

***HORSEHEADS CENTRAL SCHOOL DISTRICT
NEW YORK***

***COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT***

For Year Ended June 30, 2016

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

Shareholders:

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

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

August 30, 2016

To the Board of Education
Horseheads Central School District, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Horseheads Central School District, New York as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Horseheads Central School District, New York's internal control over financial reporting (internal control) as a basis for designing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Prior Year Deficiency Pending Corrective Action:

Financial Condition –

As of June 30, 2016 the District utilized various committed fund balances which resulted in the District exceeding the 4% maximum unassigned fund balance as required by Section 1318 of the real property tax law.

We recommend the District continue to monitor their long term plan.

Current Year Deficiency in Internal Control:

School Lunch –

As indicated in the financial statements we noted the school lunch program had an operating loss totaling \$84,490. In addition, we noted the revenue budget was \$29,766 under budget (actual revenues were less than anticipated) the expenditure budget exceeded the estimated budget by \$56,724.

We recommend the District continue to monitor the school lunch program to enhance participation and develop cost containment strategies. In addition, the District should review the budget development procedures for the school lunch program.

Prior Year Recommendations:

We are pleased to report the following prior year recommendations have been implemented to our satisfaction:

1. The District continues to monitor their budget and continues to reduce the amount of fund balance used to support the operating budget.
2. Cash receipts were deposited timely and supported with reconciliations.
3. The District has a draft online banking policy and plans on adopting it during the 2016-17 fiscal year.
4. The District identified bank maximum amounts and their financial institutions at the July 2016 reorganizational meeting.

This communication is intended solely for the information and use of management, the Board, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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We wish to express our appreciation to the business office staff for all the courtesies extended to us during the course of our examination.

Raymond F. Wager, CPA, C.

August 30, 2016

HORSEHEADS CENTRAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Horseheads Central School District, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Horseheads Central School District, New York, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and budgetary comparison information on pages 4–13 and 46–50 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 Horseheads Central School District, New York's basic financial statements. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2016 on our consideration of the Horseheads Central School District, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Horseheads Central School District, New York's internal control over financial reporting and compliance.

Raymond F. Wager, CPA P.C.

August 30, 2016

Horseheads Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2016. This section is a summary of the School District's financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

At the close of the fiscal year, the total assets (what the district owns) exceeded its total liabilities (what the district owes) by \$1,439,567 (net position) a decrease of \$34,580 from the prior year.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$34,088,836, an increase of \$4,491,340 in comparison with the prior year.

General revenues which include Real Property Taxes, State and Federal Aid, Investment Earnings, Compensation for Loss, and Miscellaneous accounted for \$71,407,782 or 95% of all revenues. Program specific revenues in the form of Charges for services, Operating Grants and Contributions, and Capital Grants and Contributions accounted for \$4,064,598 or 5% of total revenues.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

<u>Major Feature of the District-Wide and Fund Financial Statements</u>			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net position statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statement section of this report.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and facilities must also be considered to assess the District's overall health.

All of the District's services are reported in the government-wide financial statements as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, federal and state aid, and investment earnings finance most of these activities.

Financial Analysis of the School District As A Whole

Net Position

The District's combined net position were smaller on June 30, 2016, than they were the year before, decreasing to \$1,439,567 as shown in table below.

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2016</u>	<u>2015</u>	<u>Percentage</u>
			<u>Change</u>
<u>ASSETS:</u>			
Current and Other Assets	\$ 54,687,941	\$ 54,148,390	1.00%
Capital Assets	45,628,309	46,571,731	-2.03%
Total Assets	\$ 100,316,250	\$ 100,720,121	-0.40%
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows of Resources	\$ 6,786,602	\$ 4,934,019	37.55%
<u>LIABILITIES:</u>			
Long-Term Obligations	\$ 94,797,539	\$ 85,384,483	11.02%
Other Liabilities	5,252,233	7,426,043	-29.27%
Total Liabilities	\$ 100,049,772	\$ 92,810,526	7.80%
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows of Resources	\$ 5,613,513	\$ 11,369,467	-50.63%
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 33,780,994	\$ 33,215,088	1.70%
<u>Restricted For:</u>			
Capital Projects	-	4,301,510	-100.00%
Debt Service	3,802,660	3,611,360	5.30%
Reserve for ERS	4,211,825	2,210,653	90.52%
Capital Reserves	10,000,532	-	100.00%
Other Purposes	3,289,480	3,907,094	-15.81%
Unrestricted	(53,645,924)	(45,771,558)	17.20%
Total Net Position	\$ 1,439,567	\$ 1,474,147	-2.35%

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

By far, the largest component of the School District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

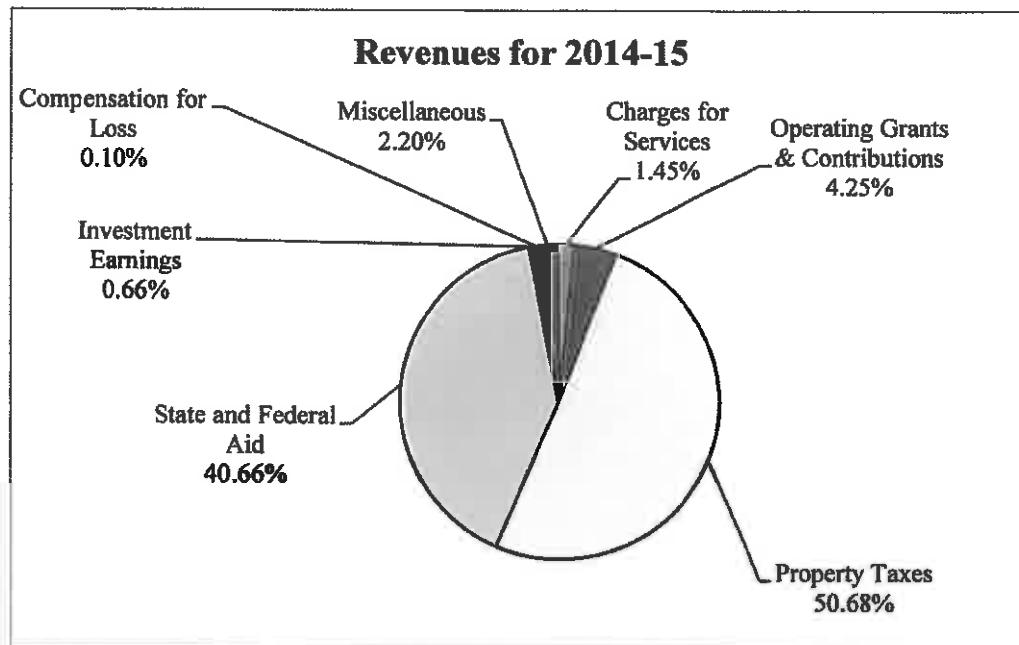
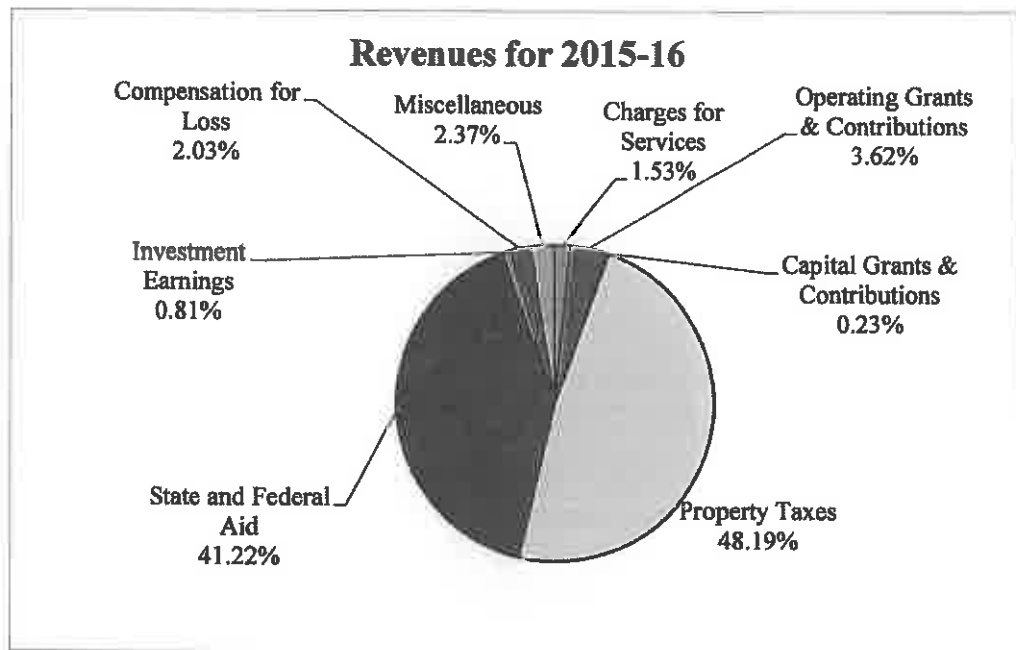
There are four restricted net asset balances, Capital Reserves, Debt Service, Reserve for ERS, and Other Purpose.

