of \$728,880 for the TRS and pension expense of \$550,180 for the ERS. At June 30, 2015 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	\$ -	\$ 18,349	\$ 272,489	\$ -
Net difference between projected and actual earnings on pension plan investments	-	99,558	12,514,800	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	11,795	125,711	-	-
District contributions subsequent to the measurement date	<u>4,401,987</u>	<u>200,822</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,413,782</u>	<u>\$ 444,440</u>	<u>\$ 12,787,289</u>	<u>\$ -</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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>TRS</u>	<u>ERS</u>
2016	\$ 3,159,013	\$ 60,904
2017	3,159,013	60,904
2018	3,159,013	60,905
2019	3,159,013	60,905
2020	30,313	-
Thereafter	109,129	-

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, 2014	March 31, 2015
Actuarial valuation date	June 30, 2013	April 1, 2014
Interest rate	8.00%	7.50%
Salary scale	4.01%-10.91%	4.90%
Decrement tables	July 1, 2005- June 30, 2010	April 1, 2005- March 31, 2010
Inflation rate	3.0%	2.7%

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, 2005 – March 31, 2010 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, 2013 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, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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

	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS June 30, 2014	ERS March 31, 2015
Measurement date				
Asset class:				
Domestic equities	37.0 %	38.0 %	7.3 %	7.3 %
International equities	18.0	13.0	8.5	8.6
Private equity	0.0	10.0	0.0	11.0
Real estate	10.0	8.0	5.0	8.3
Alternative investments	7.0	0.0	11.0	0.0
Absolute return strategies	20.0	3.0	1.4	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 7.5% 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.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the District’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 8.0% for TRS and 7.5% 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 6.5% for ERS) or one percentage-point higher (9.0% for TRS and 8.5% for ERS) than the current assumption.

	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
TRS			
Employer's proportionate share of the net pension liability/(asset)	\$ (401,963)	\$ (18,634,064)	\$ (34,170,348)
	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
ERS			
Employer's proportionate share of the net pension liability/(asset)	\$ 3,820,632	\$ 573,201	\$ (2,168,436)

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	March 31, 2015	
Employers' total pension (asset)/liability	\$ 97,015,707	\$ 164,591,504	\$ 261,607,211
Plan fiduciary net position	108,155,083	161,213,259	269,368,342
Employers' net pension (asset)/liability	\$ (11,139,376)	\$ 3,378,245	\$ (7,761,131)
System fiduciary net position as a percentage of total pension liability	111.48%	97.95%	102.97%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2015 are paid to the System in September, October and November 2015 through a state aid intercept. Accrued retirement contributions as of June 30, 2015 represent employee and employer contributions for the fiscal year ended June 30, 2015 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, 2015 amounted to \$4,477,207.

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, 2015 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$264,413.

8. 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 \$1,035,628 for the year ended June 30, 2015.

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 \$820,545 for the fiscal year ended June 30, 2015.

The District’s annual other post-employment benefit (“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 the year, the amount contributed to the plan, and changes in the District’s net OPEB obligation.

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Annual required contribution ("ARC")	\$ 1,037,046	\$ 853,430
Interest on net OPEB obligation	39,849	34,492
Adjustment to ARC	<u>(41,267)</u>	<u>(47,991)</u>
Annual OPEB costs (expense)	1,035,628	839,931
Contributions made	<u>(820,545)</u>	<u>(706,000)</u>
Increase in net OPEB obligation	215,083	133,931
Net OPEB obligation—beginning of year	<u>996,231</u>	<u>862,300</u>
Net OPEB obligation—end of year	<u>\$ 1,211,314</u>	<u>\$ 996,231</u>

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
2015	\$ 1,035,628	\$ 820,545	79.2%
2014	839,931	706,000	84.1%
2013	841,484	736,368	87.5%

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, 2015 was twenty-three years.

9. 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.

Medical Self-Insurance—During the year ended June 30, 2015, 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.

