

GOWANDA CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

***WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS***

GOWANDA CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

2016 FINANCIAL STATEMENTS

| | <u>Schedule</u> | <u>Page</u> |
|---|------------------------|--------------------|
| Independent Auditor's Report | | 1-2 |
| Management's Discussion and Analysis | | 3-9 |
| Government-wide Financial Statements | | |
| Statement of Net Position | 1 | 10 |
| Statement of Activities | 2 | 11 |
| Fund Financial Statements | | |
| Combined Balance Sheet - Governmental Funds..... | 3 | 12 |
| Combined Statement of Revenue, Expenditures and Changes in Fund Equity - Governmental Funds | 4 | 13 |
| Statement of Fiduciary Net Position - Fiduciary Funds | 5 | 14 |
| Statement of Changes in Fiduciary Net Position - Fiduciary Funds | 6 | 15 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position..... | 7 | 16 |
| Reconciliation of Governmental Funds Revenue, Expenditures and Changes in Fund Equity to the Statement of Activities..... | 8 | 17 |
| Notes to the Financial Statements | | 18-34 |
| Supplementary Information | | |
| Combining Schedule of Revenue, Expenditures and Changes In Fund Equity - Budget and Actual - Governmental Funds | SS1&SS1A | 35-36 |
| Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit..... | SS2 | 37 |
| Schedule of Project Expenditures - Capital Projects Fund..... | SS3 | 38 |
| Budget Comparison Statement for State and Other Grant Programs - Special Aid and Food Service Funds | SS4A | 39 |
| Notes to the Schedule of Expenditures of Federal Awards | SS4B | 40 |
| Schedule of Expenditures of Federal Awards | SS4C | 40 |
| Schedule of Major Programs Tested..... | SS4D | 41 |
| Schedule of Certain Revenue and Expenditures Compared to ST-3 Data - General Fund..... | SS5 | 42 |
| Schedule of Net Investment in Capital Assets | SS6 | 43 |
| Schedule of District Contributions – New York State Teachers' Retirement System (NYSTRS) and New York State and Local Employees' Retirement System (NYSLERS) | SS7 | 44 |
| Schedule of the District's Proportionate share of the Net Pension Asset New York State Teachers' Retirement System (NYSTRS) and District's Proportionate Share of the Net Liability – New York State and Local Employees' Retirement System (NYSLERS)..... | SS8 | 45 |
| Independent Auditor's 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" | | 46-47 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance | | 48-49 |
| Schedule of Findings and Questioned Costs | | 50-52 |

| | |
|---|--------------|
| Management Letter | 53-55 |
| Annual Financial Statement on Extraclassroom Activity Fund | 56-59 |



INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Gowanda Central School District
Gowanda, New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of *Gowanda Central School District* as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the *Gowanda Central School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Gowanda Central School District* as of June 30, 2016, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Report on Summarized Comparative Information

We have previously audited the *Gowanda Central School District's* June 30, 2015 financial statements, and our report dated September 16, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans on pages 3 through 9, 35 through 36, and 45 through 46 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 **Gowanda Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principle, and Audit Requirements of Federal Awards, and is also not a required part of the financial statements.

The combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules 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 21, 2016 on our consideration of **Gowanda Central School District's** internal control over financial reporting and 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 the 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 **Gowanda Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 21, 2016**

**GOWANDA CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Page 3

I. Discussion and Analysis

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

II. Financial Highlights

The following items are the financial highlights experienced by the **Gowanda Central School District** during the fiscal year ended June 30, 2016:

- Overall net position from operations of the District increased \$3,958,000 during the current year as compared to a increase of \$3,883,000 during the prior fiscal year.
- The District's total revenue increased 5% from \$29,067,000 during June 30, 2015 to \$30,583,000 during June 30, 2016. This increase was primarily due to an increase in NYS Aid and Federal Impact Aid received in the current year.
- The District's total expenses increased approximately 6% from \$25,184,000 during the year ended June 30, 2015 to \$26,625,000 during the year ended June 30, 2016. This increase was primarily the result of an increase in salaries, benefits and BOCES expenditures.
- The District had capital outlays during the current year in the amount of \$441,000 which primarily related to the capital outlay projects and purchase of vehicles.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of **Gowanda Central School District**.

**III. Overview of the Financial Statements
(continued)**

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Assets

The Statement of Net Position (page 10) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the District. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

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

**GOWANDA CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Page 4

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):

1. Governmental Funds (continued)

statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

2. Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

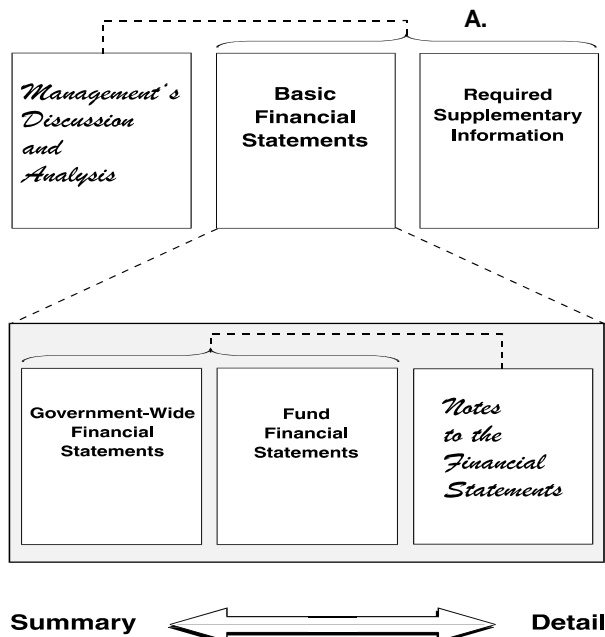
Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

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

**GOWANDA CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Page 5

Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$40,123,000. The components of net assets include: net investment in capital assets, of \$25,627,000; restricted net assets of \$3,978,000; and unrestricted net assets of \$10,518,000.

Changes in Net Position

The District's total government-wide revenue increased by approximately \$1,516,000 to \$30,583,000. Approximately 16%, 7% and 61% of total revenue is derived from the property taxes, operating grants and the state aid, respectively. The remaining 16% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

IV. Financial Analysis of the School District as a Whole (continued)

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 6% to \$26,625,000. The District's expenses cover a range of services, with 73% related to instruction and 15% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 5%, while total expenses increased 6%. The District's total net position from operations increased approximately \$3,958,000 during the fiscal year ended June 30, 2016.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$30,583,000 for the fiscal year ended June 30, 2016. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 16% of the District's total revenue for governmental activities increased approximately 2% during the year ended June 30, 2016 as a result of an increase in the tax levy.
- The District's most significant revenue is state sources which represent \$18,417,000 or 61% of total governmental revenue. The District State Aid increased approximately 2% as the result of an increase in state aid received in the current year.
- During the year ended June 30, 2016, the District saw an increase in program revenue, which mostly resulted from an increase in the Title I grant allocation in the current year.
- During the year ended June 30, 2016, the District received Federal Impact aid in the amount of \$884,889.