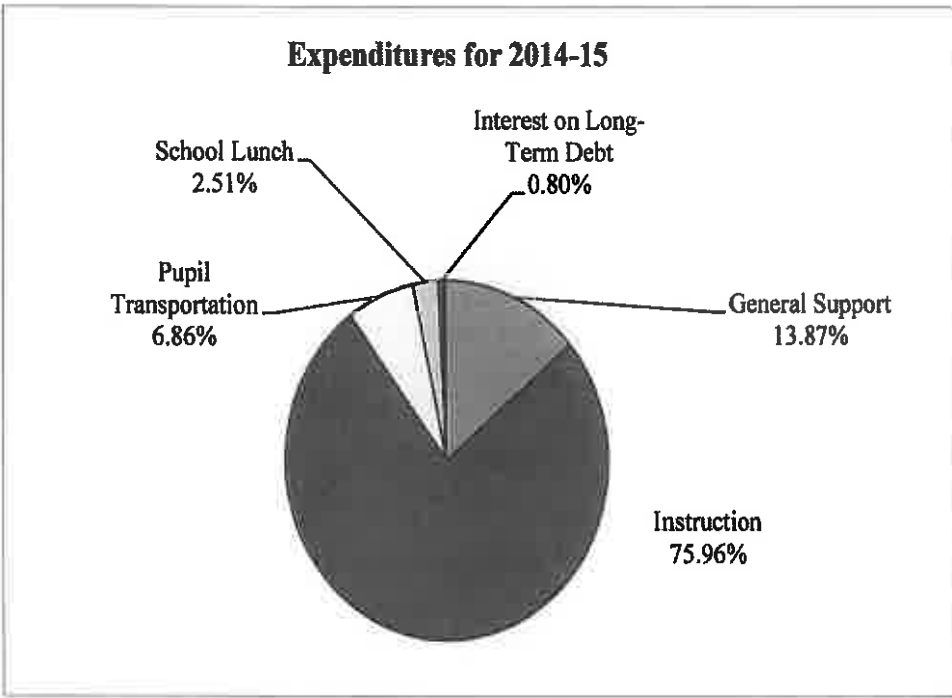
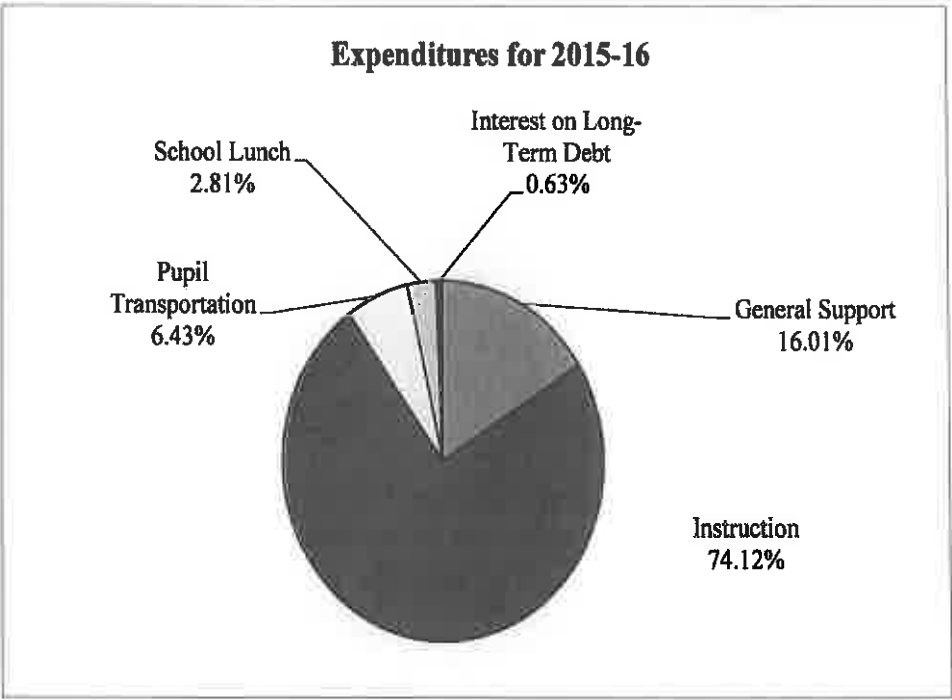
Changes in Net Asset

The District's total revenue increased 5% to \$75,472,380. State and federal aid 41% and property taxes 48% accounted for most of the District's revenue. The remaining 11% of the revenue comes from operating grants, capital grants, charges for services, investment earnings, compensation for loss, and miscellaneous revenues.

The total cost of all the programs and services decreased 7% to \$75,176,960. The District's expenses are predominately related to education and caring for the students 74%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 16% of the total costs. See table below:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2016</u>	<u>2015</u>	<u>Percentage</u>
<u>REVENUES:</u>			<u>Change</u>
<u>Program -</u>			
Charges for Services	\$ 1,155,066	\$ 1,040,105	11.05%
Operating Grants & Contributions	2,735,601	3,045,926	-10.19%
Capital Grants & Contributions	173,931	-	-100.00%
Total Program	<u>\$ 4,064,598</u>	<u>\$ 4,086,031</u>	<u>-0.52%</u>
<u>General -</u>			
Property Taxes	\$ 36,372,925	\$ 36,282,872	0.25%
State and Federal Aid	31,108,460	29,107,699	6.87%
Investment Earnings	608,610	475,648	27.95%
Compensation for Loss	1,526,455	73,233	1984.38%
Miscellaneous	1,791,332	1,561,411	14.73%
Total General	<u>\$ 71,407,782</u>	<u>\$ 67,500,863</u>	<u>5.79%</u>
TOTAL REVENUES	<u>\$ 75,472,380</u>	<u>\$ 71,586,894</u>	<u>5.43%</u>
<u>Special Items -</u>			
Advance Refunding	<u>\$ (330,000)</u>	<u>\$ -</u>	<u>100.00%</u>
<u>EXPENSES:</u>			
General Support	\$ 12,037,372	\$ 11,229,025	7.20%
Instruction	55,720,321	61,483,346	-9.37%
Pupil Transportation	4,835,984	5,588,364	-13.46%
School Lunch	2,109,467	2,032,650	3.78%
Interest on Long-Term Debt	473,816	645,986	-26.65%
TOTAL EXPENSES	<u>\$ 75,176,960</u>	<u>\$ 80,979,371</u>	<u>-7.17%</u>
INCREASE IN NET POSITION	<u>\$ (34,580)</u>	<u>\$ (9,392,477)</u>	<u>-99.63%</u>





Financial Analysis of the School District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$34,088,836 which is more than last year's ending fund balance of \$29,597,496.

The General Fund is the chief operating fund of the District. At the end of the current year, the total fund balance of the General Fund was \$25,697,609. Fund balance for the General Fund increased by \$4,456,609 compared with the prior year. See table below:

<u>General Fund Balances:</u>	<u>2016</u>	<u>2015</u>	<u>Variance</u>
Nonspendable	\$ 2,311	\$ 24,020	\$ (21,709)
Restricted	17,501,837	6,117,747	11,384,090
Committed	2,683,377	7,463,647	(4,780,270)
Assigned	2,560,600	4,704,500	(2,143,900)
Unassigned	2,949,484	2,931,086	18,398
Total General Fund Balances	<u>\$ 25,697,609</u>	<u>\$ 21,241,000</u>	<u>\$ 4,456,609</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$256,051. This change is attributable to \$169,372 of carryover encumbrances from the 2014-15 school year, \$50,000 for state aid, \$14,985 for donations, \$12,772 for insurance recoveries, and \$8,922 for an e-rate reimbursement.

The key factors for budget variances in the general fund are listed below along with explanations for each.

Expenditure Items:	Budget Variance Original Vs. Amended	Explanation for Budget Variance
Central Services	\$298,270	Increase in BOCES technology coser to maximize BOCES aid on District technology needs
Teaching-Regular School	(\$183,571)	Decrease due primarily to the reversal of accrual designated for unsettled contracts offset by an increase in BOCES services for student needs
Employee Benefits	(\$223,007)	Expenses for retirement costs and other benefits less than anticipated – funds used to support other expenses

Revenue Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Charges for Services	\$162,503	Increase revenue higher than anticipated received from foster student tuition and special education services
Sale of Property and Compensation for Loss	\$1,326,617	Sale of a District building and transportation equipment, as well as accounting change for stop-loss insurance payments
Miscellaneous	\$666,055	Higher than anticipated Medicare Part D payments and BOCES refund, as well as a reconciliation of the District's HR 105 account

Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Central Services	\$506,491	Lower than anticipated energy costs and reversal of accrual designated for unsettled contracts
Instruction, Administration, and Improvement	\$251,247	Reversal of accrual designated for unsettled contracts
Teaching-Regular School	\$1,082,866	Various positions paid with grant funds and reversal of accrual designated for unsettled contracts
Programs for Children with Handicapping Conditions	\$1,221,873	Various positions paid with grant funds and decreases in BOCES services based on changes in student needs
Pupil Transportation	\$468,410	Lower than anticipated energy costs; lower than anticipated fuel expense offset by higher than anticipated fuel reimbursement; reversal of accrual designated for unsettled contracts
Employee Benefits	\$2,870,024	Health claims and retirement costs less than anticipated

Capital Asset and Debt Administration

Capital Assets

By the end of the 2015-16 fiscal year, the District had invested \$45,628,309 in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below:

	<u>2016</u>	<u>2015</u>
Land	\$ 375,730	\$ 382,622
Work in Process	1,218,816	1,271,409
Buildings and Improvements	39,950,859	40,964,160
Machinery and Equipment	4,082,904	3,953,540
Total	<u><u>\$ 45,628,309</u></u>	<u><u>\$ 46,571,731</u></u>

Long-Term Debt

At year end, the District had \$94,797,539 in general obligation bonds and other long-term debt as follows:

<u>Type</u>	<u>2016</u>	<u>2015</u>
Serial Bonds	\$ 11,847,315	\$ 13,356,643
Net Pension Liability	3,254,449	692,909
OPEB	76,511,574	67,765,052
Compensated Absences	3,184,201	3,569,879
Total Long-Term Obligations	<u><u>\$ 94,797,539</u></u>	<u><u>\$ 85,384,483</u></u>

Factors Bearing on the District's Future

The District has finalized the merger study with the Elmira Heights School District, with a failed vote in both school districts. The District has also finalized its facility capacity/utilization and grade configuration study, with board approval to close no buildings at this time. Instead the District is looking forward to "Horseheads 2030", a comprehensive study of District operations and plan for the future. The District is in the beginning stages of conceptualizing what the District's facilities, curriculum, extracurricular opportunities, technology, etc. should look like by the year 2030, with a possible capital project presented to the voters within the next year.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Horseheads Central School District
One Raider Lane
Horseheads, New York 14845

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 35,789,159
Accounts receivable	3,647,871
Inventories	58,301
Prepaid items	2,311
Net pension asset	15,190,299
Capital Assets:	
Land	375,730
Work in progress	1,218,816
Other capital assets (net of depreciation)	44,033,763
TOTAL ASSETS	\$ 100,316,250
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	\$ 6,786,602
 LIABILITIES	
Accounts payable	\$ 489,145
Accrued liabilities	1,215,913
Unearned revenues	52,471
Due to other governments	1,550
Due to teachers' retirement system	3,281,163
Due to employees' retirement system	211,991
Long-Term Obligations:	
Due in one year	2,116,283
Due in more than one year	92,681,256
TOTAL LIABILITIES	\$ 100,049,772
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	\$ 5,613,513
 NET POSITION	
Net investment in capital assets	\$ 33,780,994
Restricted For:	
Debt service	3,802,660
Reserve for employee retirement system	4,211,825
Capital reserves	10,000,532
Other purposes	3,289,480
Unrestricted	(53,645,924)
TOTAL NET POSITION	\$ 1,439,567

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Activities and Changes in Net Position
For Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Primary Government</u>					<u>Governmental Activities</u>
General support	\$ 12,037,372	\$ -	\$ -	\$ -	\$ (12,037,372)
Instruction	55,720,321	503,103	1,837,091	173,931	(53,206,196)
Pupil transportation	4,835,984	-	-	-	(4,835,984)
School lunch	2,109,467	651,963	898,510	-	(558,994)
Interest	473,816	-	-	-	(473,816)
Total Primary Government	\$ 75,176,960	\$ 1,155,066	\$ 2,735,601	\$ 173,931	\$ (71,112,362)
General Revenues:					
Property taxes					\$ 36,372,925
State and federal aid					31,108,460
Investment earnings					608,610
Compensation for loss					1,526,455
Miscellaneous					1,791,332
Total General Revenues					\$ 71,407,782
Special Item:					
Advance refunding					\$ (330,000)
Total Special Items					\$ (330,000)
Total General Revenues and Special Item					\$ 71,077,782
Changes in Net Position					\$ (34,580)
Net Position, Beginning of Year					1,474,147
Net Position, End of Year					\$ 1,439,567

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

**Balance Sheet
Governmental Funds
June 30, 2016**

	General Fund	Special Aid Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 27,429,292	\$ 153,190	\$ 4,090,271	\$ 4,116,406	\$ 35,789,159
Receivables	2,926,561	488,152	173,931	59,227	3,647,871
Inventories	-	-	-	58,301	58,301
Due from other funds	648,093	-	-	271	648,364
Prepaid items	2,311	-	-	-	2,311
TOTAL ASSETS	\$ 31,006,257	\$ 641,342	\$ 4,264,202	\$ 4,234,205	\$ 40,146,006
LIABILITIES AND FUND BALANCES					
Liabilities -					
Accounts payable	\$ 442,777	\$ 12,211	\$ 34,157	\$ -	\$ 489,145
Accrued liabilities	1,205,861	-	-	342	1,206,203
Due to other funds	-	605,812	271	42,281	648,364
Due to other governments	573	-	-	977	1,550
Due to TRS	3,281,163	-	-	-	3,281,163
Due to ERS	211,991	-	-	-	211,991
Compensated absences	166,283	-	-	-	166,283
Unearned revenue	-	23,319	-	29,152	52,471
TOTAL LIABILITIES	\$ 5,308,648	\$ 641,342	\$ 34,428	\$ 72,752	\$ 6,057,170
Fund Balances -					
Nonspendable	\$ 2,311	\$ -	\$ -	\$ 58,301	\$ 60,612
Restricted	17,501,837	-	4,229,774	3,802,660	25,534,271
Committed	2,683,377	-	-	-	2,683,377
Assigned	2,560,600	-	-	300,492	2,861,092
Unassigned	2,949,484	-	-	-	2,949,484
TOTAL FUND BALANCE	\$ 25,697,609	\$ -	\$ 4,229,774	\$ 4,161,453	\$ 34,088,836
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,006,257	\$ 641,342	\$ 4,264,202	\$ 4,234,205	

Amounts reported for governmental activities in the

Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

45,628,309

Interest is accrued on outstanding bonds in the statement of net position but not in the funds.

(9,710)

The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:

Serial bonds payable	(11,847,315)
OPEB	(76,511,574)
Compensated absences	(3,017,918)
Net pension asset	15,190,299
Deferred outflow - pension	6,786,602
Net pension liability	(3,254,449)
Deferred inflow - pension	(5,613,513)
Net Position of Governmental Activities	\$ 1,439,567

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes and tax items	\$ 36,372,925	\$ -	\$ -	\$ -	\$ 36,372,925
Charges for services	503,103	-	-	-	503,103
Use of money and property	604,157	-	-	4,453	608,610
Sale of property and compensation for loss	1,339,389	-	-	187,066	1,526,455
Miscellaneous	1,709,962	12,788	-	17,042	1,739,792
State sources	30,780,499	524,147	173,931	34,294	31,512,871
Federal sources	154,030	1,474,087	-	864,216	2,492,333
Sales	-	-	-	651,963	651,963
Premium on obligations issued	-	-	-	174,661	174,661
TOTAL REVENUES	<u>\$ 71,464,065</u>	<u>\$ 2,011,022</u>	<u>\$ 173,931</u>	<u>\$ 1,933,695</u>	<u>\$ 75,582,713</u>
EXPENDITURES					
General support	\$ 8,604,462	\$ -	\$ -	\$ 107,414	\$ 8,711,876
Instruction	32,756,106	1,903,543	-	11,566	34,671,215
Pupil transportation	3,251,595	40,905	-	-	3,292,500
Employee benefits	18,761,127	175,118	-	340,989	19,277,234
Debt service - principal	1,775,000	-	-	-	1,775,000
Debt service - interest	583,738	-	-	-	583,738
Cost of sales	-	-	-	609,912	609,912
Other expenses	-	-	-	856,984	856,984
Capital outlay	-	-	1,245,667	-	1,245,667
TOTAL EXPENDITURES	<u>\$ 65,732,028</u>	<u>\$ 2,119,566</u>	<u>\$ 1,245,667</u>	<u>\$ 1,926,865</u>	<u>\$ 71,024,126</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 5,732,037</u>	<u>\$ (108,544)</u>	<u>\$ (1,071,736)</u>	<u>\$ 6,830</u>	<u>\$ 4,558,587</u>
OTHER FINANCING SOURCES (USES)					
Transfers - in	\$ -	\$ 108,544	\$ 1,000,000	\$ 166,884	\$ 1,275,428
Transfers - out	(1,275,428)	-	-	-	(1,275,428)
Payment to refunded bond escrow agent	-	-	-	(6,292,247)	(6,292,247)
Proceeds from advanced refunding	-	-	-	6,225,000	6,225,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (1,275,428)</u>	<u>\$ 108,544</u>	<u>\$ 1,000,000</u>	<u>\$ 99,637</u>	<u>\$ (67,247)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,456,609</u>	<u>\$ -</u>	<u>\$ (71,736)</u>	<u>\$ 106,467</u>	<u>\$ 4,491,340</u>
FUND BALANCE, BEGINNING OF YEAR	<u>21,241,000</u>	<u>-</u>	<u>4,301,510</u>	<u>4,054,986</u>	<u>29,597,496</u>
FUND BALANCE, END OF YEAR	<u>\$ 25,697,609</u>	<u>\$ -</u>	<u>\$ 4,229,774</u>	<u>\$ 4,161,453</u>	<u>\$ 34,088,836</u>

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For Year Ended June 30, 2016

NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS

\$ 4,491,340

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:

Capital Outlay	\$ 1,245,667	
Additions to Assets, Net	(185,173)	
Depreciation	<u>(2,003,916)</u>	
		(943,422)

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

Debt Repayments	\$ 1,775,000	
Unamortized Bond Premium	64,328	
Advanced Refunding	<u>(330,000)</u>	
		1,509,328

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 109,922

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (8,746,523)

(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds

Teachers Retirement System	4,141,854
Employees' Retirement System	(388,243)

Portion of deferred (inflow) / outflow recognized in long term debt (109,884)

In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences	<u>(98,952)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (34,580)

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

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 45,878	\$ 460,444
Investments	2,244	-
TOTAL ASSETS	\$ 48,122	\$ 460,444
LIABILITIES		
Accounts payable	\$ -	\$ 150
Extraclassroom activity balances	-	150,495
Other liabilities	-	309,799
TOTAL LIABILITIES	\$ -	\$ 460,444
NET POSITION		
Restricted for scholarships	\$ 48,122	
TOTAL NET POSITION	\$ 48,122	

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 1,262
Investment earnings	271
TOTAL ADDITIONS	\$ 1,533
DEDUCTIONS	
Scholarships and donations	\$ 7,111
TOTAL DEDUCTIONS	\$ 7,111
CHANGE IN NET POSITION	\$ (5,578)
NET POSITION, BEGINNING OF YEAR	53,700
NET POSITION, END OF YEAR	\$ 48,122

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2016

I. Summary of Significant Accounting Policies

The financial statements of the Horseheads Central School District, New York (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Horseheads Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the District's reporting entity.

1. Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions, and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office. The District accounts for assets held as an agency for various student organizations in an agency fund.

B. Joint Venture

The District is a component of the Greater Southern Tier Board of Cooperative Educational Services (BOCES). The BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

(I.) (Continued)

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$11,931,743 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$4,278,588.

Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

1. Districtwide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

(I.) (Continued)

The District reports the following governmental funds:

a. **Major Governmental Funds**

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

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

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

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

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

Miscellaneous Special Revenue Fund - This fund accounts for the proceeds of fundraisers, small private events and donations for specific purposes such as scholarships and school related events.

Debt Service Fund - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

c. **Fiduciary** - Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D. Measurement Focus and Basis of Accounting

The District-Wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 27, 2015. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the County(ies) in which the District is located. The County(ies) pay an amount representing uncollected real property taxes transmitted to the County(ies) for enforcement to the District no later than the following April 1.

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

(I.) (Continued)

In the District-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note VI for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

New York State Law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

J. Receivables

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

(I.) (Continued)

K. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A non-spendable fund balance for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Capital Assets

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of capitalization thresholds and estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 15,000	N/A	N/A
Buildings and Improvements	\$ 15,000	SL	40 Years
Furniture and Equipment	\$ 5,000	SL	5 - 15 Years

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

M. Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

(I.) (Continued)

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net 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 and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government may have three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net 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. The District may have two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

O. Vested Employee Benefits

1. Compensated Absences

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

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

Certain District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

(I.) (Continued)

P. Other Benefits

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

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

Q. Accrued Liabilities and Long-Term Obligations

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

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

R. Equity Classifications

1. District-Wide Statements

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

- a. **Net Investment in Capital Assets** - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- b. **Restricted Net Position** - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

	<u>Total</u>
Unemployment Costs	342,102
Tax Certiorari	999,199
Repair	30,097
Employee Benefits Accrued Liability	<u>1,918,082</u>
Total Net Position - Restricted for Other Purposes	<u>\$ 3,289,480</u>

(L) (Continued)

c. **Unrestricted Net Position** - reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

2. **Fund Statements**

In the fund basis statements there are five classifications of fund balance:

a. **Nonspendable Fund Balance** -- Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes:

	<u>Total</u>
Inventory in school lunch	\$ 58,301
Prepaid items	2,311
Total Nonspendable Fund Balance	\$ 60,612

b. **Restricted Fund Balances** -- Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Capital Reserve - According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The Reserve is accounted for in the General Fund under restricted fund balance. Year end balances are as follows:

<u>Name of Reserve</u>	<u>Maximum Funding</u>	<u>Total Funding Provided</u>	<u>Year to Date Balance</u>
Capital Building/Transportation	\$ 10,000,000	\$ 10,000,000	\$ 10,000,532

Reserve for Debt Service - According to General Municipal Law §6-1, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

(I.) (Continued)

Employee Benefit Accrued Liability Reserve - According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Repair Reserve - According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

Retirement Contribution Reserve - According to General Municipal Law §6-r, must be used financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Tax Certiorari Reserve - According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari claims and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeding in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

Unemployment Insurance Reserve - According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

(L) (Continued)

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund and the School Lunch Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balances include the following:

<u>General Fund -</u>	
Capital Reserve	\$ 10,000,532
Unemployment Costs	342,102
Retirement Contribution	4,211,825
Tax Certiorari	999,199
Repair	30,097
Employee Benefits Accrued Liability	1,918,082
<u>Capital Fund -</u>	
Capital projects	4,229,774
<u>Debt Service Fund -</u>	
Debt Service	3,802,660
Total Restricted Funds	\$ 25,534,271

The District has appropriated the following reserves to support the 2016-17 budget:

Retirement Contributions	\$ 300,000
EBALR	85,249
Total	\$ 385,249

c. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. Committed fund balances included the following:

Transportation and Technology	\$ 2,000,000
Retirement Incentives	683,377
Total Committed Fund Balance	\$ 2,683,377

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

Significant encumbrances for the general fund, management has determined that amounts in excess of \$90,000 are considered significant. There are no significant encumbrances at year end.

(L) (Continued)

Assigned fund balances include the following:

General Fund-Encumbrances	\$ 60,600
General Fund-Appropriated for Taxes	2,500,000
School Lunch Fund-Year End Equity	235,367
Miscellaneous special revenue	65,125
Total Assigned Fund Balance	\$ 2,861,092

- e. **Unassigned Fund Balance**—Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the school district.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

3. **Order of Use of Fund Balance**

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, the remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

S. **New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2016, the District implemented the following new standard issued by GASB:

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

T. **Future Changes in Accounting Standards**

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 57, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which will be effective for the year ended June 30, 2017.

The GASB has issued Statement No. 77, *Tax Abatement Disclosures*, which will be effective for the year ended June 30, 2017.

The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, which will be effective for the year ended June 30, 2017.

The GASB has issued Statement No. 82, *Pension Issues—an amendment of GASB No. 67, No. 68, and No. 73*, which will be effective for the year ended June 30, 2017.

(I.) (Continued)

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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

II. Stewardship, Compliance and Accountability

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

A. Budgets

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

The voters of the District approved the proposed appropriation budget.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the 2015-16 fiscal year, the budget was increased by \$50,000 for state aid, \$21,694 for insurance recoveries and other reimbursements, \$14,985 for donations, and \$169,372 for prior year encumbrances.

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

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

(II.) (Continued)

B. Encumbrances

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

- C. The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

III. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		36,053,490
Total	\$	<u>36,053,490</u>

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$25,534,271 within the governmental funds and \$45,878 in the fiduciary funds.

IV. Investments

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- A. Insured or registered, or investments held by the District or by the District's agent in the District's name, or
- B. Uninsured and unregistered, with the investments held by the financial institutes trust department in the District's name, or

(IV.) (Continued)

- C. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District's name.

<u>Investment</u>	<u>Fund</u>	<u>Carrying Amount</u>	<u>Unrealized Investment Gain/(Loss)</u>	<u>Type of Investment</u>	<u>Category</u>
Scholarship	T&A	\$ 2,244	\$ 110	Fixed Income	A

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

V. Receivables

Receivables at June 30, 2016 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Special Aid Fund</u>	<u>Nonmajor Funds</u>	
Accounts Receivable	\$ 19,091	\$ -	\$ -	\$ 1,331	\$ 20,422
Due From State and Federal	2,719,320	173,931	488,152	57,896	3,439,299
Due From Other Governments	188,150	-	-	-	188,150
Total	\$ 2,926,561	\$ 173,931	\$ 488,152	\$ 59,227	\$ 3,647,871

District management has deemed the amounts to be fully collectible.

VI. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2016 were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 648,093	\$ -	\$ -	\$ 1,275,428
Special Aid Fund	-	605,812	108,544	-
School Lunch Fund	-	42,281	166,884	-
Debt Service Fund	271	-	-	-
Capital Fund	-	271	1,000,000	-
Total government activities	\$ 648,364	\$ 648,364	\$ 1,275,428	\$ 1,275,428

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

VII. Long Term Assets

A. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
<u>Governmental Activities:</u>				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 382,622	\$ -	\$ (6,892)	\$ 375,730
Work in progress	1,271,409	1,245,667	(1,298,260)	1,218,816
<i>Total Nondepreciable</i>	<u>\$ 1,654,031</u>	<u>\$ 1,245,667</u>	<u>\$ (1,305,152)</u>	<u>\$ 1,594,546</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 67,305,226	\$ 1,293,699	\$ (3,036,657)	\$ 65,562,268
Machinery and equipment	11,012,729	1,021,124	(777,402)	11,256,451
<i>Total Depreciated Assets</i>	<u>\$ 78,317,955</u>	<u>\$ 2,314,823</u>	<u>\$ (3,814,059)</u>	<u>\$ 76,818,719</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ (26,341,066)	\$ (1,122,222)	\$ 1,851,879	\$ (25,611,409)
Machinery and equipment	(7,059,189)	(881,694)	767,336	(7,173,547)
<i>Total accumulated depreciation</i>	<u>\$ (33,400,255)</u>	<u>\$ (2,003,916)</u>	<u>\$ 2,619,215</u>	<u>\$ (32,784,956)</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 44,917,700</u>	<u>\$ 310,907</u>	<u>\$ (1,194,844)</u>	<u>\$ 44,033,763</u>
Total Capital Assets	<u>\$ 46,571,731</u>	<u>\$ 1,556,574</u>	<u>\$ (2,499,996)</u>	<u>\$ 45,628,309</u>

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

<u>Governmental Activities:</u>	
General government support	\$ 77,134
Instruction	1,056,019
Pupil transportation	806,211
School lunch	64,552
Total Depreciation Expense	<u>\$ 2,003,916</u>