10. 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, 2015 is presented below:

Description	Date of Issue	Interest Rate	Maturity Date	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015
Buildings improvements	9/18/2013	0.36%	9/18/2014	\$ 35,305,000	\$ -	\$ 35,305,000	\$ -
Buildings improvements	9/17/2014	1.00%	9/17/2015	-	23,760,000	-	23,760,000
				<u>\$ 35,305,000</u>	<u>\$ 23,760,000</u>	<u>\$ 35,305,000</u>	<u>\$ 23,760,000</u>

11. LONG-TERM LIABILITIES

In the government-wide financial statements long-term debt and other long-term obligations are reported as 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, other post-employment benefits obligation and New York State retirement system payable. 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, 2015 follows:

	Balance 7/1/2014 (as restated)	Additions	Reductions	Balance 6/30/2015	Due Within One Year
Serial bonds	\$ 2,650,000	\$ 9,160,000	\$ 1,110,000	\$ 10,700,000	\$ 1,655,000
Premium on serial bonds	145,878	1,077,532	139,166	1,084,244	166,104
Bonds payable	2,795,878	10,237,532	1,249,166	11,784,244	1,821,104
Capital leases	1,095,941	-	180,598	915,343	180,598
Compensated absences	3,621,251	236,024	65,434	3,791,841	609,213
Net pension liability	766,734	-	193,533	573,201	-
OPEB obligation	996,231	1,035,628	820,545	1,211,314	-
Retirement system payable	523,852	-	523,852	-	-
Total	<u>\$ 9,799,887</u>	<u>\$ 11,509,184</u>	<u>\$ 3,033,128</u>	<u>\$ 18,275,943</u>	<u>\$ 2,610,915</u>

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

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 13 years.

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, 2015 is shown below:

Description	Original Issue	Interest Rate (%)	Year of Issue/ Maturity	Balance			Balance 6/30/2015
				7/1/2014	Additions	Payments	
Series A	\$ 3,780,000	4.00%	2002/2014	\$ 305,000	\$ -	\$ 305,000	\$ -
Series B	2,755,000	4.00%	2002/2015	70,000	-	70,000	-
DASNY refunding	3,725,000	2.95%	2012/2017	2,275,000	-	735,000	1,540,000
2015 Serial bonds	9,160,000	4.00%	2015/2024	-	9,160,000	-	9,160,000
Total				<u>\$ 2,650,000</u>	<u>\$ 9,160,000</u>	<u>\$ 1,110,000</u>	<u>\$ 10,700,000</u>

On September 17, 2014, the District issued \$9,160,000 of general obligation bonds to permanently finance certain capital projects. Principal payments begin on September 15, 2015 and mature on September 15, 2024. These bonds bear interest ranging between 3.00 percent and 5.00 percent.

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 premiums are being amortized on a straight-line basis over the life of the bonds, which mature on September 15, 2024. The unamortized premium balance totaled \$1,084,244 at June 30, 2015.

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, 2014 financial statements do not reflect the obligation, now equal to \$1,618,000, 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, 2015, are as follows:

Year Ending June 30,	Governmental Activities
2016	\$ 224,786
2017	224,786
2018	224,786
2019	224,786
2020	112,393
Total minimum lease payments	1,011,537
Less: amount representing imputed interest costs	(96,194)
Present value of minimum lease payments	<u>\$ 915,343</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, 2015, for governmental activities is \$3,791,841. Management estimates that \$609,213 is due within one year.

Net Pension Liability—The District reported a liability, \$573,201, for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 7 for additional information related to the District’s net pension liability.

OPEB Obligation—As explained in Note 8, the District provides health insurance coverage for certain retirees. The District’s annual other post-employment benefit (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The estimated long-term OPEB liability is estimated to be \$1,211,314 as of June 30, 2015.

Retirement System Payable—This amount represents previous payments to the New York State Teachers’ Retirement System that the District has elected to amortize. During the year ended June 30, 2014 the District deferred \$523,852 relating to the New York State Teachers’ Retirement System, which was entirely paid off during the year ended June 30, 2015.