**GOWANDA CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Page 6

IV. Financial Analysis of the School District as a Whole (continued)

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, debt service and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$26,625,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$145,000 or 4% which was primarily due an increase in salaries and benefits and contractual expense related to legal costs. These increases were partially offset by a decrease in materials and supplies.
- The District's instruction costs increased by approximately \$987,000 or 5% which was the result of an increase in salaries and benefits, along with an increase in BOCES expenditures.
- Debt service of the District increased approximately \$244,000 during the year ended June 30, 2016 which was the result of bond issuance costs related to the bond refunding.
- Transportation costs of the District increased \$45,000 or 2% during the year ended June 30, 2016 due to a an increase in contracted costs from additional bus runs.
- The District's cost of sales (food service fund) totaled \$691,000 during the current year as compared to \$671,000 during the fiscal year ended June 30, 2015.
- The District received approximately \$5,113,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$21.5 million) were financed by real property taxes and state aid.

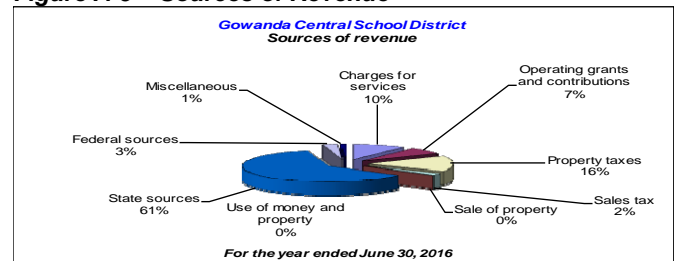
Figure A-3 – Condensed Statement of Net Assets

| Gowanda Central School District Condensed Statement of Net Position (in thousands of dollars) | | | |
|--|--|------------------|-------------|
| | Governmental Activities and Total District-wide | | |
| | 2016 | 2015 | % Change |
| Assets | | | |
| Current and other assets | \$ 19,179 | \$ 19,288 | -1% |
| Capital assets | 35,710 | 36,556 | -2% |
| Total assets | 54,889 | 55,844 | -2% |
| Deferred outflows of resources | | | |
| Deferred outflows related to pensions | 3,274 | 2,059 | 59% |
| Deferred outflows of resources and assets | \$ 58,163 | \$ 57,903 | 0% |
| Liabilities | | | |
| Other liabilities | \$ 2,125 | \$ 2,851 | -25% |
| Long-term liabilities | 13,290 | 13,745 | -3% |
| Total liabilities | 15,415 | 16,596 | -7% |
| Deferred inflows of resources | | | |
| Deferred inflows related to pensions | 2,625 | 5,142 | -49% |
| Deferred inflows of resources and liabilities | 18,040 | 21,738 | -17% |
| Net position | | | |
| Invested in capital assets, | | | |
| Net of related debt | 25,627 | 24,328 | 5% |
| Restricted | 3,978 | 3,004 | 32% |
| Unrestricted | 10,518 | 8,833 | 19% |
| Total net position | 40,123 | 36,165 | 11% |
| Total liabilities, deferred inflows of resources, and net position | \$ 58,163 | \$ 57,903 | 0% |

Figure A-4 – Changes in Net Asset

| Gowanda Central School District Changes in Net Assets from Operating Results (in thousands of Dollars) | | | |
|---|--|-----------------|-----------|
| | Governmental Activities and Total District-wide | | |
| | 2016 | 2015 | % Change |
| Revenue | | | |
| Program revenue | | | |
| Charges for services | \$ 2,906 | \$ 2,894 | 0% |
| Operating grants and contributions | 2,207 | 2,091 | 6% |
| General revenue | | | |
| Real property taxes | 4,980 | 4,902 | 2% |
| Sales tax | 759 | 765 | -1% |
| Use of money & property | 30 | 23 | 30% |
| Sale of property & comp for loss | (10) | 33 | -130% |
| State sources | 18,417 | 18,009 | 2% |
| Federal sources | 1,032 | 144 | 617% |
| Miscellaneous | 262 | 206 | 27% |
| Total revenue | 30,583 | 29,067 | 5% |
| Expenses | | | |
| General support | 4,087 | 3,942 | 4% |
| Instruction | 19,379 | 18,392 | 5% |
| Transportation | 1,951 | 1,906 | 2% |
| Debt service - interest | 517 | 273 | 89% |
| Cost of sales | 691 | 671 | 3% |
| Total expenses | 26,625 | 25,184 | 6% |
| Change in net position | \$ 3,958 | \$ 3,883 | |

Figure A-5 – Sources of Revenue



GOWANDA CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Page 7

Figure A-6 - Expenses

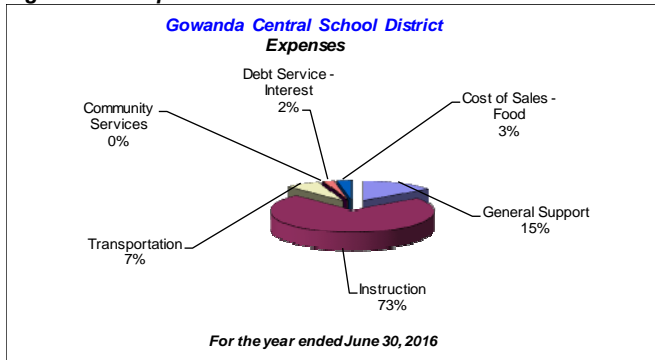


Figure A-7 – Expenditures Supported with Program Revenue

| Gowanda Central School District Expenditures supported with program revenue (in thousands of dollars) | | | | |
|--|--|-------------|------------------|-------------|
| | Governmental Activities & Total District | | | |
| | 2016 | | 2015 | |
| Expenditures supported with general revenue (from taxes & other sources) | \$ 21,512 | 81% | \$ 20,199 | 80% |
| Expenditures supported with program revenue | 5,113 | 19% | 4,985 | 20% |
| Total expenditures related to governmental activities | \$ 26,625 | 100% | \$ 25,184 | 100% |

Figure A-8 – Net Cost of Governmental Activities

| Gowanda Central School District Net Cost of Governmental Activities (in thousands of dollars) | | | | | | |
|--|------------------------|------------------|-----------------|----------------------|------------------|-----------------|
| | Total cost of services | | | Net cost of services | | |
| | 2016 | 2015 | Change | 2016 | 2015 | Change |
| General support | \$ 4,087 | \$ 3,942 | \$ 145 | \$ 4,087 | \$ 3,942 | \$ 145 |
| Instruction | 19,379 | 18,392 | 987 | 15,381 | 14,383 | 998 |
| Transportation | 1,951 | 1,906 | 45 | 1,546 | 1,589 | (43) |
| Debt service - interest | 517 | 273 | 244 | 518 | 273 | 245 |
| Cost of sales - food | 691 | 671 | 20 | (20) | 12 | (32) |
| Total | \$ 26,625 | \$ 25,184 | \$ 1,441 | \$ 21,512 | \$ 20,199 | \$ 1,313 |

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net assets is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term

V. Financial Analysis of the School District's Funds (continued)

debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund revenue and other sources exceeded expenditures and other uses exceeded by approximately \$966,000.
- The District's general fund unassigned fund balance equated to approximately \$1,190,000 as of June 30, 2016.
- The District maintained many fund balance reserves during the year ended June 30, 2016, and had a total restricted fund balance of approximately \$3,007,000.
- The District's total assets increased approximately \$593,000 as of June 30, 2016 primarily related to an increase in due from other funds and Federal and State receivables. The District's liabilities decreased approximately \$374,000 due to a decrease in Teachers' Retirement System liability.
- Total revenue in the District's general fund increased \$1,242,000, which was primarily related to an increase in state aid and Federal impact aid received during the year. Total expenditures in the District's general fund increased \$491,000 primarily as a result of increases in salaries and employee benefits related to health insurance costs.