B. Deferred Outflow of Resources

Deferred Outflows

Deferred outflow - pension	\$ 2,986,194
Deferred outflow - contributions subsequent to measurement date:	
ERS	211,991
TRS	3,148,882
Total Deferred Outflow-Pension	<u>\$ 6,347,067</u>
Deferred outflow - gain/loss on refunding	439,535
Total Deferred Outflow	<u>\$ 6,786,602</u>

VIII. Long-Term Debt Obligations

A. Long-term liability

The balances and activity for the year are summarized below:

<u>Governmental Activities:</u>	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2016</u>	<u>One Year</u>
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 13,356,643	\$ 6,225,000	\$ 7,734,328	\$ 11,847,315	\$ 1,950,000
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 692,909	\$ 2,561,540	\$ -	\$ 3,254,449	\$ -
OPEB	67,765,052	8,746,522	-	76,511,574	-
Compensated Absences	3,569,879	-	385,678	3,184,201	166,283
Total Other Liabilities	\$ 72,027,840	\$ 11,308,062	\$ 385,678	\$ 82,950,224	\$ 166,283
Total Long-Term Obligations	\$ 85,384,483	\$ 17,533,062	\$ 8,120,006	\$ 94,797,539	\$ 2,116,283

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

B. Deferred Inflow of Resources

Deferred Inflow

Deferred inflow - pension \$ 5,613,513

C. Existing serial and statutory bond obligations:

<u>Description</u>	<u>Issue</u>	<u>Final</u>	<u>Interest</u>	<u>Amount</u>
	<u>Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding</u>
<u>Serial Bonds -</u>				<u>6/30/2016</u>
\$9,830,000 Capital improvement	2011	2020	2.00%-5.00%	\$ 3,680,000
\$12,260,486 Capital improvement	2008	2018	4.50%	1,685,000
\$6,225,000 Capital improvement	2016	2024	1.50%-2.00%	6,225,000
Total Serial Bonds				\$ 11,590,000
Unamortized bond premium				257,315
Total Serial Bonds, net				\$ 11,847,315

(VIII.) (Continued)

D. The following is a summary of debt service requirements:

<u>Year</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,950,000	\$ 583,737
2018	2,010,000	315,593
2019	1,775,000	252,650
2020	1,825,000	170,000
2021	1,000,000	110,550
2022-24	3,030,000	159,300
Total	\$ 11,590,000	\$ 1,591,830

On June 23, 2016, the District issued \$6,225,000 in general obligation bonds with an average interest rate of 2% to advance refund \$5,895,000 of outstanding serial bonds with an average interest rate of 4.875%. The net proceeds of \$6,292,247 (after payment of \$107,414 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The District advance refunded the bonds to revise its payment schedules due to changes in New York State's aid payment schedules. The economic gain (the difference between the present value of the debt service payments on the old and new debt) is approximately \$654,997.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$4,335,000 of bonds outstanding are considered defeased. The excess of the reacquisition price over the net carrying amount of the refunded bonds in the amount of \$988,955 has been deferred and is being amortized (\$109,884 annually) using the straight-line method through 2020. The balance of the deferred amount on refunding as of June 30, 2016 is \$439,535 and is reflected as a deferred outflow on the Statement of Net Position.

E. Interest on long-term debt for June 30, 2016 was composed of:

Interest paid	\$ 583,738
<u>Less:</u> interest accrued in the prior year	(119,632)
<u>Plus:</u> interest accrued in the current year	9,710
Total interest expense	\$ 473,816

IX. Pension Plans

A. General Information

New York State Employees' Retirement System (NYSERS), and the New York State Teachers' Retirement System (NYSTRS).

(IX.) (Continued)

B. Provisions and Administration

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. The System 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. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report and/or the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer, 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. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, and the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer 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.

C. Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent 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 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. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

(IX.) (Continued)

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>	<u>TRS</u>
2016	\$ 888,249	\$ 3,281,163
2015	\$ 1,112,592	\$ 3,974,360
2014	\$ 1,243,264	\$ 3,577,799

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) 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.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2015	June 30, 2014
Net pension assets/(liability)	\$ (3,254,449)	\$ 15,190,299
District's portion of the Plan's total net pension asset/(liability)	0.020%	0.146%

For the year ended June 30, 2016, the District recognized pension expenses of \$1,184,528 for ERS and (\$992,735) for TRS. At June 30, 2016 the District's 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>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expensed and actual experience	\$ 16,446	\$ -	\$ 385,761	\$ 420,988
Changes of assumptions	867,863	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,930,718	-	-	4,801,733
Changes in proportion and differences between the District's contributions and proportionate share of contributions	70,773	100,394	5,031	-
Subtotal	\$ 2,885,800	\$ 100,394	\$ 390,792	\$ 5,222,721
District's contributions subsequent to the measurement date	211,991	3,148,882		
Grand Total	\$ 3,097,791	\$ 3,249,276		

(IX.) (Continued)

District contributions subsequent to the measurement date which 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</u>	<u>ERS</u>	<u>TRS</u>
2016	\$ -	\$ (1,924,862)
2017	638,010	(1,924,862)
2018	638,010	(1,924,862)
2019	638,010	810,415
2020	580,978	(40,609)
Thereafter	-	(117,547)
Total	\$ 2,495,008	\$ (5,122,327)

E. 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:

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.00%	8.00%
Salary scale	3.80%	4.01%-10.91%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2005- June 30, 2010 System's Experience
Inflation rate	2.50%	3.00%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2016. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

(IX.) (Continued)

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 as follows:

Long Term Expected Rate of Return		
	ERS	TRS
Actuarial valuation date	April 1, 2015	June 30, 2014
<u>Asset Type -</u>		
Cash	2.25%	0.00%
Inflation-index bonds	4.00%	0.00%
Domestic equity	7.30%	6.50%
International equity	8.55%	7.70%
Real estate	8.25%	4.60%
Alternative investments	0.00%	9.90%
Domestic fixed income securities	0.00%	2.10%
Global fixed income securities	0.00%	1.90%
Bonds/mortgages	4.00%	3.40%
Short-term	0.00%	1.20%
Private equity	11.00%	-
Absolute return strategies	6.75%	-
Opportunistic portfolios	8.60%	-
Real assets	8.65%	-

F. Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8% for TRS. 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.

G. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 8% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 7% for TRS) or 1-percentagepoint higher (8.0% for ERS and 9% for TRS) than the current rate :

(IX.) (Continued)

<u>ERS</u>	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (7,338,546)	\$ (3,254,449)	\$ 196,439

<u>TRS</u>	<u>1% Decrease (7%)</u>	<u>Current Assumption (8%)</u>	<u>1% Increase (9%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (1,036,174)	\$ 15,190,299	\$ 29,028,074

H. Pension Plan Fiduciary Net Position

The components of the current year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	<u>(In Thousands)</u>	
	<u>ERS</u>	<u>TRS</u>
Valuation date	April 1, 2015	June 30, 2014
Employers' total pension liability	\$ 172,303,544	\$ 99,332,103
Plan net position	156,253,265	109,718,916
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,813</u>
Ration of plan net position to the employers' total pension asset/(liability)	90.70%	110.46%

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$211,991.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$3,281,163.

X. Postemployment Benefits

The District provides postemployment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the District to calculate and record a net other postemployment benefit obligation at year end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the general fund of the funds financial statements as payments are made. For the year ended June 30, 2016 the District recognized \$4,028,880 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2016 which indicates that the total liability for other postemployment benefits is \$153,106,550.

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

Annual required contribution	\$	13,983,660
Interest on net OPEB obligation		2,710,602
Adjustment to annual required contribution		(3,918,860)
Annual OPEB cost (expense)	\$	12,775,402
Contributions made		4,028,880
Increase in net OPEB obligation	\$	8,746,522
Net OPEB obligation - beginning of year		67,765,052
Net OPEB obligation - end of year	\$	76,511,574

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year end 2016 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 12,775,402	31.54%	\$ 76,511,574
6/30/2015	\$ 20,796,601	24.77%	\$ 67,765,052
6/30/2014	\$ 14,784,835	28.37%	\$ 52,119,451

Funded Status and Funding Progress - As of June 30, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$153,106,550, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$153,106,550. The covered payroll (annual payroll of active employees covered by the plan) was \$29,719,271, and the ratio of the UAAL to the covered payroll was 515.18%.

(X.) (Continued)

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

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

In the June 30, 2016 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.75% initially, reduced by decrements to an ultimate rate of 3.886% in 2075. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was twenty-two years.

XI. Risk Management

A. General Information

The District is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

B. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2015-16 fiscal year totaled \$13,518. The balance of the fund at June 30, 2016 was \$342,102 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2016, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

(XI.) (Continued)

C. Self-Funded Medical Plan

The District participates in a self-funded medical plan administered through a third party administrator. The Plan is referred to as a premium credit plan. The District pays actual claim expenses and administrative charges. The District also, has stop-loss insurance coverage on specific claims in excess of \$130,000 within the plan year.

Liabilities are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

The incurred but not reported claims (IBNR's) are fully funded and reported in the General Fund as part of the accrued liabilities balances at June 30, 2016.

A reconciliation of the claims recorded for 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Beginning liabilities	\$ 950,545	\$ 1,143,000
Incurred claims	9,543,752	12,716,598
Claims payments	(9,592,973)	(12,909,053)
Ending liabilities	<u>\$ 901,324</u>	<u>\$ 950,545</u>

The following statistical information is presented:

<u>Year</u>	<u>Contribution</u> <u>Revenue</u>	<u>Incurred Claim</u> <u>Expense</u>
2016	\$ 9,592,973	\$ 9,543,752
2015	\$ 12,909,053	\$ 12,716,598

Contribution revenues consist of the expenditures charged to the funds plus the employee's payroll withholding plus the retiree's contribution. There are additional revenues which offset the claim expense such as rebates and refunds which are not included in contribution revenues.