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

	Serial Bonds	Premiums on Serial Bonds	Capital Leases	Compensated Absences	Net Pension Liability	OPEB Obligation	Total
2016	\$ 1,545,000	\$ 166,104	\$ 188,481	\$ -	\$ -	\$ -	\$ 1,899,585
2017	1,655,000	136,929	196,707	-	-	-	1,988,636
2018	880,000	107,753	205,293	-	-	-	1,193,046
2019	890,000	107,753	214,253	-	-	-	1,212,006
2020	905,000	107,753	110,609	-	-	-	1,123,362
2021-2025	4,825,000	457,952	-	3,791,841	573,201	1,211,314	10,859,308
	<u>\$ 10,700,000</u>	<u>\$ 1,084,244</u>	<u>\$ 915,343</u>	<u>\$ 3,791,841</u>	<u>\$ 573,201</u>	<u>\$ 1,211,314</u>	<u>\$ 18,275,943</u>

Interest requirements on serial bonds payable are as follows:

Year ending June 30,	Interest
2016	\$ 565,511
2017	332,500
2018	274,000
2019	238,600
2020	207,225
2021-2025	521,775
	<u>\$ 2,139,611</u>

12. 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. The total restricted component of net position of \$10,465,842 is restricted for capital – buildings, capital – technology, debt service, workers' compensation, unemployment insurance, retirement contribution, insurance and employee benefits in the amounts of \$3,370,591, \$2,064,084, \$2,975,864, \$211,885, \$156,187, \$420,624, \$1,162,404 and \$104,203, respectively.
- **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, 2015 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, 2015 was \$620.
- **Life Insurance**—Represents life insurance premiums paid by the District. This balance is nonspendable as the cash does not represent an available resource. The balance at June 30, 2015 was \$105,647.
- **Inventories**—Representing the portion of fund balance, \$13,676 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, 2015 includes:

	General Fund
Capital - buildings	\$ 3,370,591
Capital - technology	2,064,084
Debt service	2,975,864
Workers' compensation	211,885
Unemployment insurance	156,187
Retirement contribution	420,624
Insurance	1,162,404
Employee benefits	104,203
	<u>\$ 10,465,842</u>

- **Restricted for Capital Projects (Buildings and Technology)**—Represents resources that have been legally restricted for future spending on various approved capital projects.
- **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**—Representing funds that have been reserved for the payment of accrued employee benefits due 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, 2015, 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, 2015 and include:

- **Assigned to Encumbrances**—Representing amounts related to unperformed (executory) contracts for goods and services. At June 30, 2015, the District assigned \$35,165 and \$9,917 to encumbrances within the General Fund and School Lunch Fund, respectively.
- **Assigned to Subsequent Year’s Expenditures**—Representing available fund balance being appropriated to meet expenditure requirements in the 2015-16 fiscal year, \$4,757,385 at June 30, 2015.
- **Assigned to School Lunch**— Representing remaining fund balance of \$422,486 within the special revenue fund used to maintain school lunch operations.

Unassigned—Represents a residual classification and could report a surplus or deficit. As of June 30, 2015, the unassigned deficit fund balance was \$22,614,241, which includes the General Fund unassigned fund balance of \$1,145,759 and the deficit unassigned fund balance in the Capital Projects Fund of \$23,760,000.

The Capital Projects Fund deficit fund balance totaling \$23,760,000 at June 30, 2015 is due to project expenditures exceeding revenues and other sources to date and will be remedied through the issuance of long-term debt and funding from operating transfers.

13. 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, 2015 is as follows:

	Interfund	
	Receivables	Payables
Governmental Funds:		
General Fund	\$ 4,343,301	\$ 4,314
Special Aid Fund	-	4,496,980
School Lunch Fund	169,860	-
Capital Projects Fund	-	8
Total Governmental Funds	4,513,161	4,501,302
Fiduciary Funds:		
Agency Fund	-	11,859
Total	\$ 4,513,161	\$ 4,513,161

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, 2015:

Transfers Out:	Transfers In:				Total
	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	
General Fund	\$ -	\$ 136,140	\$ 6,515	\$ 2,385,000	\$ 2,527,655
Special Aid Fund	121,159	-	-	-	121,159
School Lunch Fund	19,040	-	-	-	19,040
Capital Projects Fund	1,366,366	-	-	-	1,366,366
Total	<u>\$ 1,506,565</u>	<u>\$ 136,140</u>	<u>\$ 6,515</u>	<u>\$ 2,385,000</u>	<u>\$ 4,034,220</u>

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

14. AGENCY FUNDS

An agency fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2015:

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
ASSETS				
Restricted cash and cash equivalents	\$ 135,517	\$ 37,060,770	\$ 36,826,368	\$ 369,919
Due from other funds	164,653	36,028,778	36,193,431	-
Total assets	<u>\$ 300,170</u>	<u>\$ 73,089,548</u>	<u>\$ 73,019,799</u>	<u>\$ 369,919</u>
LIABILITIES				
Agency fund liabilities	\$ 234,065	\$ 34,253,106	\$ 34,193,210	\$ 293,961
Due to other funds	-	12,967	1,108	11,859
Extraclassroom activity funds	66,105	258,484	260,490	64,099
Total liabilities	<u>\$ 300,170</u>	<u>\$ 34,524,557</u>	<u>\$ 34,454,808</u>	<u>\$ 369,919</u>

15. LABOR CONTRACTS

District employees are represented primarily 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 20, 2018. The North Tonawanda United Teachers expired as of June 30, 2013 and remains unsettled as of June 30, 2015.

16. 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, 2015, the District did not report any encumbrances which are considered significant.

17. 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.

18. SUBSEQUENT EVENTS

On September 1, 2015, the District issued \$19,065,000 of serial bonds. The bonds are expected to mature on September 15, 2025.

Management has evaluated subsequent events through October 7, 2015, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Funding Progress—Other Post-Employment Benefits Plan
Year Ended June 30, 2015

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	0.00%	\$ 5,813,539	**	305.2%
As of September 15, 2013	-	12,941,078	12,941,078	0.00%	5,116,870	*	252.9%
As of September 15, 2011	-	13,343,968	13,343,968	0.00%	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 Two Fiscal Years

	Year Ended June 30,	
	2015	2014
Measurement date	June 30, 2014	June 30, 2013
District's proportionation of the net pension liability (asset)	0.167281%	0.169281%
District's proportionate share of the net pension liability (asset)	<u>\$ (18,634,064)</u>	<u>\$ (1,114,299)</u>
District's covered employee payroll	24,710,014	24,796,031
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(75.4%)	(4.5%)
Plan fiduciary net position as a percentage of the total pension liability	111.5%	100.7%

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions—
Teachers' Retirement System
Year Ended June 30, 2015

	Year Ended June 30,	
	2015	2014
Contractually required contribution	\$ 4,401,987	\$ 4,015,377
Contribution in relation to the contractually required contribution	(4,401,987)	(4,015,377)
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$24,710,014	\$24,796,031
Contributions as a percentage of covered-employee payroll	17.8%	16.2%

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the
Net Pension Liability (Asset)—Employees' Retirement System
Last Two Fiscal Years

	Year Ended June 30,	
	2015	2014
Measurement date	March 31, 2015	March 31, 2014
District's proportionation of the net pension liability (asset)	0.0169674%	0.0169674%
District's proportionate share of the net pension liability (asset)	<u>\$ 573,201</u>	<u>\$ 766,734</u>
District's covered employee payroll	5,065,175	5,087,885
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	11.32%	15.07%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	97.2%

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions—
Employees' Retirement System
Year Ended June 30, 2015

	Year Ended June 30,	
	2015	2014
Contractually required contribution	\$ 866,199	\$ 987,330
Contribution in relation to the contractually required contribution	(866,199)	(866,199)
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$ 5,065,175	\$ 5,087,885
Contributions as a percentage of covered-employee payroll	17.1%	17.0%

