

**DEPEW UNION FREE SCHOOL
DISTRICT, NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
June 30, 2016 and Independent Auditors' Reports*

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
Depew Union Free 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 Depew Union Free School District, New York, (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Drescher & Malecki LLP

September 13, 2016

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2016

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

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$21,279,508 (*net position*). This consists of \$11,306,725 net investment in capital assets and \$8,872,775 restricted for specific purposes, offset by an unrestricted net position of \$1,100,008.
- The District's net position increased by \$2,272,948 during the year ended June 30, 2016.
- At the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$15,071,467, an increase of \$483,950 in comparison with the prior year's fund balance of \$14,587,517.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$1,612,445, or approximately 4.2 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 12.5 percent of the General Fund's total fund balance of \$12,947,349 at June 30, 2016.
- The District's long-term bonded indebtedness decreased by \$2,750,000 as a result of a scheduled principal payments.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

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

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects Fund and Debt Service Fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

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

The fiduciary fund financial statement can be found on page 18 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-40 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s progress in funding its obligation to provide post-employment benefits to its employees, the District’s net pension liability/(asset) and the District’s budgetary comparison for the General Fund. Required Supplementary Information and related note to the Required Supplementary Information can be found pages 41-48 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented along with other supplementary information immediately following the required supplementary information in the Supplementary Information section of this report on pages 49-53.

The Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 54-62 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,279,508 at the close of the most recent fiscal year, as compared to \$19,006,560 at the close of the fiscal year ended June 30, 2015.

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

Table 1—Condensed Statements of Net Position

	June 30,	
	2016	2015
Current assets	\$ 17,418,512	\$ 18,001,921
Noncurrent assets	48,698,396	51,909,214
Total assets	<u>66,116,908</u>	<u>69,911,135</u>
Deferred outflows of resources	<u>4,146,445</u>	<u>2,695,941</u>
Current liabilities	2,413,386	3,485,146
Noncurrent liabilities	43,172,632	43,458,254
Total liabilities	<u>45,586,018</u>	<u>46,943,400</u>
Deferred inflows of resources	<u>3,397,827</u>	<u>6,657,116</u>
Net position:		
Net investment in capital assets	11,306,725	11,039,667
Restricted	8,872,775	8,343,445
Unrestricted	<u>1,100,008</u>	<u>(376,552)</u>
Total net position	<u>\$ 21,279,508</u>	<u>\$ 19,006,560</u>

The largest portion of the District's net position, \$11,306,725, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$8,872,775, represents resources that are subject to external restrictions on how they may be used. Any remaining portion of the District's net position would represent resources that are unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. The remaining balance of net position, \$1,100,008, is considered unrestricted and is available for spending at the District's discretion.

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

Table 2—Condensed Statements of Changes in Net Position

	Year Ended June 30,	
	2016	2015
Program revenues:		
Charges for services	\$ 327,399	\$ 291,224
Operating grants and contributions	3,216,482	4,338,820
General revenues	<u>37,283,217</u>	<u>36,590,214</u>
Total revenues	<u>40,827,098</u>	<u>41,220,258</u>
Program expenses	<u>38,554,150</u>	<u>39,828,555</u>
Change in net position	2,272,948	1,391,703
Net position—beginning	<u>19,006,560</u>	<u>17,614,857</u>
Net position—ending	<u>\$ 21,279,508</u>	<u>\$ 19,006,560</u>

Overall revenues decreased by 1.0 percent from the prior year, due primarily to decreases in operating grants and contributions partially offset by increases in taxes and unrestricted state aid. Total expenses decreased by 3.3 percent from the year ended June 30, 2015, which can largely be attributed to a decrease in employee benefit costs.

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

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
Charges for services	\$ 327,399	\$ 291,224	\$ 36,175	11.0
Operating grants and contributions	3,216,482	4,338,820	(1,122,338)	(34.9)
Taxes	19,711,734	19,230,963	480,771	2.4
Use of money and property	48,075	71,390	(23,315)	(48.5)
Sale of property and compensation for loss	9,501	10,023	(522)	(5.5)
State sources-unrestricted	17,061,585	16,556,674	504,911	3.0
Miscellaneous	452,322	721,164	(268,842)	(59.4)
Total revenues	<u>\$ 40,827,098</u>	<u>\$ 41,220,258</u>	<u>\$ (393,160)</u>	(1.0)

The most significant sources of revenues for the year ended June 30, 2016 were taxes of \$19,711,734, or 48.3 percent of total revenues, and unrestricted State sources of \$17,061,585, or 41.8 percent of total revenues. Similarly, for the year ended June 30, 2015, the largest sources of revenues were taxes of \$19,230,963, or 46.7 percent of total revenues, and unrestricted State sources of \$16,556,674, or 40.2 percent of total revenues.

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

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
General support	\$ 4,491,655	\$ 5,749,886	\$ (1,258,231)	(28.0)
Instruction	29,707,294	29,646,232	61,062	0.2
Pupil transportation	2,598,192	2,627,308	(29,116)	(1.1)
School food service	747,140	743,236	3,904	0.5
Interest and other fiscal charges	1,009,869	1,061,893	(52,024)	(5.2)
Total program expenses	<u>\$ 38,554,150</u>	<u>\$ 39,828,555</u>	<u>\$ (1,274,405)</u>	(3.3)

The most significant expense items for the year ended June 30, 2016 were instruction of \$29,707,294, or 77.1 percent of total expenses, general support of \$4,491,655, or 11.7 percent of total expenses, and pupil transportation of \$2,598,192, or 6.7 percent of total expenses. Similarly, for the year ended June 30, 2015, the most significant expense items were instruction which comprised \$29,646,232, or 74.4 percent of total expenses, general support which comprised \$5,749,886, or 14.4 percent of total expenses, and pupil transportation which comprised \$2,627,308, or 6.6 percent of total expenses.

Financial Analysis of Governmental Funds

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

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

At June 30, 2016, the District’s governmental funds reported combined ending fund balances of \$15,071,467, an increase of \$483,950 from the prior year. Approximately 10.7 percent of this amount, \$1,612,445, constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is 1) not in spendable form, \$157,292; 2) restricted for particular purposes, \$10,685,039; or 3) assigned for particular purposes, \$2,616,691.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,612,445, while the total fund balance increased to \$12,947,349. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 4.2 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 34.1 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$593,380 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$3,061,508 of fund balance (this included funds appropriated from fund balance, the re-appropriation of prior year’s encumbrances, and the use of reserves). As a result of spending less than anticipated, the District’s fund balance ended \$2,988,999 higher than originally anticipated.