The Plan has funded the incurred but not yet reported claims liability. The funding of this liability indicates that the plan's self funded insurance program is fully funded.

XII. Commitments and Contingencies

A. Litigation

The District has five tax Certiorari claims and one Article 78 claim dating back to 2012 which are pending. The outcomes of these claims cannot be determined at this time, however, the District has established a tax certiorari reserve to help offset the potential impact of any potential claims.

B. Grants

The District has received grants, which are subject to audit by agencies of the State and Federal Governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial.

XIII. Rental of District Property

The District leases property to various organizations. Total rental income for the 2015-16 fiscal year totaled \$557,472.

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Funding Progress
of Post Employment Benefit Plan
(Unaudited)
For Year Ended June 30, 2016

Actuarial		(2)		(4)		(6)
Valuation	(1)	Actuarial	(3)	Unfunded	(5)	UAAL
Date	Actuarial	Accrued	Funded	Accrued	Active	As a
June 30,	Value of	Liability	Ratio	Liability	Members	Percentage
	Assets	(AAL)	(1)/(2)	(UAAL)	Covered	of Covered
				(2) - (1)	Payroll	(4) / (5)
2010	\$ -	\$ 125,151,689	0.00%	\$ 125,151,689	\$ 31,415,000	398.38%
2012	\$ -	\$ 130,507,429	0.00%	\$ 130,507,429	\$ 30,443,000	428.69%
2013	\$ -	\$ 130,507,429	0.00%	\$ 130,507,429	\$ 27,638,593	472.19%
2014	\$ -	\$ 167,322,049	0.00%	\$ 167,322,049	\$ 27,061,027	618.31%
2015	\$ -	\$ 229,582,945	0.00%	\$ 229,582,945	\$ 30,004,769	765.15%
2016	\$ -	\$ 153,106,550	0.00%	\$ 153,106,550	\$ 29,719,271	515.18%

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability
(Unaudited)
For Year Ended June 30, 2016

NYSERS Pension Plan		
	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0203%	0.0205%
Proportionate share of the net pension liability (assets)	\$ 3,254,449	\$ 692,909
Covered-employee payroll	\$ 5,404,301	\$ 5,784,364
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	60.220%	11.979%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%
NYSTRS Pension Plan		
	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.1462%	0.1496%
Proportionate share of the net pension liability (assets)	\$ (15,190,299)	\$ (16,593,570)
Covered-employee payroll	\$ 23,747,221	\$ 21,967,468
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-63.967%	-75.537%
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions
(Unaudited)
For Year Ended June 30, 2016

NYSERS Pension Plan		
	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 888,249	\$ 1,112,593
Contributions in relation to the contractually required contribution	<u>(888,249)</u>	<u>(1,112,593)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,404,301	\$ 5,784,364
Contributions as a percentage of covered-employee payroll	16.44%	19.23%

NYSTRS Pension Plan		
	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 3,281,163	\$ 3,974,360
Contributions in relation to the contractually required contribution	<u>(3,281,163)</u>	<u>(3,974,360)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 23,747,221	\$ 21,967,468
Contributions as a percentage of covered-employee payroll	13.82%	18.09%

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2016

	Original	Amended	Current	Over (Under)
	<u>Budget</u>	<u>Budget</u>	<u>Year's</u>	<u>Revised</u>
			<u>Revenues</u>	<u>Budget</u>
REVENUES				
Local Sources -				
Real property taxes	\$ 29,672,022	\$ 29,672,022	\$ 29,814,696	\$ 142,674
Real property tax items	6,694,489	6,694,489	6,558,229	(136,260)
Charges for services	340,600	340,600	503,103	162,503
Use of money and property	471,826	471,826	604,157	132,331
Sale of property and compensation for loss	-	12,772	1,339,389	1,326,617
Miscellaneous	1,020,000	1,043,907	1,709,962	666,055
State Sources -				
Basic formula	21,056,445	21,056,445	20,411,386	(645,059)
Lottery aid	5,000,000	5,000,000	5,333,690	333,690
BOCES	4,177,108	4,177,108	4,278,588	101,480
Textbooks	250,359	250,359	250,534	175
All Other Aid -				
Computer software	140,370	140,370	140,907	537
Library loan	27,843	27,843	27,890	47
Handicapped students	200,000	200,000	287,254	87,254
Other aid	-	50,000	50,250	250
Federal Sources	55,000	55,000	154,030	99,030
TOTAL REVENUES	<u>\$ 69,106,062</u>	<u>\$ 69,192,741</u>	<u>\$ 71,464,065</u>	<u>\$ 2,271,324</u>
Appropriated fund balance	<u>\$ 4,535,129</u>	<u>\$ 4,535,129</u>		
Prior year encumbrances	<u>\$ 169,372</u>	<u>\$ 169,372</u>		
TOTAL REVENUES AND				
APPROPRIATED RESERVES/				
FUND BALANCE	<u><u>\$ 73,810,563</u></u>	<u><u>\$ 73,897,242</u></u>		

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2016

	<u>Original</u>	<u>Amended</u>	<u>Current</u>		<u>Unencumbered</u>
	<u>Budget</u>	<u>Budget</u>	<u>Year's</u>	<u>Encumbrances</u>	<u>Balances</u>
			<u>Expenditures</u>		
EXPENDITURES					
General Support -					
Board of education	\$ 127,582	\$ 42,309	\$ 31,641	\$ -	\$ 10,668
Central administration	353,886	340,463	263,880	-	76,583
Finance	1,003,813	1,035,048	1,000,889	116	34,043
Staff	616,708	694,698	570,151	18,000	106,547
Central services	5,431,104	5,729,374	5,217,350	6,747	505,277
Special items	1,592,076	1,527,904	1,520,551	-	7,353
Instructional -					
Instruction, administration and improvement	2,801,174	2,826,310	2,570,804	4,259	251,247
Teaching - regular school	18,143,003	17,959,432	16,861,580	14,986	1,082,866
Programs for children with handicapping conditions	7,847,117	7,812,085	6,590,212	-	1,221,873
Occupational education	2,707,321	2,710,884	2,696,288	-	14,596
Teaching - special schools	3,000	3,774	1,344	2,430	-
Instructional media	1,091,182	1,072,990	1,059,192	287	13,511
Pupil services	2,978,379	3,124,004	2,976,686	4,485	142,833
Pupil Transportation	3,653,956	3,729,168	3,251,595	8,924	468,649
Employee Benefits	21,854,524	21,631,517	18,761,127	366	2,870,024
Debt service - principal	1,775,000	1,775,000	1,775,000	-	-
Debt service - interest	583,738	583,738	583,738	-	-
TOTAL EXPENDITURES	\$ 72,563,563	\$ 72,598,698	\$ 65,732,028	\$ 60,600	\$ 6,806,070
Other Uses -					
Transfers - out	\$ 1,247,000	\$ 1,298,544	\$ 1,275,428	\$ -	\$ 23,116
TOTAL EXPENDITURES AND OTHER USES	\$ 73,810,563	\$ 73,897,242	\$ 67,007,456	\$ 60,600	\$ 6,829,186
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES					
	\$ -	\$ -	\$ 4,456,609		
FUND BALANCE, BEGINNING OF YEAR	21,241,000	21,241,000	21,241,000		
FUND BALANCE, END OF YEAR	\$ 21,241,000	\$ 21,241,000	\$ 25,697,609		

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change From Adopted Budget To Final Budget
And The Real Property Tax Limit
For Year Ended June 30, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 73,641,191
Prior year's encumbrances	169,372
Original Budget	\$ 73,810,563
Budget revisions -	
State aid	50,000
Donations	14,985
Insurance recoveries	12,772
E-rate reimbursement	8,922
FINAL BUDGET	<u>\$ 73,897,242</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2016-17 voter approved expenditure budget	\$ 73,737,117
<u>Unrestricted fund balance:</u>	
Assigned fund balance	\$ 2,560,600
Committed	2,683,377
Unassigned fund balance	2,949,484
Total Unrestricted fund balance	<u>\$ 8,193,461</u>
<u>Less adjustments:</u>	
Appropriated fund balance	\$ 2,500,000
Encumbrances included in assigned fund balance	60,600
Total adjustments	<u>\$ 2,560,600</u>
General fund fund balance subject to Section 1318 of	
Real Property Tax Law	<u>5,632,861</u>
ACTUAL PERCENTAGE	<u>7.64%</u>

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
CAPITAL PROJECTS FUND
Schedule of Project Expenditures
June 30, 2016

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance
			Prior Years	Current Year	Total		Local Sources	State Sources	Transfers	
Unspent capital outlay projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272,919	\$ 272,919
2013-14 capital project	1,300,000	1,300,000	1,208,144	85,556	1,293,700	6,300	1,300,000	-	-	1,300,000
2014-15 capital project	1,000,000	1,000,000	63,265	839,219	902,484	97,516	1,000,000	-	-	1,000,000
MS/IS Tech and Softball Fields	3,000,000	3,000,000	-	77,676	77,676	2,922,324	3,000,000	-	-	3,000,000
2015-16 capital project	1,000,000	1,000,000	-	69,285	69,285	930,715	1,000,000	-	-	1,000,000
SSBA capital project Phase I	2,929,862	2,929,862	-	173,931	173,931	2,755,931	-	173,931	-	173,931
TOTAL	\$ 9,229,862	\$ 9,229,862	\$ 1,271,409	\$ 1,245,667	\$ 2,517,076	\$ 6,712,786	\$ 6,300,000	\$ 173,931	\$ 272,919	\$ 6,746,850
										\$ 4,229,774