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Real property taxes and other tax items	\$ 27,608,052	\$ 27,608,052	\$ 27,640,597	\$ 32,545
Charges for services	153,623	153,623	188,978	35,355
Use of money and property	470,106	470,106	545,888	75,782
Sale of property and compensation for loss	2,636	2,636	416,156	413,520
Miscellaneous	1,287,371	1,287,371	471,046	(816,325)
State sources:				
Basic formula	18,529,369	18,529,369	18,221,280	(308,089)
Excess cost	6,589,687	6,589,687	7,182,851	593,164
Lottery	4,461,948	4,461,948	4,582,773	120,825
VLT lottery	1,380,277	1,380,277	1,380,961	684
BOCES	2,108,189	2,108,189	2,069,191	(38,998)
Tuition for students with disabilities	299,307	299,307	-	(299,307)
Textbooks	241,505	241,505	240,223	(1,282)
Computer software	130,838	130,838	131,478	640
Library loan program	24,575	24,575	24,681	106
State aid - rail infrastructure	-	-	321	321
Federal sources:				
Medicaid assistance	<u>300,000</u>	<u>300,000</u>	<u>184,503</u>	<u>(115,497)</u>
Total revenues	<u>63,587,483</u>	<u>63,587,483</u>	<u>63,280,927</u>	<u>(306,556)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>79,100</u>	<u>79,100</u>	<u>1,506,565</u>	<u>1,427,465</u>
Total other financing sources	<u>79,100</u>	<u>79,100</u>	<u>1,506,565</u>	<u>1,427,465</u>
Total revenues and other financing sources	<u>\$ 63,666,583</u>	<u>\$ 63,666,583</u>	<u>\$ 64,787,492</u>	<u>\$ 1,120,909</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, 2015

	Budgeted Amounts		Actual Amounts	Encumbrances	Variance with Final Budget
	Original	Final			
EXPENDITURES					
General Support:					
Board of Education	\$ 60,152	\$ 62,237	\$ 61,859	\$ -	\$ 378
Central administration	208,170	209,593	208,603	-	990
Finance	417,640	429,586	409,747	-	19,839
Staff	415,867	490,491	367,320	32,767	90,404
Central services	6,150,185	6,136,008	4,561,332	-	1,574,676
Special items	811,194	701,342	639,889	-	61,453
Instruction:					
Instruction, administration and improvement	1,791,365	1,554,206	1,527,252	1,000	25,954
Teaching—regular school Programs for children with handicapping conditions	18,604,536	18,473,019	18,309,119	461	163,439
Occupational education	11,209,670	11,649,395	11,648,875	520	-
Teaching—special schools	1,403,920	1,485,115	1,485,115	-	-
Instructional media	60,815	13,762	13,762	-	-
Pupil services	1,026,136	1,081,396	1,053,738	-	27,658
Pupil transportation	2,778,202	2,806,185	2,681,501	417	124,267
Employee benefits	2,714,867	2,585,384	2,083,148	-	502,236
Debt service	16,110,684	16,085,684	15,000,315	-	1,085,369
	4,514,987	4,514,987	1,764,986	-	2,750,001
Total expenditures/encumbrances	68,278,390	68,278,390	61,816,561	35,165	6,426,664
OTHER FINANCING USES					
Transfers out	175,000	175,000	2,527,655	-	(2,352,655)
Total expenditures/encumbrances and other financing uses	68,453,390	68,453,390	64,344,216	35,165	4,074,009
Net change in fund balance*	(4,786,807)	(4,786,807)	443,276		
Fund balance—beginning	16,067,142	16,067,142	16,067,142		
Fund balance—ending	<u>\$ 11,280,335</u>	<u>\$ 11,280,335</u>	<u>\$ 16,510,418</u>		

(concluded)

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

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Note to the Required Supplementary Information
Year Ended June 30, 2015

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Special Aid 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.

Unfavorable budget variance—the District’s General Fund appropriations for the year ended June 30, 2015 exceeded the adjusted budget as follows:

- ***Transfers out***—Exceeded the adjusted budget by \$2,352,655 due to the reclassification of bond anticipation notes (“BANs”) principal payment. This is offset by a favorable variance of \$2,750,001 within the debt service function.

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, 2015, the District did not report any encumbrances which are considered significant.