At June 30, 2016, the District’s Capital Projects Fund fund balance decreased to \$0 as a result of a \$20,500 in capital outlay.

At June 30, 2016, the District’s Debt Service Fund reports a fund balance of \$1,812,264, a decrease of \$146,517 from the prior year. This total fund balance amount is classified as restricted fund balance for the future payment of debt principal and interest.

General Fund Budgetary Highlights

The District’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year’s encumbrances, \$95,619, since the funds were allocated under the previous year’s budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. Additionally, there was a \$269,004 increase in appropriations between the original and final amended budget for the purchase of buses. This amendment was approved by the voters. A summary of revisions from adopted budget to final budget is presented on the following page in Table 5.

Table 5—General Fund Budget

Adopted budget, 2015-2016	\$ 41,225,122
Add: Prior year's encumbrances	<u>95,619</u>
Original budget	41,320,741
Budget revisions: Purchases of buses	<u>269,004</u>
Final budget	<u><u>\$ 41,589,745</u></u>

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

Capital Assets and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2016, amounted to \$39,602,109 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and equipment.

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

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

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

	June 30,	
	2016	2015
Land	\$ 191,900	\$ 191,900
Construction in progress	69,040	48,540
Building and improvements	37,619,877	40,183,148
Equipment	<u>1,721,292</u>	<u>1,788,744</u>
Total	<u><u>\$ 39,602,109</u></u>	<u><u>\$ 42,212,332</u></u>

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

Long-term liabilities—At June 30, 2016, the District had bonded debt outstanding of \$28,945,000, as compared to \$31,695,000 in the prior year. During the year ended June 30, 2016, the District made scheduled debt principal payments of \$2,750,000.

A summary of the District's long-term liabilities at June 30, 2016 and June 30, 2015 is presented on the following page in Table 7.

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2016	2015
Serial bonds	\$ 28,945,000	\$ 31,695,000
Premium on serial bonds	444,828	479,045
Energy performance contract	717,820	984,472
Compensated absences	8,547,438	7,820,596
OPEB obligation	2,406,636	2,032,856
Net pension liability	2,110,910	446,285
Total	<u>\$ 43,172,632</u>	<u>\$ 43,458,254</u>

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

Economic Factors and Next Year's Budgets and Rates

The unemployment rate, not seasonally adjusted, for the Buffalo-Niagara region at June 30, 2016 was 4.4 percent. This is comparable to New York State's average unemployment rate of 4.5 percent. These factors are considered in preparing the District's budget. Despite the economic hardships, the District's overall financial position maintained stability during the year ended June 30, 2016.

The District appropriated \$2,300,000 of the General Fund's unassigned fund balance in addition to use of \$1,371,233 of restricted fund balance for spending in the District's 2016-2017 fiscal year budget. The 2016-2017 adopted budget appropriations total of \$42,486,829 is an approximate increase of 3.1 percent as compared to \$41,225,122 in 2015-2016. The District's total tax levy in 2016-2017 is \$17,370,360, which is an approximate increase of 0.7 percent as compared to \$17,243,582 levied during the 2015-2016 year.

Requests for Information

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information in this report, or requests for additional financial information should be addressed to Ms. Susan Arena, Business Administrator, Depew Union Free School District, 5201 S. Transit Road, Depew, New York 14043.

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DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2016

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,863,537
Restricted cash and cash equivalents	10,691,281
Due from Agency Fund	35
Intergovernmental receivables	1,706,367
Prepaid items	93,384
Inventories	63,908
Noncurrent net pension asset	9,096,287
Capital assets not being depreciated	260,940
Capital assets, net of accumulated depreciation	39,341,169
Total assets	<u>66,116,908</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows relating to pensions	<u>4,146,445</u>
Total deferred outflows of resources	<u>4,146,445</u>
LIABILITIES	
Accounts payable	94,573
Accrued liabilities	232,952
Intergovernmental payables	370
Due to retirement systems	2,079,249
Unearned revenue	6,242
Noncurrent liabilities:	
Due within one year	3,534,694
Due within more than one year	39,637,938
Total liabilities	<u>45,586,018</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow relating to pensions	<u>3,397,827</u>
Total deferred inflows of resources	<u>3,397,827</u>
NET POSITION	
Net investment in capital assets	11,306,725
Restricted for:	
Capital	1,620,130
Workers' compensation	24,662
Unemployment	387,233
Retirement contribution	1,979,070
Tax certiorari	152,259
Employee benefits	3,141,313
Vehicle reserve	1,415,289
Repairs	152,819
Unrestricted	1,100,008
Total net position	<u>\$ 21,279,508</u>

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental activities:				
General support	\$ 4,491,655	\$ -	\$ 17,926	\$ (4,473,729)
Instruction	29,707,294	79,649	2,638,428	(26,989,217)
Pupil transportation	2,598,192	-	-	(2,598,192)
School food service	747,140	247,750	560,128	60,738
Interest and other fiscal charges	<u>1,009,869</u>	<u>-</u>	<u>-</u>	<u>(1,009,869)</u>
Total primary government	<u>\$ 38,554,150</u>	<u>\$ 327,399</u>	<u>\$ 3,216,482</u>	<u>(35,010,269)</u>
General revenues:				
				17,642,682
Real property taxes and other tax items				2,069,052
Non-property tax items				48,075
Use of money and property				9,501
Sale of property and compensation for loss				17,061,585
State sources—unrestricted				<u>452,322</u>
Miscellaneous				<u>37,283,217</u>
Total general revenues				2,272,948
Change in net position				<u>19,006,560</u>
Net position—beginning				<u>\$ 21,279,508</u>
Net position—ending				