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Combined Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue Funds</u>			
		<u>Miscellaneous</u>		
	<u>School</u>	<u>Special</u>	<u>Debt</u>	<u>Total</u>
	<u>Lunch</u>	<u>Revenue</u>	<u>Service</u>	<u>Nonmajor</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
				<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 248,892	\$ 65,125	\$ 3,802,389	\$ 4,116,406
Receivables	59,227	-	-	59,227
Inventories	58,301	-	-	58,301
Due from other funds	-	-	271	271
TOTAL ASSETS	<u>\$ 366,420</u>	<u>\$ 65,125</u>	<u>\$ 3,802,660</u>	<u>\$ 4,234,205</u>
LIABILITIES AND FUND BALANCES				
<u>Liabilities -</u>				
Accrued liabilities	\$ 342	\$ -	\$ -	\$ 342
Due to other funds	42,281	-	-	42,281
Due to other governments	977	-	-	977
Unearned revenue	29,152	-	-	29,152
TOTAL LIABILITIES	<u>\$ 72,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,752</u>
<u>Fund Balances -</u>				
Nonspendable	\$ 58,301	\$ -	\$ -	\$ 58,301
Restricted	-	-	3,802,660	3,802,660
Assigned	235,367	65,125	-	300,492
TOTAL FUND BALANCE	<u>\$ 293,668</u>	<u>\$ 65,125</u>	<u>\$ 3,802,660</u>	<u>\$ 4,161,453</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 366,420</u>	<u>\$ 65,125</u>	<u>\$ 3,802,660</u>	<u>\$ 4,234,205</u>

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Combined Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue Fund</u>			
	<u>School Lunch Fund</u>	<u>Miscellaneous Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Use of money and property	\$ 219	-	\$ 4,234	\$ 4,453
Sale of property and compensation for loss	-	-	187,066	187,066
Miscellaneous	3,819	13,223	-	17,042
State sources	34,294	-	-	34,294
Federal sources	864,216	-	-	864,216
Sales	651,963	-	-	651,963
Premium on obligations issued	-	-	174,661	174,661
TOTAL REVENUES	\$ 1,554,511	\$ 13,223	\$ 365,961	\$ 1,933,695
EXPENDITURES				
General support	\$ -	\$ -	\$ 107,414	\$ 107,414
Instruction	-	11,566	-	11,566
Employee benefits	340,989	-	-	340,989
Cost of sales	609,912	-	-	609,912
Other expenses	856,984	-	-	856,984
TOTAL EXPENDITURES	\$ 1,807,885	\$ 11,566	\$ 107,414	\$ 1,926,865
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (253,374)	\$ 1,657	\$ 258,547	\$ 6,830
OTHER FINANCING SOURCES (USES)				
Transfers - in	\$ 166,884	\$ -	\$ -	\$ 166,884
Payment to refunded bond escrow agent	-	-	(6,292,247)	(6,292,247)
Proceeds from advanced refunding	-	-	6,225,000	6,225,000
TOTAL OTHER FINANCING SOURCES (USES)	\$ 166,884	\$ -	\$ (67,247)	\$ 99,637
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (86,490)	\$ 1,657	\$ 191,300	\$ 106,467
FUND BALANCE, BEGINNING OF YEAR	380,158	63,468	3,611,360	4,054,986
FUND BALANCE, END OF YEAR	\$ 293,668	\$ 65,125	\$ 3,802,660	\$ 4,161,453

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
For Year Ended June 30, 2016

Capital assets, net		\$ 45,628,309
Deduct:		
Short-term portion of bonds payable	\$ 1,950,000	
Long-term portion of bonds payable	<u>9,897,315</u>	
		<u>11,847,315</u>
Net Investment in Capital Assets		<u><u>\$ 33,780,994</u></u>

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2016

<u>Grantor / Pass - Through Agency</u>	<u>CFDA</u>	<u>Grantor</u>	<u>Pass-Through</u>	<u>Total</u>
<u>Federal Award Cluster / Program</u>	<u>Number</u>	<u>Number</u>	<u>Agency</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Title IIA - Teacher Training	84.367	N/A	0147-15-0415	\$ 3,075
Title IIA - Teacher Training	84.367	N/A	0147-16-0415	68,390
<u>Title I, Part A Cluster -</u>				
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-15-0415	9,571
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-16-0415	445,608
Title I - School Improvement	84.010	N/A	0011-16-2594	19,316
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States				
(IDEA, Part B)	84.027	N/A	0032-16-0121	908,196
Special Education - Preschool Grants				
(IDEA Preschool)	84.173	N/A	0033-16-0121	20,083
Total U.S. Department of Education				\$ 1,474,239
<u>U.S. Department of Agriculture:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department (Child Nutrition Services) -</u>				
<u>Nutrition Cluster -</u>				
National School Lunch Program-Cash Assistance	10.555	N/A	D039	\$ 609,612
National School Lunch Program-Non-Cash				
Assistance (Commodities)	10.555	N/A	D039	110,977
National School Breakfast Program	10.553	N/A	D039	143,627
Total U.S. Department of Agriculture				\$ 864,216
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 2,338,455

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Thomas C. Zuber, CPA

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

Independent Auditors' Report

To the Board of Education
Horseheads Central School District, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Horseheads Central School District, New York, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Horseheads Central School District, New York's basic financial statements, and have issued our report thereon dated August 30, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Raymond F. Wager, CPA P.C.

August 30, 2016

HORSEHEADS CENTRAL SCHOOL DISTRICT

HORSEHEADS, NEW YORK

SINGLE AUDIT REPORT

For Year Ended June 30, 2016

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**Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance;
and Report on the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Education
Horseheads Central School District
Horseheads, New York

Report on Compliance for Each Major Federal Program

We have audited the Horseheads Central School District, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The Horseheads Central School District, New York'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

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 Horseheads Central School District, New York'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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Horseheads Central School District, New York'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 Horseheads Central School District, New York's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

The management of the Horseheads Central School District, New York 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 Horseheads Central School District,, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Horseheads Central School District,, New York's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Horseheads Central School District, New York as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Horseheads Central School District, New York's basic financial statements. We issued our report thereon dated August 30, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Raymond F. Wager, CPA P.C.

August 30, 2016

**HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Grantor / Pass - Through Agency</u>	<u>CFDA</u>	<u>Grantor</u>	<u>Pass-Through Agency</u>	<u>Total</u>
<u>Federal Award Cluster / Program</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Title IIA - Teacher Training	84.367	N/A	0147-15-0415	\$ 3,075
Title IIA - Teacher Training	84.367	N/A	0147-16-0415	68,390
<u>Title I, Part A Cluster -</u>				
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-15-0415	9,571
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-16-0415	445,608
Title I - School Improvement	84.010	N/A	0011-16-2594	19,316
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States				
(IDEA, Part B)	84.027	N/A	0032-16-0121	908,196
Special Education - Preschool Grants				
(IDEA Preschool)	84.173	N/A	0033-16-0121	20,083
Total U.S. Department of Education				\$ 1,474,239
<u>U.S. Department of Agriculture:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department (Child Nutrition Services) -</u>				
<u>Nutrition Cluster -</u>				
National School Lunch Program-Cash Assistance	10.555	N/A	D039	\$ 609,612 *
National School Lunch Program-Non-Cash				
Assistance (Commodities)	10.555	N/A	D039	110,977 *
National School Breakfast Program	10.553	N/A	D039	143,627 *
Total U.S. Department of Agriculture				\$ 864,216
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 2,338,455

HORSEHEADS CENTRAL SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

June 30, 2016

1. Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Horesheads Central School District, New York (the District) under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement's, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position.

2. Summary of Significant Accounting Policies:

Expenditures reported on the schedule are reported on the GAAP basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Costs:

The District has elected to not use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance. Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

4. Matching Costs

Matching costs, i.e., the Horesheads Central School District's share of certain program costs, are not included in the reported expenditures.

5. Non-Monetary Federal Program

The Horesheads Central School District, New York is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a "non-monetary program". This program Surplus Food Distribution (CFDA Number 10.555), and the fair market value of the food commodities received during the fiscal year is presented in the accompanying Schedule of Expenditures of Federal Awards and was considered in the Horesheads Central School District, New York's single audit.

HORSEHEADS CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

I. Summary of the Auditor's Results

Financial Statements

- | | |
|---------------------------------------------------------|------------|
| a) Type of auditor's report issued | Unmodified |
| b) Internal control over financial reporting | |
| 1. Material weaknesses identified | No |
| 2. Significant deficiency(ies) identified | No |
| c) Noncompliance material to financial statements noted | No |

Federal Awards

- | | |
|--------------------------------------------------------------------------------------------------------------------------|------------|
| a) Internal control over major programs | |
| 1. Material weaknesses identified | No |
| 2. Significant deficiency(ies) identified | No |
| b) Type of auditor's report issued on compliance for major programs | Unmodified |
| c) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 | No |
| d) Identification of major programs | |
| <u>CFDA Number(s)</u> <u>Name of Federal Program or Cluster</u> | |
| Nutrition Cluster (as defined by OMB Circular No. A-133) | |
| CFDA #10.555 National School Lunch Program | |
| CFDA #10.555 National School Lunch Program-Non-Cash Assistance (Commodities) | |
| CFDA #10.553 National School Breakfast Program | |
| e) Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| f) Auditee qualifies as low-risk auditee | Yes |

II. Financial Statement Findings

There were no current year findings and there were no prior year findings.