Food Service Fund

- The District's food service fund experienced approximately a \$23,000 increase in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$714,000 during 2016 as compared with \$682,000 in 2015. Revenue included a transfer from the General Fund of \$3,000. Expenditures increased approximately \$20,000 during the current year.

Special Aid Fund

- The District's revenue and expenditures increased approximately \$125,000 or 8% which was primarily related to an increase in the Title I grant allocation in the current year.

Capital Projects Fund

- The District had expenditures in the amount of \$128,000 in capital projects during the year ended June 30, 2016, which was primarily related to the capital outlay projects.

**GOWANDA CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Page 8

VI. General Fund Budgetary Highlights

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$2,686,000 below the revised budget. The most significant variance was in the area of general support, instruction, and transportation which totaled \$432,000, \$1,023,000 and \$778,000, respectively, below the budget. On the other hand, resources available for appropriations were approximately \$1,687,000 above the final budgeted amount. Significant variances of revenue items consisted of local sources, state sources and Federal sources which totaled approximately \$371,000, \$508,000 and \$1,032,000, respectively, above, the budget.

Figure A-9 – Budget vs. Actual Comparison

| Gowanda Central School District | | | | |
|---|-------------------|------------------|-----------------|-----------|
| General Fund - Budget vs Actual Comparison (in thousands of dollars) | | | | |
| | Revised Budget | Actual | Difference | % |
| Revenue | | | | |
| Local sources | \$ 8,172 | \$ 8,543 | \$ 371 | 5% |
| State sources | 17,909 | 18,417 | 508 | 3% |
| Federal sources | - | 1,032 | 1,032 | n/a |
| Other sources | 225 | 1 | (224) | -100% |
| Total revenue | \$ 26,306 | \$ 27,993 | \$ 1,687 | 6% |
| Expenditures | | | | |
| General support | \$ 3,891 | \$ 3,459 | \$ 432 | 11% |
| Instruction | 14,770 | 13,747 | 1,023 | 7% |
| Transportation | 2,064 | 1,286 | 778 | 38% |
| Employee benefits | 6,158 | 5,746 | 412 | 7% |
| Debt service | 2,640 | 2,640 | - | 0% |
| Operating transfers | 188 | 147 | 41 | 22% |
| Total expenditures | \$ 29,711 | \$ 27,025 | \$ 2,686 | 9% |

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2016, the District had invested approximately \$35,710,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2016, totaled approximately \$441,000 and related primarily the capital outlay projects and purchase of vehicles. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2016, the District had approximately \$13,290,000 in bonds, net pension liability and compensated absences, a decrease of approximately 3% as compared with the previous year. The decrease in bonds payable was the result of the District making scheduled payments on its outstanding debt. The increase in compensated absences was related to benefits earned which exceeded payments made to retirees in the current year. Lastly, the net pension liability to the NYS Employees' Retirement System increased due to a change in assumptions and differences between estimated and actual results.

Figure A-10 – Capital Assets

| Gowanda Central School District | | | |
|---|---|----------------------|------------|
| Capital Assets (net of depreciation) | | | |
| | Governmental Activities & Total District-wide | | |
| | 2016 | 2015 | Change |
| Land | \$ 88,200 | \$ 88,200 | 0% |
| Cost basis | 54,672,198 | 54,439,487 | 0% |
| Accumulated depreciation | (19,049,973) | (17,971,869) | 6% |
| Total Capital Assets, net | \$ 35,710,425 | \$ 36,555,818 | -2% |

Figure A-11 – Outstanding Long-term Debt

| Gowanda Central School District | | | |
|---|---|----------------------|------------|
| Outstanding Long-Term Debt and Liabilities | | | |
| | Governmental Activities & Total District-wide | | |
| | 2016 | 2015 | Change |
| Bonds payable | \$ 10,220,675 | \$ 12,297,109 | -17% |
| Net pension liability | 1,979,418 | 409,738 | 383% |
| Compensated absences | 1,090,000 | 1,038,000 | 5% |
| Total Long-Term Debt | \$ 13,290,093 | \$ 13,744,847 | -3% |

**GOWANDA CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Page 9

VIII. Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District is in the process of planning a new capital improvement project with an estimated value of approximately \$26,000,000.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Gowanda Central School District
District Administrative Offices
Attention: Mrs. Joelle Woodward
Director of Finance and Support Services
10674 Prospect Street
Gowanda, New York 14070

GOWANDA CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Schedule 1

Page 10

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Assets | | |
| Cash | \$ 7,685,601 | \$ 7,769,449 |
| Receivables | | |
| State and federal aid | 3,554,541 | 2,997,808 |
| Other receivables | 1,019 | 1,349 |
| Due from other governments | 1,009,769 | 1,032,560 |
| Due from other fiduciary funds | - | - |
| Inventories | 26,164 | 23,581 |
| Prepaid expenses | 3,400 | 3,942 |
| Net pension asset - NYS Teachers' Retirement System | 6,898,076 | 7,460,404 |
| Capital assets, net | 35,710,425 | 36,555,818 |
| Total assets | <u>54,888,995</u> | <u>55,844,911</u> |
| Deferred Outflows of Resources | | |
| Deferred outflows related to pensions | 3,274,468 | 2,058,668 |
| Total assets and deferred outflows of resources | <u>\$ 58,163,463</u> | <u>\$ 57,903,579</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and retainage payable | \$ 297,771 | \$ 315,944 |
| Accrued liabilities | 231,313 | 410,046 |
| Accrued interest | 17,000 | 63,000 |
| Due to fiduciary funds | - | 49 |
| Due to other governments | 923 | 1,002 |
| Due to retirement systems | 1,567,992 | 2,033,589 |
| Unearned revenue | 10,696 | 28,446 |
| Long-term liabilities | | |
| Portion due or payable within one year | | |
| Bonds payable | 2,360,000 | 2,225,000 |
| Compensated absences | 424,000 | 346,000 |
| Portion due or payable after one year | | |
| Bonds payable | 7,860,675 | 10,072,109 |
| Net pension liability - NYS Employees' Retirement System | 1,979,418 | 409,738 |
| Compensated absences | 666,000 | 692,000 |
| Total liabilities | <u>15,415,788</u> | <u>16,596,923</u> |
| Deferred Inflows of Resources | | |
| Deferred inflows related to pensions | 2,624,677 | 5,141,716 |
| Total liabilities and deferred inflows of resources | <u>18,040,465</u> | <u>21,738,639</u> |
| Net Position | | |
| Net investment in capital assets | 25,626,530 | 24,328,050 |
| Restricted | 3,977,722 | 3,003,957 |
| Unrestricted | 10,518,746 | 8,832,933 |
| Total net position | <u>40,122,998</u> | <u>36,164,940</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 58,163,463</u> | <u>\$ 57,903,579</u> |

See accompanying independent auditor's report and notes to financial statements.