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,571,474	\$ -	\$ -	\$ 1,292,063	\$ 4,863,537
Restricted cash and cash equivalents	8,872,775	14	1,812,250	6,242	10,691,281
Due from other funds	1,285,154	-	14	-	1,285,168
Intergovernmental receivables	1,449,537	-	-	256,830	1,706,367
Prepaid items	93,384	-	-	-	93,384
Inventories	-	-	-	63,908	63,908
Total assets	<u>\$ 15,272,324</u>	<u>\$ 14</u>	<u>\$ 1,812,264</u>	<u>\$ 1,619,043</u>	<u>\$ 18,703,645</u>
LIABILITIES					
Accounts payable	\$ 87,982	\$ -	\$ -	\$ 6,591	\$ 94,573
Accrued liabilities	157,744	-	-	8,867	166,611
Due to other funds	-	14	-	1,285,119	1,285,133
Intergovernmental payables	-	-	-	370	370
Due to retirement systems	2,079,249	-	-	-	2,079,249
Unearned revenue	-	-	-	6,242	6,242
Total liabilities	<u>2,324,975</u>	<u>14</u>	<u>-</u>	<u>1,307,189</u>	<u>3,632,178</u>
FUND BALANCES					
Nonspendable	93,384	-	-	63,908	157,292
Restricted	8,872,775	-	1,812,264	-	10,685,039
Assigned	2,368,745	-	-	247,946	2,616,691
Unassigned	1,612,445	-	-	-	1,612,445
Total fund balances	<u>12,947,349</u>	<u>-</u>	<u>1,812,264</u>	<u>311,854</u>	<u>15,071,467</u>
Total liabilities and fund balances	<u>\$ 15,272,324</u>	<u>\$ 14</u>	<u>\$ 1,812,264</u>	<u>\$ 1,619,043</u>	<u>\$ 18,703,645</u>

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2016

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

Total fund balances—governmental funds (page 14)		\$ 15,071,467
Net pension assets are not financial resources and, therefore, are not reported in the funds.		9,096,287
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$65,359,627 and the accumulated depreciation is \$25,757,518.		39,602,109
Net accrued interest expense for serial bonds and the energy performance contract is not reported in the funds.		(66,341)
Deferred outflows and inflow of resources related to pensions are applicable to future periods and, therefore are not reported in the funds. The effects of these items are:		
Deferred outflows related to pension contributions	\$ 2,079,249	
Deferred outflows related to changes of assumptions	562,916	
Deferred outflows related to experience and investment earnings	1,504,280	
Deferred inflows related to pensions	<u>(3,397,827)</u>	748,618
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effect of these items are:		
Serial bonds	\$ (28,945,000)	
Premium on serial bonds	(444,828)	
Energy performance contract	(717,820)	
Compensated absences	(8,547,438)	
Other post-employment benefits obligation	(2,406,636)	
Net pension liability	<u>(2,110,910)</u>	(43,172,632)
Net position of governmental activities		<u><u>\$ 21,279,508</u></u>

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes and other tax items	\$ 17,642,682	\$ -	\$ -	\$ -	\$ 17,642,682
Non-property tax items	2,069,052	-	-	-	2,069,052
Charges for services	79,649	-	-	-	79,649
School lunch, breakfast and other food sales	-	-	-	247,750	247,750
Use of money and property	46,959	-	1,018	98	48,075
Sale of property and compensation for loss	9,501	-	-	-	9,501
State sources	18,214,315	-	-	570,574	18,784,889
Federal sources	142,807	-	-	1,350,371	1,493,178
Miscellaneous	342,717	-	-	109,605	452,322
Total revenues	<u>38,547,682</u>	<u>-</u>	<u>1,018</u>	<u>2,278,398</u>	<u>40,827,098</u>
EXPENDITURES					
Current:					
General support	3,448,138	-	-	-	3,448,138
Instruction	19,667,374	-	-	1,851,144	21,518,518
Pupil transportation	1,908,164	-	-	81,636	1,989,800
Employee benefits	8,902,521	-	-	398,532	9,301,053
Debt service:					
Principal	2,869,117	-	147,535	-	3,016,652
Interest	1,048,487	-	-	-	1,048,487
Capital outlay	-	20,500	-	-	20,500
Total expenditures	<u>37,843,801</u>	<u>20,500</u>	<u>147,535</u>	<u>2,331,312</u>	<u>40,343,148</u>
Excess (deficiency) of revenues over expenditures	<u>703,881</u>	<u>(20,500)</u>	<u>(146,517)</u>	<u>(52,914)</u>	<u>483,950</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	14,960	-	-	125,461	140,421
Transfers out	(125,461)	-	-	(14,960)	(140,421)
Total other financing sources (uses)	<u>(110,501)</u>	<u>-</u>	<u>-</u>	<u>110,501</u>	<u>-</u>
Net change in fund balances	593,380	(20,500)	(146,517)	57,587	483,950
Fund balances—beginning	12,353,969	20,500	1,958,781	254,267	14,587,517
Fund balances—ending	<u>\$ 12,947,349</u>	<u>\$ -</u>	<u>\$ 1,812,264</u>	<u>\$ 311,854</u>	<u>\$ 15,071,467</u>

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances—total governmental funds (page 16)	\$ 483,950
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$ 304,498	
Depreciation expense	<u>(2,914,721)</u>	(2,610,223)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.	4,401
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Net differences between contributions recognized on the fund statements and the government-wide financial statements are as follows:

District pension contributions	\$ 1,877,844	
Cost of benefits earned net of employee contributions	<u>566,729</u>	2,444,573

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

Repayment of serial bonds	\$ 2,750,000	
Amortization of bond premiums	34,217	
Payment of energy performance contract	266,652	
Change in compensated absences	(726,842)	
Change in other post-employment benefits obligation	<u>(373,780)</u>	<u>1,950,247</u>

Change in net position of governmental activities	<u><u>\$ 2,272,948</u></u>
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The notes to the financial statements are an integral part of this statement.

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Statement of Net Position—Agency Fund
Year Ended June 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,311,509
Total assets	<u>\$ 1,311,509</u>
LIABILITIES	
Due to other funds	\$ 35
Extraclassroom activity funds	60,685
Other agency fund liabilities	<u>1,250,789</u>
Total liabilities	<u>\$ 1,311,509</u>

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Depew Union Free School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Description of Government-wide Financial Statements

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

Reporting Entity

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

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

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

Joint Venture—The District is one of 19 participating school districts in the Erie 1 Board of Cooperative Educational Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2016 there was no debt issued by the District on behalf of BOCES.

During the year ended June 30, 2016, the District was billed \$3,580,157 for BOCES administrative and program costs and recognized \$774,400 related to BOCES aid. Audited financial statements are available from the BOCES administrative offices.

Basis of Presentation – Government-wide Financial Statements

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

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

Basis of Presentation—Fund Financial Statements

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

The District reports the following major governmental funds:

- *General Fund*—This fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is state sources.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.
- *Debt Service Fund*—This fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The District also reports the following nonmajor governmental funds:

- *Special Aid Fund*—This fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.
- *School Lunch Fund*—This fund is used to account for transactions of the District's food service operations.
- *Special Purpose Fund*—This fund is used to account for resources received through donations or raised through fundraising to be used for the benefit of organizations within the District (e.g. uniforms or award banquets for sports teams).