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, 2015

Changes from Adopted Budget to Final Budget

Adopted budget, 2014-2015	\$ 68,423,968
Add: Prior year's encumbrances	<u>29,422</u>
Original budget	<u>68,453,390</u>
Final budget, 2014-2015	<u><u>\$ 68,453,390</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2015-16 Voter-approved expenditure budget	\$ <u>65,791,579</u>
Maximum allowed (4% of 2015-2016 budget)	<u>\$ 2,631,663</u>

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

Unrestricted fund balance:

Assigned fund balance	\$ 4,792,550
Unassigned fund balance	<u>1,145,759</u>
Total unrestricted fund balance	\$ 5,938,309

Less:

Appropriated fund balance	\$ 4,757,385
Encumbrances included in assigned fund balance	<u>35,165</u>
Total adjustments	<u>4,792,550</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 1,145,759

Actual percentage 1.74%

* Per Office of the State Comptrollers "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 Projects Fund—
Project Expenditures and Financing Resources
Year Ended June 30, 2015

Project Title	S.E.D. Project No.	Original Approp- riation	Revised Approp- riation	Expenditures			Methods of Financing			Fund Balance (Deficit) 6/30/2015		
				Prior Years	Current Year	Transfers Out	Total	Proceeds of Obligations	E-Rate / Rescue Aid		Local Source	Total
Drake School	003-009	\$ 3,811,754	\$ 4,185,390	\$ 4,185,390	\$ -	\$ -	\$ 4,185,390	\$ 3,182,181	\$ -	\$ 287,540	\$ 3,469,721	\$ (715,669)
Gilmore School	010-010	622,077	227,467	227,467	-	-	227,467	43,325	-	-	43,325	(184,142)
Spruce School	011-009	5,962,095	5,875,145	5,875,444	-	-	5,875,444	1,119,082	-	-	1,119,082	(4,756,362)
Ohio School	014-010	5,055,232	5,534,634	5,534,635	-	-	5,534,635	1,054,169	-	-	1,054,169	(4,480,466)
Ohio School - Roof	014-011	850,000	731,739	731,739	-	-	731,739	139,373	-	-	139,373	(592,366)
Meadow Complex - Bleachers	015-012	360,000	350,916	350,916	-	-	350,916	66,838	-	-	66,838	(284,078)
Meadow Complex	015-013	17,688,626	18,537,880	18,537,880	-	-	18,537,880	3,530,867	-	1,061,150	4,592,017	(13,945,863)
Roof Repair - Natatorium	015-014	249,654	233,982	233,982	-	-	233,982	44,566	-	92,154	136,720	(97,262)
Fume Hoods - HS	015-015	150,000	79,891	79,891	-	-	79,891	15,217	-	-	15,217	(64,674)
NT Middle School	016-012	13,881,073	12,154,737	12,154,737	-	117,525	12,272,262	8,855,773	1,376,696	3,451,310	13,683,779	1,411,517
Spruce - Maintenance Bldg	023-001	56,404	62,548	62,548	-	-	62,548	11,913	-	-	11,913	(50,635)
Totals		<u>\$ 48,906,404</u>	<u>\$ 47,974,329</u>	<u>\$ 47,974,629</u>	<u>\$ -</u>	<u>\$ 117,525</u>	<u>\$ 48,092,154</u>	<u>\$ 18,063,304</u>	<u>\$ 1,376,696</u>	<u>\$ 4,892,154</u>	<u>\$ 24,332,154</u>	<u>\$ (23,760,000)</u>

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
For the Year Ended June 30, 2015

Capital assets, net of accumulated depreciation		\$ 62,874,275
Deduct:		
Serial bonds	\$ (10,700,000)	
Premium on bonds payable	(1,084,244)	
Bond anticipation notes payable	(23,760,000)	
Capital leases	<u>(915,343)</u>	<u>(36,459,587)</u>
Net Investment in Capital Assets		<u>\$ 26,414,688</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, 2015