GOWANDA CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 2

Page 11

| | | | | | 2016 | 2015 |
|---|---------------|------------------------------------|---|---------------------|----------------|----------------|
| | | | | | Net (Expense) | Net (Expense) |
| | | | | | Revenue and | Revenue and |
| | | | | | Changes in | Changes in |
| | | | | | Net Assets | Net Assets |
| | Expenses | Indirect Expenses Allocation | Program Revenues Charges for Services | Operating Grants | | |
| Functions/Programs | | | | | | |
| General support | \$ 3,890,120 | \$ 196,909 | \$ - | \$ - | \$ (4,087,029) | \$ (3,942,412) |
| Instruction | 18,596,090 | 782,836 | 2,676,370 | 1,321,083 | (15,381,473) | (14,384,539) |
| Pupil transportation | 1,658,773 | 292,039 | - | 404,830 | (1,545,982) | (1,588,851) |
| Debt service - interest | 517,757 | - | - | - | (517,757) | (272,964) |
| Food service program | 690,655 | - | 229,760 | 480,913 | 20,018 | (11,597) |
| Depreciation | 1,271,784 | (1,271,784) | - | - | - | - |
| Total functions and programs | \$ 26,625,179 | \$ - | \$ 2,906,130 | \$ 2,206,826 | (21,512,223) | (20,200,363) |
| General Revenues | | | | | | |
| Real property taxes | | | | | 4,979,693 | 4,901,558 |
| Sales tax | | | | | 759,144 | 765,018 |
| Use of money and property | | | | | 29,868 | 23,341 |
| Sale of property and compensation for loss | | | | | (10,253) | 32,834 |
| Miscellaneous | | | | | 263,366 | 207,312 |
| State sources | | | | | 18,416,669 | 18,009,186 |
| Federal sources | | | | | 1,031,794 | 144,071 |
| Total general revenues | | | | | 25,470,281 | 24,083,320 |
| Change in net position | | | | | 3,958,058 | 3,882,957 |
| Net position - beginning of year | | | | | 36,164,940 | 30,618,831 |
| Prior period adjustments | | | | | - | 1,663,152 |
| Net position - end of year | | | | | \$ 40,122,998 | \$ 36,164,940 |

GOWANDA CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

Schedule 3

Page 12

| | Governmental Funds | | | | | | | |
|--|--------------------|----------------|-----------------|-----------------|---------------------|------------------------------|------------------------------|--|
| | General | Special Aid | Food Service | Debt Service | Capital Projects | 2016 (Memo only) Total | 2015 (Memo only) Total | |
| Assets | | | | | | | | |
| Unrestricted cash | \$ 3,469,482 | \$ 500 | \$ 101,117 | \$ - | \$ 136,780 | \$ 3,707,879 | \$ 4,765,492 | |
| Restricted cash | 3,006,742 | - | - | 970,980 | - | 3,977,722 | 3,003,957 | |
| Due from other funds | 591,974 | - | - | - | - | 591,974 | 278,534 | |
| State and federal aid receivable | 2,852,281 | 672,244 | 30,016 | - | - | 3,554,541 | 2,997,808 | |
| Other receivables | 600 | - | 419 | - | - | 1,019 | 1,349 | |
| Due from other governments | 1,009,769 | - | - | - | - | 1,009,769 | 1,032,560 | |
| Inventories and prepaid expenses | - | 1,142 | 28,422 | - | - | 29,564 | 27,523 | |
| Total assets | \$ 10,930,848 | \$ 673,886 | \$ 159,974 | \$ 970,980 | \$ 136,780 | \$ 12,872,468 | \$ 12,107,223 | |
| Liabilities, Deferred Inflows of Resources, and Fund Equity | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 294,750 | \$ - | \$ 3,021 | \$ - | \$ - | \$ 297,771 | \$ 315,944 | |
| Accrued liabilities | 231,039 | 274 | - | - | - | 231,313 | 410,046 | |
| Due to other funds | - | 589,421 | 2,553 | - | - | 591,974 | 278,583 | |
| Unearned revenue | - | - | 10,696 | - | - | 10,696 | 28,446 | |
| Due to other governments | - | - | 923 | - | - | 923 | 1,002 | |
| Due to Teachers' Retirement System | 1,337,650 | 79,345 | - | - | - | 1,416,995 | 1,819,184 | |
| Due to Employees' Retirement System | 134,720 | 4,846 | 11,431 | - | - | 150,997 | 214,405 | |
| Total liabilities | 1,998,159 | 673,886 | 28,624 | - | - | 2,700,669 | 3,067,610 | |
| Deferred inflow of resources | | | | | | | | |
| Unavailable revenue - Native American tuition and Erie County sales tax | 2,424,622 | - | - | - | - | 2,424,622 | 2,256,672 | |
| Fund Equity | | | | | | | | |
| Fund equity: | | | | | | | | |
| Nonspendable | - | - | 28,422 | - | - | 28,422 | 25,929 | |
| Restricted | 3,006,742 | - | - | 970,980 | - | 3,977,722 | 3,003,957 | |
| Assigned | 2,311,786 | - | 102,928 | - | 136,780 | 2,551,494 | 2,639,877 | |
| Unassigned | 1,189,539 | - | - | - | - | 1,189,539 | 1,113,178 | |
| Total fund equity | 6,508,067 | - | 131,350 | 970,980 | 136,780 | 7,747,177 | 6,782,941 | |
| Total liabilities, deferred inflow of resources and fund equity | \$ 10,930,848 | \$ 673,886 | \$ 159,974 | \$ 970,980 | \$ 136,780 | \$ 12,872,468 | \$ 12,107,223 | |