Additionally, the District reports the following fund type:

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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

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

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

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

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

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

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Useful Life
Land	\$ 5,000	n/a
Construction in progress	5,000	n/a
Buildings and improvements	5,000	15-50
Equipment	5,000	5-20

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

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2016, the District has one item that qualifies for reporting in this category. The District reported \$4,146,445 in the government-wide statement of net position related to pensions. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability, the difference during the measurement period between the District's contributions and its proportion share of total contribution to the pension systems not included in pension expense, and any contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2016, the District reported \$3,397,827 as a deferred inflow of resources on the government-wide statement of net position related to pensions. This represents the effect of the net change in the District's proportion of the collective net pension liability and the difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

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

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

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Business Administrator to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and

appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

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

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

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2016, the District reported \$6,242 of unearned revenues in the School Lunch Fund. The District received tuition money in advance but has not performed the services and therefore recognizes a liability.

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

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

Other

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

Adoption of New Accounting Pronouncements—During the year ended June 30, 2016, the District implemented GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes as well as, guidance on applying fair value to certain investments and disclosures related to all fair value measurements. GASB

Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans*; and No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*, effective for the year ending June 30, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending June 30, 2018. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 73, 74, 75, 76, 77, 78, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

	Governmental Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 700	\$ -	\$ 700
Deposits	15,554,118	1,311,509	16,865,627
Total	<u>\$ 15,554,818</u>	<u>\$ 1,311,509</u>	<u>\$ 16,866,327</u>

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

	Bank Balance	Carrying Amount
FDIC insured	\$ 750,000	\$ 750,000
Uninsured:		
Collateral held by pledging bank's agent in the District's name	16,603,022	16,115,627
Total	<u>\$ 17,353,022</u>	<u>\$ 16,865,627</u>

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

Restricted Cash and Cash Equivalents—The District reports unspent proceeds of debt, unearned revenues and amounts to support restricted fund balances as restricted cash and cash equivalents. At June 30, 2016, the District reported \$10,691,281 of restricted cash within its governmental funds.

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

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

3. RECEIVABLES

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

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

General Fund:

Due from Federal-Medicaid	\$ 43,113	
Due from New York State—Excess Cost Aid	404,863	
Due from New York State—BOCES Aid	464,750	
Due from Erie County—Sales Tax	491,194	
Due from Buffalo Public School Foster Care	<u>45,617</u>	<u>\$1,449,537</u>

Nonmajor governmental funds:

Special Aid Fund:

Due from New York State—IDEA Part B, section 611	111,005	
Due from New York State—IDEA Part B, section 619	41,848	
Due from New York State—Title I A	63,108	
Due from New York State—Title II A	6,039	
Due from New York State—Universal Pre-K Grant	<u>1,960</u>	<u>223,960</u>

School Lunch Fund:

New York State—Breakfast and Lunch program	<u>32,870</u>	
Total nonmajor governmental funds	<u>256,830</u>	
Total governmental funds		<u>\$1,706,367</u>

4. CAPITAL ASSETS

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Capital assets, not being depreciated:				
Land	\$ 191,900	\$ -	\$ -	\$ 191,900
Construction in progress	48,540	20,500	-	69,040
Total capital assets, not being depreciated	240,440	20,500	-	260,940
Capital assets, being depreciated:				
Buildings and improvements	59,721,629	-	-	59,721,629
Equipment	5,299,607	283,998	(206,547)	5,377,058
Total capital assets, being depreciated	65,021,236	283,998	(206,547)	65,098,687
Less accumulated depreciation for:				
Buildings and improvements	19,538,481	2,563,271	-	22,101,752
Equipment	3,510,863	351,450	(206,547)	3,655,766
Total accumulated depreciation	23,049,344	2,914,721	(206,547)	25,757,518
Total capital assets being depreciated, net	41,971,892	(2,630,723)	-	39,341,169
Governmental activities capital assets, net	<u>\$ 42,212,332</u>	<u>\$ (2,610,223)</u>	<u>\$ -</u>	<u>\$ 39,602,109</u>

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

Governmental activities:	
General support	\$ 57,762
Instruction	2,557,064
Pupil transportation	299,895
	<u>\$ 2,914,721</u>

5. ACCRUED LIABILITIES

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

	General Fund	Nonmajor Funds Special Aid Fund	School Lunch Fund	Total Governmental Funds
Salary and employee benefits	<u>\$ 157,744</u>	<u>\$ 1,391</u>	<u>\$ 7,476</u>	<u>\$ 166,611</u>

6. PENSION OBLIGATIONS

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

Plan Descriptions

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

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

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

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

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Net pension (asset)/liability	\$ (9,096,287)	\$ 2,110,910
District's portion of the Plan's total		
Net pension (asset)/liability	0.087575%	0.013152%

For the year ended June 30, 2016, the District recognized an actuarial decrease of \$604,023 for the TRS and pension expense of \$821,318 for the ERS. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ -	\$ 10,667	\$ 252,097	\$ 250,213
Changes of assumptions	-	562,916	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,252,308	2,875,384	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	241,305	18,873	1,260
District contributions subsequent to the measurement date	1,877,844	201,405	-	-
Total	<u>\$ 1,877,844</u>	<u>\$ 2,268,601</u>	<u>\$ 3,146,354</u>	<u>\$ 251,473</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	TRS	ERS
2017	\$ (1,162,201)	\$ 466,834
2018	(1,162,201)	466,834
2019	(1,162,201)	466,834
2020	475,743	415,221
2021	(33,869)	-
Thereafter	(101,625)	-

Actuarial Assumptions—The total pension liability/(asset) 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/(asset) to the measurement date. The actuarial valuations used the actuarial assumptions presented on the following page.

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

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

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

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

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

Discount Rate—The discount rate used to calculate the total pension liability/(asset) was 8.0% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the

Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

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

The table below presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 8.0% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (7.0% for TRS and 6.0% for ERS) or one percentage-point higher (9.0% for TRS and 8.0% for ERS) than the current assumption.