Federal Grantor / Pass-through Grantor Program or Cluster Title (1)	Federal CFDA Number (2)	Pass-through 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	\$ 143,911
National School Lunch Program	10.555	n/a	<u>735,771</u>
Total Child Nutrition Cluster			<u>879,682</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>879,682</u>
U.S. DEPARTMENT OF EDUCATION:			
<i>Passed through New York State Department of Education:</i>			
Special Education Cluster:			
Special Education-Grants to States (IDEA, Part B)	84.027	0032-15-0611	1,075,275
Special Education-Preschool Grants (IDEA Preschool)	84.173	0033-15-0611	<u>67,572</u>
Total Special Education Cluster			<u>1,142,847</u>
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies (LEAs)	84.010	012-15-1970	<u>643,618</u>
Total Title I, Part A Cluster			<u>643,618</u>
Fund for the Improvement of Education	84.215	n/a	177,567
Improving Teacher Quality - State Grants	84.367	0147-15-1970	146,670
Race to the Top, Recovery Act	84.395	5545-15-3034	276,903
Race to the Top, Recovery Act	84.395	5545-15-4001	89,443
Race to the Top, Recovery Act	84.395	5500-15-1970	54,289
<i>Passed through Board of Cooperative Educational Services</i>			
Race to the Top, Recovery Act	84.395	N/A	<u>19,702</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,551,039</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 3,430,721</u>

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

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 ("the District") under programs of the Federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 of expenditures of federal awards:

- (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.

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, 2015, the District used \$106,031 worth of commodities.

4. RECONCILIATION OF FEDERAL AID

Total federal expenditures for the District's 2014-2015 fiscal year is reconciled to Federal Sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 3,430,721
Add: Medicaid reimbursement	<u>184,503</u>
Total Federal Sources per financial statements	<u><u>\$ 3,615,224</u></u>

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, 2015, 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, 2015.

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, 2015

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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") Circular A-133 *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, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The District's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Drescher & Malecki LLP

October 7, 2015

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part I. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- | | | |
|---|-----------|---|
| 1. Material weakness(es) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> No |
| 2. Significant deficiency(ies) identified not considered to be material weaknesses? | _____ Yes | _____ <input checked="" type="checkbox"/> None reported |
| 3. Noncompliance material to the financial statements noted? | _____ Yes | _____ <input checked="" type="checkbox"/> No |

Federal Awards:

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

- | | | |
|---|-----------|---|
| 4. Material weakness(es) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> No |
| 5. Significant deficiency(ies) identified not considered to be material weaknesses? | _____ Yes | _____ <input checked="" type="checkbox"/> None reported |
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | _____ Yes | _____ <input checked="" type="checkbox"/> None |

7. The District's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Special Education-Grants to States (IDEA, Part B)	84.027
Special Education-Grants to States (IDEA Preschool)	84.173

- | | | |
|---|---|-----------------------------------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | | \$ <u>300,000</u> |
| 9. Auditee qualified as low-risk auditee? | _____ <input checked="" type="checkbox"/> Yes | _____ <input type="checkbox"/> No |

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part II. Financial Statement Findings Section

No findings noted.

Part III. Federal Awards Findings and Questioned Costs Section

No findings noted.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

2014-001—Child Nutrition Cluster Eligibility

Criteria—The District should have adequate procedures in place to ensure that all free and reduced school meal applications are maintained and retrievable.

Condition and Context—During our testing of child nutrition eligibility, the District was unable to provide free/reduced school lunch applications for two of the students selected. The lack of adequate procedures surrounding the free/reduced Meals applications.

Effect or Potential Effect—The District is not in compliance with the OMB Circular A-133 surrounding eligibility due to lack of supporting evidence.

Cause—The lack of formal procedures in regards to free/reduced meal applications.

Recommendation—We recommend the District review the structure of the school breakfast/lunch program and determine adequate procedures to ensure applications are maintained and updated, as necessary.

Management Response—The District intends to review the school lunch operations and identify areas which improvements can be implemented.

Current Status—The District has re-evaluated its school lunch operations. Based on procedures performed, no findings noted as of June 30, 2015.

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