GOWANDA CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 4

Page 13

| | Governmental Funds | | | | | 2016 | 2015 |
|--|--------------------|----------------|-----------------|-----------------|---------------------|----------------------|----------------------|
| | General | Special Aid | Food Service | Debt Service | Capital Projects | (Memo only) Total | (Memo only) Total |
| Revenue | | | | | | | |
| Real property taxes and tax items | \$ 4,979,693 | \$ - | \$ - | \$ - | \$ - | \$ 4,979,693 | \$ 4,901,558 |
| Non-property taxes | 761,020 | - | - | - | - | 761,020 | 764,979 |
| Charges for services | 2,506,544 | - | - | - | - | 2,506,544 | 2,603,329 |
| Use of money and property | 27,196 | - | 216 | 2,672 | - | 30,084 | 23,532 |
| Sale of property compensation for loss | 4,225 | - | - | - | - | 4,225 | 97,681 |
| Miscellaneous | 263,366 | - | 1,872 | - | - | 265,238 | 207,484 |
| State sources | 18,416,669 | 698,157 | 16,774 | - | - | 19,131,600 | 18,664,588 |
| Federal sources | 1,031,794 | 1,027,756 | 439,285 | - | - | 2,498,835 | 1,554,642 |
| Surplus food | - | - | 24,854 | - | - | 24,854 | 24,558 |
| Sales (school food service) | - | - | 227,672 | - | - | 227,672 | 213,475 |
| Total revenue | 27,990,507 | 1,725,913 | 710,673 | 2,672 | - | 30,429,765 | 29,055,826 |
| Expenditures | | | | | | | |
| General support | 3,458,904 | - | 270,387 | - | - | 3,729,291 | 3,650,063 |
| Instruction | 13,746,975 | 1,030,117 | - | - | - | 14,777,092 | 14,197,324 |
| Pupil transportation | 1,286,499 | 378,593 | - | - | - | 1,665,092 | 1,371,203 |
| Employee benefits | 5,745,607 | 361,413 | 83,124 | - | - | 6,190,144 | 6,522,605 |
| Debt service | | | | | | | |
| Principal | 2,270,000 | - | - | - | - | 2,270,000 | 2,198,000 |
| Interest | 370,191 | - | - | - | - | 370,191 | 484,570 |
| Capital outlay | - | - | - | - | 126,575 | 126,575 | 92,324 |
| Cost of sales | - | - | 304,113 | - | - | 304,113 | 289,316 |
| Other expenses | - | - | 33,031 | - | - | 33,031 | 15,560 |
| Total expenditures | 26,878,176 | 1,770,123 | 690,655 | - | 126,575 | 29,465,529 | 28,820,965 |
| Excess (deficiency) of revenue over expenditures | 1,112,331 | (44,210) | 20,018 | 2,672 | (126,575) | 964,236 | 234,861 |
| Other sources and uses | | | | | | | |
| Proceeds from refunding bonds | - | - | - | 3,275,348 | - | 3,275,348 | - |
| Payment to refunded bond escrow agent | - | - | - | (3,275,348) | - | (3,275,348) | - |
| BANs redeemed from appropriations | - | - | - | - | - | - | 378,000 |
| Proceeds from long-term debt issuance | - | - | - | - | - | - | 4,075,000 |
| Operating transfers in | 1,362 | 44,210 | 3,000 | - | 100,000 | 148,572 | 123,486 |
| Operating transfers out | (147,210) | - | - | - | (1,362) | (148,572) | (123,486) |
| Total other sources (uses) | (145,848) | 44,210 | 3,000 | - | 98,638 | - | 4,453,000 |
| Excess (deficiency) of revenue and other sources over expenditures and other uses | | | | | | | |
| | 966,483 | - | 23,018 | 2,672 | (27,937) | 964,236 | 4,687,861 |
| Fund equity, beginning of year | 5,541,584 | - | 108,332 | 968,308 | 164,717 | 6,782,941 | 2,095,080 |
| Fund equity, end of year | \$ 6,508,067 | \$ - | \$ 131,350 | \$ 970,980 | \$ 136,780 | \$ 7,747,177 | \$ 6,782,941 |

See accompanying independent auditor's report and notes to financial statements.

GOWANDA CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF JUNE 30, 2016

Schedule 5

Page 14

| | Private Purpose Trusts | Agency Funds | Total 06/30/16 | (Memo only) Total 06/30/15 |
|---------------------------------------|------------------------------|-------------------|-------------------|----------------------------------|
| Assets | | | | |
| Cash | \$ 604,170 | \$ 186,766 | \$ 790,936 | \$ 265,997 |
| Accounts receivable | - | 5,890 | 5,890 | 16,245 |
| Due from other funds | | - | - | 62 |
| Total assets | <u>\$ 604,170</u> | <u>\$ 192,656</u> | <u>\$ 796,826</u> | <u>\$ 282,304</u> |
| Liabilities | | | | |
| Accrued liabilities | \$ - | \$ 94,132 | \$ 94,132 | \$ 110,052 |
| Due to other funds | - | - | - | 13 |
| Student extraclassroom activity funds | - | 98,524 | 98,524 | 95,914 |
| Total liabilities | <u>-</u> | <u>192,656</u> | <u>192,656</u> | <u>205,979</u> |
| Net position | | | | |
| Reserved for scholarships | <u>604,170</u> | <u>-</u> | <u>604,170</u> | <u>76,325</u> |
| Total liabilities and net position | <u>\$ 604,170</u> | <u>\$ 192,656</u> | <u>\$ 796,826</u> | <u>\$ 282,304</u> |

GOWANDA CENTRAL SCHOOL DISTRICT**Schedule 6****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016****Page 15**

| | 06/30/16 | (Memo only) 06/30/15 |
|-----------------------------------|-------------------|-------------------------|
| Additions | | |
| Gifts and contributions | \$ 529,872 | \$ 2,524 |
| Interest earnings | 984 | 188 |
| Total additions | 530,856 | 2,712 |
| Deductions | | |
| Scholarships awarded | 3,011 | 1,385 |
| Change in net position | 527,845 | 1,327 |
| Net position - beginning of year | 76,325 | 74,998 |
| Net position - end of year | <u>\$ 604,170</u> | <u>\$ 76,325</u> |

GOWANDA CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Total fund balances - governmental funds **\$ 7,747,177**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

| | | |
|--------------------------|---------------------|------------|
| Cost of the assets | \$ 54,760,398 | |
| Accumulated depreciation | <u>(19,049,973)</u> | 35,710,425 |

Native American aid and sales tax earned throughout the fiscal year is reported as revenue on the government-wide basis. Amounts not available for use are not recognized as revenue in the governmental funds until measurable and available and therefore classified as deferred inflows of resources on the balance sheets. 2,424,622

District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds pension costs are based on required contributions. 6,898,076

Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due. (17,000)

Deferred inflows and outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, pension expense is based on required contributions. 649,791

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

| | | |
|-----------------------|--------------------|---------------------|
| Bonds payable, net | (10,220,675) | |
| Net pension liability | (1,979,418) | |
| Compensated absences | <u>(1,090,000)</u> | <u>(13,290,093)</u> |

Total net position - governmental activities **\$ 40,122,998**

| | Total Governmental Funds | Long-term Asset and Outflow Transactions | Long-term Liability and Inflow Transactions | Reclassification and Eliminations | Statement of Net Position |
|--|--------------------------------|--|---|---|---------------------------------|
| Assets | | | | | |
| Cash | \$ 7,685,601 | \$ - | \$ - | \$ - | \$ 7,685,601 |
| Due from other funds | 591,974 | - | - | (591,974) | - |
| State and federal aid receivable | 3,554,541 | - | - | - | 3,554,541 |
| Other receivables | 1,019 | - | - | - | 1,019 |
| Due from other governments | 1,009,769 | - | - | - | 1,009,769 |
| Inventories and prepaid expenses | 29,564 | - | - | - | 29,564 |
| Net pension asset | - | 6,898,076 | - | - | 6,898,076 |
| Capital assets, net | - | 35,710,425 | - | - | 35,710,425 |
| Total assets | 12,872,468 | 42,608,501 | - | (591,974) | 54,888,995 |
| Deferred Outflows of Resources | | | | | |
| Deferred outflows related to pensions | - | 3,274,468 | - | - | 3,274,468 |
| Total assets and deferred outflows of resources | \$ 12,872,468 | \$ 45,882,969 | \$ - | \$ (591,974) | \$ 58,163,463 |
| Liabilities and Fund Equity | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 297,771 | \$ - | \$ - | \$ - | \$ 297,771 |
| Accrued liabilities | 231,313 | - | - | - | 231,313 |
| Accrued interest | - | - | 17,000 | - | 17,000 |
| Due to other funds | 591,974 | - | - | (591,974) | - |
| Deferred revenue | 10,696 | - | - | - | 10,696 |
| Due to other governments | 923 | - | - | - | 923 |
| Due to retirement systems | 1,567,992 | - | - | - | 1,567,992 |
| Bonds payable | - | - | 10,220,675 | - | 10,220,675 |
| Net pension liability | - | 1,979,418 | - | - | 1,979,418 |
| Compensated absences | - | - | 1,090,000 | - | 1,090,000 |
| Total liabilities | 2,700,669 | 1,979,418 | 11,327,675 | (591,974) | 15,415,788 |
| Deferred Inflows of Resources | | | | | |
| Deferred inflows related to Native American tuition | 2,424,622 | (2,424,622) | - | - | - |
| Deferred inflows related to pensions | - | - | 2,624,677 | - | 2,624,677 |
| Total liabilities and deferred inflows of resources | 5,125,291 | (445,204) | 13,952,352 | (591,974) | 18,040,465 |
| Fund equity and net position | 7,747,177 | 46,328,173 | (13,952,352) | - | 40,122,998 |
| Total liabilities, deferred inflows of resources and fund equity/net position | \$ 12,872,468 | \$ 45,882,969 | \$ - | \$ (591,974) | \$ 58,163,463 |