III. Federal Award Findings and Questioned Costs

There were no current year findings or questioned costs and there were no prior year findings or questioned costs.

HORSEHEADS CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

FINANCIAL REPORT

For Year Ended June 30, 2016

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Raymond F. Wager, CPA, P.C.
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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Horseheads Central School District, New York

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Funds of the Horseheads Central School District for the year ended June 30, 2016 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from misstatement.

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

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

Basis for Qualified Opinion

Internal accounting controls are limited over the cash receipts from the point of collection to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the basis for qualified opinion paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of Horseheads Central School District for the year ended June 30, 2016, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Raymond F. Wager CPA Ac.

August 30, 2016

HORSEHEADS CENTRAL SCHOOL DISTRICT

Extraclassroom Activity Funds

Statement of Cash Receipts and Disbursements

For Year Ended June 30, 2016

<u>High School:</u>	<u>Cash Balance</u> <u>July 1, 2015</u>	<u>Receipts</u>	<u>Disburse-</u> <u>ments</u>	<u>Cash Balance</u> <u>June 30, 2016</u>
Class of 2015	\$ 2,509	\$ 68	\$ 2,577	\$ -
Class of 2016	3,341	67,793	68,044	3,090
Class of 2017	12,187	23,429	30,694	4,922
Class of 2018	4,697	8,153	5,327	7,523
Class of 2019	-	20,156	14,008	6,148
Academic Challenge	1,639	2	-	1,641
Band Trip	7,720	8,858	1,431	15,147
Debate Club	784	1	200	585
Drama Club	10,403	35,554	30,888	15,069
Interact	1,257	979	1,068	1,168
Marching Band	2,229	7,502	8,949	782
National Honor Society	4,050	16,576	14,043	6,583
Science Club	1,239	3,142	2,509	1,872
Student Council	18,831	2,873	2,765	18,939
Yearbook	19,073	14,896	14,998	18,971
Sales Tax / Interest	1,198	4,323	4,678	843
Total High School	\$ 91,157	\$ 214,305	\$ 202,179	\$ 103,283

	Cash Balance		Disburse-	Cash Balance
<u>Athletic Department</u>	<u>July 1, 2015</u>	<u>Receipts</u>	<u>ments</u>	<u>June 30, 2016</u>
Baseball	\$ 899	\$ 12,017	\$ 12,539	\$ 377
Boys Basketball	51	1,319	1,350	20
Boys Lacrosse	3,977	15,075	15,104	3,948
Boys Soccer	703	4,526	1,961	3,268
Boys Swimming	6	7,885	6,455	1,436
Boys Tennis	1,019	637	-	1,656
Boys Volleyball	347	3,882	3,397	832
Cross Country	30	-	-	30
Fall Cheerleading	853	11,735	12,036	552
Football	24	795	819	-
Girls Basketball	834	7,705	8,273	266
Girls Lacrosse	997	8,214	5,723	3,488
Girls Soccer	847	-	800	47
Girls Swimming	9,732	9,713	15,865	3,580
Girls Tennis	1,502	837	1,930	409
Girls Volleyball	3,587	4,550	5,784	2,353
Golf	793	1,600	1,590	803
Softball	3,776	16,595	18,107	2,264
Softball Scholarship	1,930	-	-	1,930
Spring Track	45	-	-	45
Summer Camps	398	49,619	49,801	216
Varsity H	571	42,410	36,960	6,021
Winter Cheerleading	13	-	-	13
Wrestling	4,118	-	612	3,506
Sales Tax	339	7,362	7,701	-
Total Athletic Department	\$ 37,391	\$ 206,476	\$ 206,807	\$ 37,060
	Cash Balance		Disburse-	Cash Balance
<u>Middle School:</u>	<u>July 1, 2015</u>	<u>Receipts</u>	<u>ments</u>	<u>June 30, 2016</u>
Student Council	\$ 8,062	\$ 8,312	\$ 9,902	\$ 6,472
School Store	2,113	2,016	1,834	2,295
Sales Tax	227	485	584	128
Yearbook	1,257	-	-	1,257
Total Middle School	\$ 11,659	\$ 10,813	\$ 12,320	\$ 10,152
GRAND TOTAL	\$ 140,207	\$ 431,594	\$ 421,306	\$ 150,495

HORSEHEADS CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENT

June 30, 2016

(Note 1) Accounting Policy:

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Horseheads Central School District. Consequently, the cash balances are included in the financial statements of the School District as part of the Trust and Agency Fund.

The accounts of the Extraclassroom Activity Funds of the Horseheads Central School District are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.

(Note 2) Cash and Cash Equivalents:

Cash and cash equivalents is comprised of three checking accounts. Two accounts are maintained at Chemung Canal Trust Company and one account is maintained at Elmira Savings Bank. The balance in these accounts is fully covered by FDIC Insurance.

HORSEHEADS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
AUDITORS' FINDINGS AND EVALUATION

We have examined the statement of cash receipts and disbursements of the Horseheads Central School District's Extraclassroom Activity Funds for the year ended June 30, 2016. As part of our examination, we made a study and evaluation of the system of internal accounting control to the extent we deemed necessary to render our opinion.

There are inherent limitations in considering the potential effectiveness of any system of internal accounting control. Human errors, mistakes of judgment and misunderstanding of instructions limit the effectiveness of any control system. In particular, cash being handled by numerous students and faculty advisors at various functions provides an atmosphere of limited control over those receipts

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Prior Year Deficiencies Pending Corrective Action:

General Findings –

Student Involvement

As required by the New York State Education Department student involvement is a key component in the educational experience of the student's in the operation of the student activity funds. This includes the preparation of profit and loss statements for fundraising events, involvement in the preparation of receipts and disbursements, and maintaining a separate set of books. Based on our testing we only identified a limited number of profit and loss statement prepared for fund raising events for all clubs. In addition there was limited involvement with the student's in the receipts and disbursements and maintenance of a separate set of books by activities in the Athletic Department.

We recommend the District develop a plan to enhance the student participation in the preparation of profit and loss statements, maintaining a separate set of books, and participation in the receipts and disbursements of the program.

(Prior Year Deficiencies Pending Corrective Action) (Continued)

Disbursement

During our review of the cash disbursement procedures, we noted several instances where the Central Treasurer was signing a payment order as an authorized signature or one of the three required signatures were not included on the payment order.

All payment orders should include the signature of the Student Treasurer, the Faculty Advisor, and the Chief Faculty Advisor prior to being processed for payment by the Central Treasurer.

Current Year Deficiencies in Internal Control:

General Findings –

Reconciliations

During the course of our examination, we noted six instances in the Athletics Department, four instances in the High School, and one instance in the Middle School, in which there was no reconciliation prepared for items sold to the total receipts collected.

We recommend a reconciliation of items sold to total cash collected be prepared and turned in with the deposit.

Sales Tax

During the course of our examination, we noted four instances in the Athletics Department and one instance in the High School where sales tax was not paid on taxable purchases.

We recommend every effort continue to be made to comply with New York State Sales Tax Law regarding the payment of sales tax on those purchases which are not intended for resale.

Donations

During the course of our examination, we noted that clubs at the Middle School, High School and the Athletic Department made donations or gave gifts without a majority of club members indicating approval to donate club funds.

We recommend all donations by clubs should be approved by a majority of the respective clubs members and should be documented in the meeting minutes.

Receipts

Our examination revealed two instances in the Middle School and three instances in the Athletic Department where the receipts were not deposited in a timely manner.

In an effort to maintain accountability and control over receipts, we recommend every effort continue to be made to deposit cash receipts on a more timely basis.

(Current Year Deficiencies in Internal Control) (Continued)

Athletic Department –

Gift Cards

During the course of our examination, we noted that the Summer Camp purchased \$2,300 in gift cards for workers. There was no signed documentation indicating the individuals received the gift cards.

The district should review this item to determine if this practice should continue. In addition, the district should request acknowledgement of receipt of the gift card from those individuals who receive them.

Raffle

We noted that the Girls Swimming Team held a TV raffle.

According to Section 186 of the General Municipal Law, only a nonprofit charitable organization that has been issued a games of chance identification number from the Racing and Wagering Board is eligible to conduct a raffle. We recommend the Administration review this item and implement the appropriate corrective action.

Disbursements

Our review of disbursements revealed one instance in the Baseball Club and one instance in the Boys Lacrosse Club where items purchased were shipped to a Coach's house instead of the District.

We recommend that all goods purchased through the Extraclassroom Activities account be shipped directly to the District

Other Item:

The following item is not considered to be a deficiency in internal control, however, we consider it an other item which we would like to communicate to you as follows:

Inactive Clubs –

As indicated on the statement of cash receipts and disbursements the Cross Country, Softball Scholarship, Spring Track, Winter Cheerleading, and the Middle School Yearbook Club were financially inactive during the 2015-16 fiscal year.

We recommend the status of these clubs be reviewed. If future financial transactions are not anticipated, they should be closed in accordance with the Board of Education policy.

Prior Year Recommendation:

We are pleased to report that the following prior year recommendation has been implemented to our satisfaction:

1. All payment orders examined were adequately supported by original vendor invoices.
2. The District prepared an annual report summarizing the receipts and disbursements for the year.

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We wish to express our appreciation to all client personnel for the courtesies extended to us during the course of our examination.

Raymond F. Wager, CPA P.C.

September 14, 2016