	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
<hr/>			
TRS			
Employer's proportionate share of the net pension liability/(asset)	\$ 620,484	\$ (9,096,287)	\$ (17,382,652)
<hr/>			
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS			
Employer's proportionate share of the net pension liability/(asset)	\$ 4,759,948	\$ 2,110,910	\$ (127,415)

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

	(Dollars in Thousands)		
	TRS	ERS	Total
Measurement date	June 30, 2015	March 31, 2016	
Employers' total pension (asset)/liability	\$ 99,332,103	\$ 172,303,544	\$ 271,635,647
Plan fiduciary net position	109,718,916	156,253,265	265,972,181
Employers' net pension (asset)/liability	<u>\$ (10,386,813)</u>	<u>\$ 16,050,279</u>	<u>\$ 537,607,828</u>
<hr/>			
System fiduciary net position as a percentage of total pension (asset)/ liability	110.46%	90.68%	97.92%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$1,877,844.

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 \$201,405.

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

Plan Description—In addition to pension benefits, the District provides group health, vision, and dental insurance benefits 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 estimated costs of such benefits totaled \$569,156 for the year ended June 30, 2016.

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various contracts, which were ratified by the District’s Board of Education. Upon retirement, the District generally pays a portion of the cost of the employee’s current coverage at the time of retirement as outlined in the various contracts.

The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. District governmental activities contributed \$195,376 for the fiscal year ended June 30, 2016.

The District’s annual other postemployment benefit (“OPEB”) cost is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB 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 over a period not to exceed thirty years.

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

	Year Ended June 30,	
	2016	2015
Annual required contribution ("ARC")	\$ 487,842	\$ 477,226
Interest on net OPEB obligation	81,314	69,667
Adjustment to annual required contribution	-	(96,847)
Annual OPEB cost (expense)	569,156	450,046
Contributions made	(195,376)	(158,866)
Increase in net OPEB obligation	373,780	291,180
Net OPEB obligation—beginning	2,032,856	1,741,676
Net OPEB obligation—ending	<u>\$ 2,406,636</u>	<u>\$ 2,032,856</u>

Funding Status and Funding Progress—As of July 1, 2014, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities was \$3,735,025.

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

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

Year Ended June 30,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2016	\$ 569,156	\$ 195,376	34.3%
2015	450,046	158,866	33.3%
2014	562,971	362,000	73.3%

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

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

In the July 1, 2014 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a valuation date and measurement date of July 1, 2014. The expected investment rate of return on employer's assets is 4.0%. The sex distinct RP 2000 tables were used for mortality rates. The unfunded actuarial accrued liability is being amortized over 30 years, therefore the remaining amortization period at June 30, 2016, was 23 years.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to damage and destruction of assets, vehicle liability, injuries to employees, health insurance, and unemployment insurance. These risks are covered by commercial insurance purchased from independent third parties. The District purchases insurance for: general liability, property, boiler and machinery, building ordinance or law, crime, earthquake and flood. The general liability insurance is limited to \$1,000,000 per occurrence and an unlimited aggregate. All other policies have limits ranging from \$5,000 to \$100,000,000. The District is part of Erie 1 BOCES consortium to manage workers' compensation claims.

9. LONG-TERM LIABILITIES

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

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

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

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Serial bonds	\$ 31,695,000	\$ -	\$ 2,750,000	\$ 28,945,000	\$ 2,795,000
Premium on serial bonds	479,045	-	34,217	444,828	34,217
Net serial bonds payable	32,174,045	-	2,784,217	29,389,828	2,829,217
Energy performance contract	984,472	-	266,652	717,820	278,105
Compensated absences*	7,820,596	726,842	-	8,547,438	427,372
OPEB obligation	2,032,856	569,156	195,376	2,406,636	-
Net pension liability*	446,285	1,664,625	-	2,110,910	-
Total	<u>\$ 43,458,254</u>	<u>\$ 2,960,623</u>	<u>\$ 3,246,245</u>	<u>\$ 43,172,632</u>	<u>\$ 3,534,694</u>

*additions to the net pension liability and compensated absences are shown net of reductions.

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 8 to 13 years.

A summary of serial bond transactions for the year ended June 30, 2016 is shown below:

Description	Original Issue	Interest Rate (%)	Year of Issue/ Maturity	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016
District improvements	\$ 27,500,000	2.00-5.00	2011/2024	\$19,905,000	\$ -	\$ 1,970,000	\$17,935,000
District improvements	12,562,400	2.00-5.00	2014/2029	11,790,000	-	780,000	11,010,000
Total				<u>\$31,695,000</u>	<u>\$ -</u>	<u>\$ 2,750,000</u>	<u>\$28,945,000</u>

Premium on Serial Bonds—On June 4, 2014 the District issued serial bonds totaling \$12,562,400 and received a bond premium of \$513,262. The premium is being amortized on a straight-line basis over the life of the bond, which matures on June 1, 2029. The annual amortization as of June 30, 2016 was \$34,217.

Energy Performance Contract—The District has entered into Energy Performance Contracts for modifications to various facilities. The modifications were made to improve energy efficiency. Principal and interest payments are made quarterly. During 2008, the District made its initial interest payment on the debt. The interest rate of the energy performance contract approximates 4.23%.

The following table summarizes the annual requirements of the energy performance contract.

Year Ending June 30,	Governmental Activities
2017	\$ 304,082
2018	304,082
2019	<u>152,042</u>
Total minimum lease payments	760,206
Less: Amount representing imputed interest costs	<u>(42,386)</u>
Present value of minimum lease payments	<u><u>\$ 717,820</u></u>

Compensated Absences—As described in Note 1, the District provides for either cash or post-employment health benefits after retirement. The payment in cash or health care benefits depends on individual options selected upon retirement in accordance with the union contract. The liability for compensated absences at June 30, 2016 amounts to \$8,547,438 of which \$427,372 has been included within the current portion of long-term liabilities.

OPEB Obligation—As explained in Note 7, the District provides health insurance coverage for certain retirees. The District’s annual other post-employment benefit (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB liability is estimated to be \$2,406,636 as of June 30, 2016.

Net Pension Liability—The District reported a liability of \$2,110,910 for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 6 for additional information related to the District’s net pension liability.