GOWANDA CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Total net change in fund balances - governmental funds \$ 964,236

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

| | | |
|----------------------|--------------------|-----------|
| Capital outlays | \$ 440,869 | |
| Depreciation expense | <u>(1,271,784)</u> | (830,915) |

| | |
|--|---------|
| Sales tax revenue in the government-wide statement of activities that do not provide financial resources are not reported as revenue in the statement of revenue, expenditures and changes in fund equity. | (1,876) |
|--|---------|

| | |
|--|---------|
| Native American tuition revenue in the government-wide statement of activities that do not provide financial resources are not reported as revenue in the statement of revenue, expenditures and changes in fund equity. | 169,826 |
|--|---------|

| | |
|---|----------|
| Proceeds from the sale of assets are reported as revenue in the governmental funds, whereas in the statement of activities, a gain or loss on sale is reported. | (14,478) |
|---|----------|

| | |
|---|-----------|
| Repayment of bond principal (including refundings) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 2,122,434 |
|---|-----------|

| | |
|--|-----------|
| District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts from changes in proportion are recorded in the statement of activities, whereas in the governmental funds pension expense is based on the District's required contribution to pension plans. | 1,600,831 |
|--|-----------|

| | |
|---|-----------------|
| In the statement of activities, certain operating expenses - compensated absences and special termination benefits - 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). This year, special termination benefits and compensated absences earned exceeded the amounts paid. | <u>(52,000)</u> |
|---|-----------------|

| | |
|--|----------------------------|
| Change in net position of governmental activities | <u>\$ 3,958,058</u> |
|--|----------------------------|

| | Total Governmental Funds | Long-term Asset and Outflow Transactions | Long-term Liability and Inflow Transactions | Reclassification and Eliminations | Statement of Activities Totals |
|---|--------------------------------|--|---|---|--------------------------------------|
| Revenue | | | | | |
| Real property taxes | \$ 4,979,693 | \$ - | \$ - | \$ - | \$ 4,979,693 |
| Non-property taxes | 761,020 | (1,876) | - | - | 759,144 |
| Charges for services | 2,506,544 | - | - | (2,506,544) | - |
| Use of money and property | 30,084 | - | - | (216) | 29,868 |
| Sale of property compensation for loss | 4,225 | (14,478) | - | - | (10,253) |
| Miscellaneous | 265,238 | - | - | (1,872) | 263,366 |
| State sources | 19,131,600 | - | - | (714,931) | 18,416,669 |
| Federal sources | 2,498,835 | - | - | (1,467,041) | 1,031,794 |
| Surplus food | 24,854 | - | - | (24,854) | - |
| Sales (school food service) | 227,672 | - | - | (227,672) | - |
| Total revenue | 30,429,765 | (16,354) | - | (4,943,130) | 25,470,281 |
| Expenditures | | | | | |
| General support | 3,729,291 | 136,140 | - | 221,598 | 4,087,029 |
| Instruction | 14,777,092 | 607,859 | 52,000 | (55,478) | 15,381,473 |
| Pupil transportation | 1,665,092 | 43,665 | - | (162,775) | 1,545,982 |
| Employee benefits | 6,190,144 | - | (1,600,831) | (4,589,313) | - |
| Debt service | 2,640,191 | - | (2,122,434) | - | 517,757 |
| Capital outlay | 126,575 | (126,575) | - | - | - |
| Cost of sales | 304,113 | - | - | (324,131) | (20,018) |
| Other expenses | 33,031 | - | - | (33,031) | - |
| Total expenditures | 29,465,529 | 661,089 | (3,671,265) | (4,943,130) | 21,512,223 |
| Excess (deficiency) of revenue over expenditures | 964,236 | (677,443) | 3,671,265 | - | 3,958,058 |
| Other sources and uses | | | | | |
| Proceeds from refunding bonds | 3,275,348 | - | (3,275,348) | - | - |
| Payment to refunded bond escrow agent | (3,275,348) | - | 3,275,348 | - | - |
| Operating transfers in | 148,572 | - | - | (148,572) | - |
| Operating transfers out | (148,572) | - | - | 148,572 | - |
| Total other sources (uses) | - | - | - | - | - |
| Net change for year | \$ 964,236 | \$ (677,443) | \$ 3,671,265 | \$ - | \$ 3,958,058 |

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 18

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

I. Significant Accounting Policies

The accompanying financial statements of the **Gowanda Central School District** have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of **Gowanda Central School District** represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are included as supplementary information to these audited financial statements, located on pages 55-59 of this report.

B. Joint Venture

The **Gowanda Central School District** is one of 27 component school districts in the Erie 2 – Chautauqua/Cattaraugus Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

B. Joint Venture (continued)

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year, the District was billed \$2,826,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$1,211,000 for the year ended June 30, 2016. Financial statements for the Chautauqua-Cattaraugus BOCES are available at the BOCES administrative offices in Angola, New York.

C. Basis of Presentation

1. District-wide Statements

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

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 19

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

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

2. Fund Financial Statements

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

The District reports the following major governmental funds:

General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid - is used to account for the proceeds of specific revenue sources such as Federal and State grants that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service - is used to account for all revenue and expenditures pertaining to the cafeteria operations.

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

Debt Service - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

Fiduciary Fund Types - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. Included in the Fiduciary Fund are Private Purpose Trust Funds and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting. Private Purpose Trust Funds are accounted for on the accrual basis of accounting.

D. Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Non-expendable trust funds are accounted for on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Page 20

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

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

E. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

F. Inventory

Inventories of food in the School Food Service 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 inventoriable items in other funds are recorded as expenditures at the time of purchase.

G. Investments

Investments are stated at current market value.

H. Due To/From Other Funds

The amounts reported on the Statement of Net Position for due to and from other funds represent amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

I. Capital Assets

Capital assets are reported at estimated historical cost, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets (continued)

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|----------------------------|-----------------------------|------------------------|--------------------------|
| Buildings | \$ 5,000 | Straight-line | 50 years |
| Land | | | |
| improvements | 5,000 | Straight-line | 25-30 years |
| Furniture and equipment | 5,000 | Straight-line | 5-20 years |
| Transportation vehicles | 5,000 | Straight-line | 8 years |
| Car/auto vehicles | 5,000 | Straight-line | 5 years |

J. Compensated Absences

Sick leave and Retirement Incentive Pay - certain of the District's employee groups have negotiated retirement incentive benefits payable based on accumulated unused sick days. Generally the employee must have accumulated minimum years of service with the District and must be eligible for retirement under the provisions of either the teacher or employee retirement systems.

K. Unearned Revenue

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

L. Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position.

This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension TRS and ERS systems after the measurement date.

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 21

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

**L. Deferred Inflows and Outflows of Resources
(continued)**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualify for reporting in this category and is related to pensions reported in the district-wide Statement of Net Position.

This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

In addition to liabilities, the Balance Sheet will report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflow of resources, represents an acquisition of revenue by the District that is applicable to a future reporting period. The District has two items that qualify for reporting in this category, Native American tuition and Erie County sales tax. Although these revenue resources are measurable and earned at year-end, they are not available to pay current expenditures and therefore classified as deferred inflows of resources.

M. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Fund Equity (continued)

1. Governmental Funds (continued)

A. Nonspendable (continued)

1. Prepaid Expenses

This reserve is used to account for expenditures that were prepaid at the end of the fiscal year. This reserve is accounted for in the School Food Service Fund.

2. Inventory Reserve

This reserve is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Food Service Fund.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

1. Unemployment Reserve

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may be either transferred to another reserve or the excess applied to the appropriations next succeeding fiscal year's budget. If the District elects to convert to tax basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is recorded in the General Fund.

2. Reserve for Employee Benefits

The purpose of this reserve is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of service. This reserve fund may be established by a majority vote of the board of education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 22

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

3. Capital Reserve

These reserves are used to accumulate funds to finance all or a portion of future capital projects and bus purchases for which bonds may be issued. Voter authorization is required for both the establishment of the reserves and payments from the reserves. These reserves are accounted for in the General Fund.

4. Employee Retirement Contribution Reserve

This reserve is used to accumulate funds for employee retirement system contributions. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

5. Insurance Reserve

This reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law. The reserve may be established by board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. This reserve is accounted for in the General Fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

6. Endowment Scholarships Reserve

This reserve is used to account for endowments, scholarships and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution and this reserve is accounted for in the private purpose trust fund.

B. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2016.

C. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Director of Finance & Support Services and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. As of June 30, 2016, the District has a reserve for encumbrances in the amount of \$748,361.

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 23

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Fund Equity (continued)

1. Governmental Funds (continued)

C. Assigned (continued)

2. Appropriated Fund Balance

General Fund - The amount of \$1,563,425 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2017 as allowed by Section 1318 of the Real Property Tax Law.

D. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide financial statements

A. Net Investment in Capital Assets

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net assets of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Fund Equity (continued)

3. Order of Fund Balance Spending Policy (continued)

- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

N. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted.

2. Budget Basis for Accounting

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 24

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Budgetary Procedures and Budgetary Accounting (continued)

2. Budget Basis for Accounting (continued)

The budget and actual comparison for Food Service Fund, included in the combined schedule of revenue and expenditures and changes in fund Equity - budget and actual, reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special aid fund and capital project fund are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, expenditures and changes in fund equity - budget and actual.

O. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 17 and become a lien on November 16 in Chautauqua and Cattaraugus Counties, and December 1 in Erie County.

2. Enforcement

Uncollected real property taxes are subsequently enforced by the Counties, in which the School District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

P. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

Q. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Deferred Compensation Plan

Gowanda Central School District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b) - Tax Sheltered Annuities (TSA). The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' TSA plan administrator. The TSA plans are owned by the individuals and held in trust by the plan administrator. The School District has a fiduciary responsibility for funds withheld and remittance to trustees.

S. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 25

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (continued)**

1. Long-term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash

The **Gowanda Central School District's** investment policies are governed by State statutes. School District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District Treasurer is authorized to use demand accounts and certificates of deposits. 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 and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and School Districts.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash (continued)

A. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

Total financial institution (bank) balances at June 30, 2016 per the bank were approximately \$9,203,000. Deposits are categorized as follows:

| <u>Category 1</u> | <u>Category 2</u> | <u>Carrying Value</u> |
|-------------------|-------------------|-----------------------|
| \$ 601,000 | \$ 8,602,000 | \$ 9,203,000 |

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to its custodial risk, New York State statutes govern the District's investment policies. At June 30, 2016, the District's bank deposits were fully collateralized.

II. Interfund Transactions

Interfund balances as of June 30, 2016 are as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-------------------|-----------------------------|--------------------------|
| General Fund | \$ 591,974 | \$ - |
| Special Aid Fund | - | 589,421 |
| Food Service Fund | - | 2,553 |
| Total | <u>\$ 591,974</u> | <u>\$ 591,974</u> |

Interfund transactions for the year ended June 30, 2016 are as follows:

| | <u>Interfund Revenue</u> | <u>Interfund Expenditures</u> |
|-----------------------|--------------------------|-------------------------------|
| General Fund | \$ 1,362 | \$ 147,210 |
| School Lunch Fund | 3,000 | - |
| Special Aid Fund | 44,210 | - |
| Capital Projects Fund | 100,000 | 1,362 |
| Total | <u>\$ 148,572</u> | <u>\$ 148,572</u> |

GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Page 26

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

II. Interfund Transactions (continued)

During the year ended June 30, 2016, the District transferred \$100,000 from the general fund to the capital project fund to fund a future local project. In addition, the District \$1,362 from the capital projects fund to the general fund. The District transferred \$3,000 from the general fund to the school lunch fund to subsidize operations. Lastly, the District transferred \$44,210 from the general fund to special aid fund related to the local share of summer school program.

III. Receivables

Receivables at June 30, 2016 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|--------------|---|---------------------|
| Food Service | State and Federal Aid | \$ 30,016 |
| Food Service | Other receivable | 419 |
| Special Aid | State and Federal Aid | 672,244 |
| General | State and Federal Aid – Native American Tuition | 2,320,259 |
| General | State and Federal Aid | 532,022 |
| General | Other receivable | 600 |
| General | Due from Other Governments | 1,009,769 |
| | | <u>\$ 4,565,329</u> |

IV. Capital Assets

During the current year, the District had capital additions in the amount of \$440,869 of which \$316,040 and \$124,829 was related to equipment/vehicle purchases and buildings, respectively. Current year depreciation of \$1,271,784 consisted of \$990,802 and \$280,982 related to building improvements and furniture and equipment, respectively.