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

	Serial Bonds	Premium	Net Pension Liability	Energy Performance Contract	Compensated Absences	OPEB Obligation	Total
2017	\$ 2,795,000	\$ 34,217	\$ -	\$ 278,105	\$ 427,372	\$ -	\$ 3,534,694
2018	2,855,000	34,217	-	290,050	-	-	3,179,267
2019	2,925,000	34,217	-	149,665	-	-	3,108,882
2020	3,010,000	34,217	-	-	-	-	3,044,217
2021	3,100,000	-	-	-	-	-	3,044,217
2022-2026	10,870,000	171,087	-	-	-	-	14,141,087
2027-2031	3,390,000	136,873	-	-	-	-	3,526,873
2032-thereafter	-	-	2,110,910	-	8,120,066	2,406,636	12,637,612
	<u>\$ 28,945,000</u>	<u>\$ 444,828</u>	<u>\$ 2,110,910</u>	<u>\$ 717,820</u>	<u>\$ 8,547,438</u>	<u>\$2,406,636</u>	<u>\$ 43,172,632</u>

Interest requirements on serial bonds payable are as follows:

Year	Interest
2017	\$ 956,056
2018	872,206
2019	808,781
2020	691,781
2021	593,281
2022-2026	1,198,354
2027-2029	228,000
	<u>\$ 5,348,459</u>

10. NET POSITION AND FUND BALANCE

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

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

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

- ***Prepaid Items***—Representing the portion of fund balance, \$93,384 composed of prepaid expenditures. This balance is nonspendable as the balance does not represent an available resource.
- ***Inventory***—Representing the portion of fund balance, \$63,908 composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

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

	General Fund	Debt Service Fund	Total
Capital	\$ 1,620,130	\$ -	\$ 1,620,130
Workers' compensation	24,662	-	24,662
Unemployment	387,233	-	387,233
Retirement contribution	1,979,070	-	1,979,070
Tax certiorari	152,259	-	152,259
Employee benefits	3,141,313	-	3,141,313
Vehicle reserve	1,415,289	-	1,415,289
Repairs	152,819	-	152,819
Debt service	-	1,812,264	1,812,264
Total	<u>\$ 8,872,775</u>	<u>\$ 1,812,264</u>	<u>\$ 10,685,039</u>

- ***Restricted for Capital***—Represents funds which are restricted for future spending on various approved capital projects.
- ***Restricted for Workers' Compensation***—Represents funds accumulated for workers' compensation claims, which are not anticipated to be funded through the District's operating budget.
- ***Restricted for Unemployment***—Represents funds set aside for unemployment losses.
- ***Restricted for Retirement Contribution***—Represents funds set aside for costs associated with retirement contributions.
- ***Restricted for Tax Certiorari***—Represents funds that can be used to offset tax amounts to be refunded based on assessment challenges.
- ***Restricted for Employee Benefits***—Represents funds set aside for costs associated with benefits to be provided to retired employees.
- ***Restricted for Vehicle Reserve***—Represents funds set aside for vehicle purchases.
- ***Restricted for Repairs***—Represents funds set aside for costs associated with repairs.
- ***Restricted for Debt Service***—Represents resources that have been legally restricted for principal and interest payments that will be made in future periods.

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

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

	General Fund	Nonmajor Funds	Total
Subsequent year's expenditures	\$ 2,300,000	\$ 6,687	\$ 2,306,687
Encumbrances	68,745	5,798	74,543
Specific use:			
School lunch	-	156,996	156,996
Special purpose	-	78,465	78,465
Total	<u>\$ 2,368,745</u>	<u>\$ 247,946</u>	<u>\$ 2,616,691</u>

- ***Assigned to Subsequent Year's Expenditures***—Represents available fund balance being appropriated to meet expenditure requirements in the 2016-2017 fiscal year.
- ***Assigned to Encumbrances***—Represents amounts related to unperformed (executory) contracts for goods and services.
- ***Assigned to Specific Use***—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignments' purpose relates to each fund's operations and represent the remaining amounts within funds that are not restricted or committed.

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

11. INTERFUND BALANCES AND ACTIVITY

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

Fund	Interfund	
	Receivable	Payable
General Fund	\$ 1,285,154	\$ -
Capital Projects Fund	-	14
Debt Service Fund	14	-
Nonmajor funds	-	1,285,119
Agency Fund	-	35
Total	<u>\$ 1,285,168</u>	<u>\$ 1,285,168</u>

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

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

Fund	Transfers in:		Total
	General Fund	Nonmajor Funds	
Transfers out:			
General Fund	\$ -	\$ 125,461	\$ 125,461
Nonmajor Funds	14,960	-	14,960
Total	<u>\$ 14,960</u>	<u>\$ 125,461</u>	<u>\$ 140,421</u>

Transfers are used primarily to finance certain special aid programs and capital projects.

12. AGENCY FUND

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
ASSETS				
Cash and cash equivalents	\$ 388,338	\$ 37,086,168	\$ 36,162,997	\$ 1,311,509
Total assets	<u>\$ 388,338</u>	<u>\$ 37,086,168</u>	<u>\$ 36,162,997</u>	<u>\$ 1,311,509</u>
LIABILITIES				
Due to other funds	\$ 13	\$ 338	\$ 316	\$ 35
Extraclassroom activity funds	60,059	343,377	342,751	60,685
Other agency fund liabilities	328,266	37,000,646	36,078,123	1,250,789
Total assets	<u>\$ 388,338</u>	<u>\$ 37,344,361</u>	<u>\$ 36,421,190</u>	<u>\$ 1,311,509</u>

13. LABOR RELATIONS

District employees are represented by four bargaining units, with the balance governed by Board of Education rules and regulations. Negotiated contracts are in place through June 30, 2017 for the Depew Administrator's Association; through June 30, 2018 for the Depew Transportation Employees Association and the Civil Service Employees Association; and through June 30, 2019 for the Depew Teacher's Organization.

14. CONTINGENCIES

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

Grants—The District receives financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions, specified in the grant agreements and is subject to audit. Any disallowed expenditure resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

15. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. The District considers encumbrances to be significant for amounts that are encumbered in excess of \$20,000.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 13, 2016, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
As of July 1, 2014	\$ -	\$ 4,397,659	\$ 4,397,659	0.00%	N/A	N/A
As of May 9, 2012	-	3,735,027	3,735,025	0.00%	16,412,766	22.8%
As of January 1, 2010	-	4,070,680	4,070,680	0.00%	14,603,535	27.9%

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

	Year Ended June 30,		
	2016	2015	2014
Measurement date	June 30, 2015	June 30, 2014	June 30, 2013
District's proportionation of the net pension liability (asset)	0.087575%	0.087050%	0.086575%
District's proportionate share of the net pension liability (asset)	<u>\$ (9,096,287)</u>	<u>\$ (9,696,882)</u>	<u>\$ (569,879)</u>
District's covered employee payroll	13,303,813	15,180,859	14,877,468
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(68.37%)	(63.88%)	(3.83%)
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%	100.70%

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Schedule of the District's Contributions
Teachers' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 2,306,072	\$ 2,089,541	\$ 1,501,465
Contribution in relation to the contractually required contribution	<u>(2,306,072)</u>	<u>(2,089,541)</u>	<u>(1,501,465)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,303,813	\$ 15,180,859	\$ 14,877,468
Contributions as a percentage of covered-employee payroll	17.33%	13.76%	10.09%

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

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

	Year Ended June 30,		
	2016	2015	2014
Measurement date	March 31, 2016	March 31, 2015	March 31, 2014
District's proportion of the net pension liability (asset)	0.0131519%	0.0132106%	0.0132106%
District's proportionate share of the net pension liability (asset)	<u>\$ 2,110,910</u>	<u>\$ 446,285</u>	<u>\$ 596,967</u>
District's covered employee payroll	4,394,967	4,111,997	4,060,613
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	48.03%	10.85%	14.70%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%	97.20%

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Schedule of the District's Contributions
Employees' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 765,554	\$ 735,817	\$ 790,201
Contribution in relation to the contractually required contribution	<u>(765,554)</u>	<u>(735,817)</u>	<u>(790,201)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,394,967	\$ 4,111,997	\$ 4,060,613
Contributions as a percentage of covered-employee payroll	17.42%	17.89%	19.46%

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual—General Fund
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local sources:				
Real property taxes and other tax items	\$ 17,640,309	\$ 17,640,309	\$ 17,642,682	\$ 2,373
Non-property taxes	2,000,000	2,000,000	2,069,052	69,052
Charges for services	11,019	11,019	79,649	68,630
Use of money and property	65,250	65,250	46,959	(18,291)
Sale of property and compensation for loss	6,000	6,000	9,501	3,501
Miscellaneous	174,066	174,066	342,717	168,651
State sources:				
Basic formula	16,554,351	11,242,757	11,201,597	(41,160)
Excess cost	490,607	3,134,761	3,108,785	(25,976)
Lottery	194,851	2,751,856	2,751,203	(653)
Gaming grant	-	110,435	64,971	(45,464)
BOCES	768,701	768,701	774,400	5,699
Tuition for Students with Disabilities	70,000	70,000	126,970	56,970
Textbooks	126,561	126,561	115,044	(11,517)
Computer software	59,518	59,518	59,520	2
Library loan program	-	-	11,825	11,825
Federal sources:				
Medicaid assistance	60,000	60,000	124,881	64,881
Other federal aid	-	-	17,926	17,926
Total revenues	<u>38,221,233</u>	<u>38,221,233</u>	<u>38,547,682</u>	<u>326,449</u>
OTHER FINANCING SOURCES				
Transfers in	38,000	38,000	14,960	(23,040)
Appropriated reserves	<u>665,889</u>	<u>665,889</u>	-	(665,889)
Total other financing sources	<u>703,889</u>	<u>703,889</u>	<u>14,960</u>	<u>(688,929)</u>
Total revenues and other financing sources	<u>\$ 38,925,122</u>	<u>\$ 38,925,122</u>	<u>\$ 38,562,642</u>	<u>\$ (362,480)</u>

(continued)

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual—General Fund
Year Ended June 30, 2016

(concluded)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Encumbrances</u>	<u>Final Budget</u>
EXPENDITURES					
General support:					
Board of Education	17,950	\$ 17,950	\$ 15,199	\$ -	\$ 2,751
Central administration	236,032	245,213	236,077	-	9,136
Finance	495,243	493,858	422,996	17,092	53,770
Staff	283,664	283,664	106,053	2,500	175,111
Central services	2,658,020	2,710,849	2,263,616	3,929	443,304
Special items	472,353	472,353	404,197	-	68,156
Instruction:					
Instruction, administration and improvement	1,456,143	1,456,946	1,420,362	-	36,584
Teaching—regular school	10,108,633	10,086,574	9,452,050	1,621	632,903
Programs for children with handicapping conditions	5,770,613	5,797,744	5,693,080	41,210	63,454
Occupational education	499,634	499,634	499,634	-	-
Teaching—special schools	53,605	50,500	43,390	-	7,110
Instructional media	930,539	875,500	823,341	2,393	49,766
Pupil services	1,810,484	1,809,903	1,735,517	-	74,386
Pupil transportation	2,110,172	2,375,078	1,908,164	-	466,914
Employee benefits	10,380,052	10,370,914	8,902,521	-	1,468,393
Debt service	3,917,604	3,917,604	3,917,604	-	-
Total expenditures/encumbrances	41,200,741	41,464,284	37,843,801	68,745	3,551,738
OTHER FINANCING USES					
Transfers out	120,000	125,461	125,461	-	-
Total expenditures/encumbrances and other financing uses	41,320,741	41,589,745	37,969,262	68,745	3,551,738
Net change in fund balance*	(2,395,619)	(2,664,623)	593,380		
Fund balance—beginning	12,353,969	12,353,969	12,353,969		
Fund balance—ending	<u>\$ 9,958,350</u>	<u>\$ 9,689,346</u>	<u>\$ 12,947,349</u>		

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

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Note to the Required Supplementary Information
Year Ended June 30, 2016

1. BUDGETARY INFORMATION

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

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

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

SUPPLEMENTARY INFORMATION

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to Final Budget
And the Real Property Tax Limit
Year Ended June 30, 2016

Change from Adopted Budget to Final Budget

Adopted budget, 2015-2016	\$ 41,225,122
Add: Prior year's encumbrances	<u>95,619</u>
Original budget	41,320,741
Budget revisions: Purchase of buses	<u>269,004</u>
Final budget	<u><u>\$ 41,589,745</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2016-2017 voter approved expenditure budget	<u>\$ 42,486,829</u>	
Maximum allowed (4% of 2016-2017 budget)		\$ 1,699,473
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	\$ 2,368,745	
Unassigned fund balance	<u>1,612,445</u>	
Total unrestricted fund balance		3,981,190
Less:		
Appropriated fund balance	\$ 2,300,000	
Encumbrances included in assigned fund balance	<u>68,745</u>	
Total adjustments		<u>2,368,745</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 1,612,445</u></u>
Actual percentage		3.80%

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Schedule of Capital Projects Expenditures
Year Ended June 30, 2016

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Revenues		Fund Balance June 30, 2016
			Prior Years	Current Year	Total		Transfers In	Total	
2015 Capital Improvement Project	\$ 48,540	\$ 69,040	\$ 48,540	\$ 20,500	\$ 69,040	\$ -	\$ 69,040	\$ 69,040	\$ -
Totals	\$ 48,540	\$ 69,040	\$ 48,540	\$ 20,500	\$ 69,040	\$ -	\$ 69,040	\$ 69,040	\$ -

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
June 30, 2016

Capital assets, net of accumulated depreciation		\$ 39,602,109
Add:		
Unspent debt proceeds		1,812,264
Deduct:		
Serial bonds	\$ (28,945,000)	
Premium on bonds payable	(444,828)	
Energy performance contract	<u>(717,820)</u>	<u>(30,107,648)</u>
Net Investment in Capital Assets		<u>\$ 11,306,725</u>

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Combining Balance Sheet—
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue			Total
	Special Aid	School Lunch	Special Purpose	Nonmajor Funds
ASSETS				
Cash and cash equivalents	\$ 947,577	\$ 266,021	\$ 78,465	\$ 1,292,063
Restricted cash and cash equivalents	-	6,242	-	6,242
Intergovernmental receivables	223,960	32,870	-	256,830
Inventories	-	63,908	-	63,908
Total assets	<u>\$ 1,171,537</u>	<u>\$ 369,041</u>	<u>\$ 78,465</u>	<u>\$ 1,619,043</u>
LIABILITIES				
Accounts payable	6,083	508	-	6,591
Accrued liabilities	1,391	7,476	-	8,867
Due to other funds	1,164,063	121,056	-	1,285,119
Intergovernmental payables	-	370	-	370
Unearned revenue	-	6,242	-	6,242
Total liabilities	<u>1,171,537</u>	<u>135,652</u>	<u>-</u>	<u>1,307,189</u>
FUND BALANCES				
Nonspendable	-	63,908	-	63,908
Assigned	-	169,481	78,465	247,946
Total fund balances	<u>-</u>	<u>233,389</u>	<u>78,465</u>	<u>311,854</u>
Total liabilities and fund balances	<u>\$ 1,171,537</u>	<u>\$ 369,041</u>	<u>\$ 78,465</u>	<u>\$ 1,619,043</u>

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue			Total
	Special Aid	School Lunch	Special Purpose	Nonmajor Funds
REVENUES				
School lunch, breakfast and other food sales	\$ -	\$ 247,750	\$ -	\$ 247,750
Use of money and property	-	98	-	98
State sources	550,940	19,634	-	570,574
Federal sources	809,877	540,494	-	1,350,371
Miscellaneous	-	115	109,490	109,605
Total revenues	<u>1,360,817</u>	<u>808,091</u>	<u>109,490</u>	<u>2,278,398</u>
EXPENDITURES				
Current:				
Instruction	1,136,694	613,596	100,854	1,851,144
Pupil transportation	81,636	-	-	81,636
Employee benefits	<u>264,988</u>	<u>133,544</u>	<u>-</u>	<u>398,532</u>
Total expenditures	<u>1,483,318</u>	<u>747,140</u>	<u>100,854</u>	<u>2,331,312</u>
Excess (deficiency) of revenues over expenditures	<u>(122,501)</u>	<u>60,951</u>	<u>8,636</u>	<u>(52,914)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	125,461	-	-	125,461
Transfers out	<u>(2,960)</u>	<u>(12,000)</u>	<u>-</u>	<u>(14,960)</u>
Total other financing sources (uses)	<u>122,501</u>	<u>(12,000)</u>	<u>-</u>	<u>110,501</u>
Net change in fund balance	-	48,951	8,636	57,587
Fund balances—beginning	<u>-</u>	<u>184,438</u>	<u>69,829</u>	<u>254,267</u>
Fund balances—ending	<u>\$ -</u>	<u>\$ 233,389</u>	<u>\$ 78,465</u>	<u>\$ 311,854</u>

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FEDERAL AWARDS INFORMATION

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title (1)	Federal CFDA Number (2)	Pass-through Entity Identifying Number	Federal Expenditures (3)
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through New York State Department of Agriculture:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 158,532
National School Lunch Program	10.555	N/A	335,496
Total Child Nutrition Cluster			<u>494,028</u>
Commodity Supplemental Food Program	10.565	N/A	46,466
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>540,494</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed-through New York State Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	0021-16-0760	280,563
Special Education Cluster:			
IDEA PART B—Special Education—Grants to States	84.027	0032-16-0218	442,130
IDEA—Special Education—Preschool Grants	84.173	0033-16-0218	19,005
Total Special Education Cluster			<u>461,135</u>
Supporting Effective Instruction—State Grant	84.367	0147-16-0760	68,179
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>809,877</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed-through New York State Division of Homeland Security and Emergency Services</i>			
Disaster Grants—Public Assistance (Presidentially Declared Disasters)	97.036	N/A	17,926
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>17,926</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,368,297</u>

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

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

1. BASIS OF PRESENTATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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. Pass-through entity identifying numbers are presented where available.

3. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2016, the District used \$46,466 worth of commodities.

4. RECONCILIATION OF FEDERAL AID

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

Balance per schedule of expenditures of federal awards	\$ 1,368,297
Medicaid reimbursement	<u>124,881</u>
Total Federal Sources per financial statements	<u>\$ 1,493,178</u>

Certified Public Accountants

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

The Board of Education
Depew Union Free School District, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Depew Union Free School District, New York (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 13, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Drescher & Malecki LLP

September 13, 2016

Certified Public Accountants

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

The Board of Education
Depew Union Free School District, New York:

Report on Compliance for Each Major Federal Program

We have audited the Depew Union Free School District, New York's (the "District") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of 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 District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Drescher & Malecki LLP

September 13, 2016

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Part I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes ✓ No

Significant deficiency(ies) identified? Yes ✓ None reported

Noncompliance material to the financial statements noted? Yes ✓ No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? Yes ✓ No

Significant deficiency(ies) identified? Yes ✓ None reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? Yes ✓ None

Identification of major federal programs:

Name of Federal Program

CFDA Number

Title I Grants to Local Education Agencies

84.010

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? ✓ Yes No

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Part II. FINANCIAL STATEMENT FINDINGS SECTION

No findings noted.

Part III. FINANCIAL STATEMENT FINDINGS SECTION

No findings noted.

DEPEW UNION FREE SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
Year Ended June 30, 2016

No findings noted.

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