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Capital Assets (continued)

| | <u>Beginning Balance 07/01/15</u> | <u>Change</u> | <u>Ending Balance 06/30/16</u> |
|--|---|---------------------|--|
| Governmental activities: | | | |
| Capital assets that are not depreciated: | | | |
| Land | \$ 88,200 | \$ - | \$ 88,200 |
| Construction-in-progress | - | - | - |
| Capital assets that are depreciated: | | | |
| Buildings and improvements | 49,335,658 | 124,829 | 49,460,487 |
| Furniture and equipment | 5,103,829 | 107,882 | 5,211,711 |
| Total historical cost | 54,439,487 | \$ 232,711 | 54,672,198 |
| Buildings and improvements | 14,105,422 | \$ 990,802 | 15,096,224 |
| Furniture and equipment | 3,866,447 | 87,302 | 3,953,749 |
| Total accumulated depreciation | 17,971,869 | \$1,078,104 | 19,049,973 |
| Total net book value | \$36,555,818 | | \$35,710,425 |
| Depreciation expense was charged to governmental functions as follows: | | | |
| General support | | \$ 196,909 | |
| Instruction | | 782,836 | |
| Pupil transportation | | 292,039 | |
| | | <u>\$ 1,271,784</u> | |

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 27

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided

a. Teachers' Retirement System (TRS)

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

b. Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

b. Employees' Retirement System (ERS) (continued)

Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, 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.

2. Contributions

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

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

GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Page 28

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

2. Contributions (continued)

| Year | TRS | ERS |
|------|--------------|------------|
| 2016 | \$ 1,417,000 | \$ 577,000 |
| 2015 | 1,819,000 | 582,000 |
| 2014 | 1,669,000 | 675,000 |

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

Since 1989, the TRS' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

Over the years, State Legislature authorized local governments to make available retirement incentive programs to qualifying employees. The District had no expenditures incurred or liability accrued related to the retirement incentive liabilities as of and for the year ended June 30, 2016.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

| Actuarial valuation date | ERS 3/31/16 | TRS 6/30/15 |
|--|----------------|----------------|
| Net pension asset/(liability) | \$ (1,979,418) | \$ 6,898,076 |
| District's portion of the Plan's total net pension asset/(liability) | .0123326% | .066412% |

For the year ended June 30, 2016, the District's recognized pension expense of \$714,130 for ERS and the actuarial value (\$455,757) for TRS. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|--|--------------------------------|--------------|-------------------------------|--------------|
| | ERS | TRS | ERS | TRS |
| Differences between expected and actual experience | \$ 10,002 | \$ - | \$ 234,627 | \$ 191,175 |
| Changes of assumptions | 527,851 | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | 1,174,300 | - | - | 2,180,518 |
| Changes in proportion and differences between the Districts contributions and proportionate share of contributions | 37,054 | 17,535 | 6,822 | 11,535 |
| District's contributions subsequent to the measurement date | 150,997 | 1,356,729 | - | - |
| Total | \$ 1,900,204 | \$ 1,374,264 | \$ 241,449 | \$ 2,383,228 |

GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Page 29

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

| | ERS | TRS |
|-------------|------------|------------|
| Year ended: | | |
| 2017 | \$ 532,370 | \$ 477,683 |
| 2018 | 381,373 | (879,046) |
| 2019 | 381,373 | (879,046) |
| 2020 | 363,639 | 363,072 |
| 2021 | - | (23,387) |
| Thereafter | - | (68,240) |

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

| | ERS | TRS |
|--------------------------|----------------------------------|------------------------------------|
| Measurement date | 3/31/16 | 6/30/15 |
| Actuarial valuation date | 4/1/15 | 6/30/14 |
| Interest rate | 7% | 8% |
| Salary scale | 3.8% average 4/1/10 – 3/31/15 | 4.01% - 10.91% 7/1/05 – 6/30/10 |
| | System's | System's |
| Decrement tables | Experience | Experience |
| Inflation rate | 2.5% | 3% |

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

4. Actuarial Assumptions (continued)

For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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

| | ERS 3/31/16 | TRS 6/30/15 |
|----------------------------------|----------------|----------------|
| Measurement date | | |
| Asset Type: | | |
| Domestic Equity | 38% | 37% |
| International Equity | 13% | 18% |
| Private Equity | 10% | -% |
| Real Estate | 8% | 10% |
| Other investments | 9% | 7% |
| Domestic fixed income securities | -% | 17% |
| Global fixed income securities | -% | 2% |
| Bonds and Mortgages | 18% | 8% |
| Cash and short-term | 2% | 1% |
| Inflation-indexed bond funds | 2% | -% |
| Total: | 100% | 100% |

5. Discount Rate (continued)

The discount rate used to calculate the total pension liability was 7% for ERS and 8% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Page 30

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$150,997.

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, 2015 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 \$1,416,995 (employer contributions \$1,356,729 and employee contributions of \$60,266).

| | 1% Decrease (7%) | Current Assumption (8%) | 1% Increase (9%) |
|---|------------------------|-------------------------------|------------------------|
| Employer's proportionate share of the net pension asset (liability) | \$ (470,538) | \$ 6,898,076 | \$ 13,181,956 |

9. Restatement of the Net Position

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follows:

| | | |
|--|----|-----------|
| GASB Statement No. 68 implementation | | |
| Beginning System asset - Teachers' Retirement System | \$ | 426,283 |
| Beginning System liability - Employees' Retirement System | | (548,080) |
| Beginning deferred outflow of resources for contributions subsequent to the measurement date | | |
| Teachers' Retirement System | | 1,607,617 |
| Employees' Retirement System | | 177,332 |
| Total | \$ | 1,663,152 |

The District has no liability related to other post-employment benefits as prescribed by GASB 45 as the District does not provide health insurance to its retirees.

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 31

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

The District may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds.

State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. On July 17, 2014, the District issued bond anticipation notes in the amount of \$4,453,000 to fund its current capital project. The bond anticipation notes had an interest rate of 1.0% and matured on June 16, 2015, at which time the District issued new serial bonds. The proceeds from the bond anticipation notes and bonds were utilized to finance the District's capital project.

b. Short-Term Debt Interest

The District had no interest on short-term debt for the year ended June 30, 2016.

2. Long-Term Debt

a. Debt Limit

At June 30, 2016, the total indebtedness represents approximately 55% of its debt limit.

b. Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of capital assets.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Changes

The changes in the School District's indebtedness during the year ended June 30, 2016 are summarized as follows:

| | Balance June 30, 2016 | Balance June 30, 2015 | Amounts Due Within One Year |
|-----------------------|--------------------------------------|--------------------------------------|--|
| Serial bonds | \$ 10,220,675 | \$ 12,297,109 | \$ 2,360,000 |
| Net pension liability | 1,979,418 | 409,738 | - |
| Compensated absences | 1,090,000 | 1,038,000 | 424,000 |
| | <u>\$ 13,290,093</u> | <u>\$ 13,744,847</u> | <u>\$ 2,784,000</u> |

d. Summary

- The following is a summary of maturity of serial bonds indebtedness on June 30, 2016.

| Description of Issue | Outstanding June 30, 2016 |
|--|--------------------------------------|
| <u>Serial Bonds:</u> | |
| Building Construction and Reconstruction Bonds, issued October 31, 2012 with maturity date of June 2019; bonds carry interest at 3.0% - 5.0%. Refunded previous 2002 serial bonds. | \$ 2,805,000 |
| Building Construction and Reconstruction Bonds, issued July 2015 with maturity date of December 15, 2021; bonds carry interest at 2%. Refunded previous 2003 and 2007 serial bonds | 3,180,000 |
| Building Construction and Reconstruction Bonds, issued June 16, 2015 with maturity date of June 2027; bonds carry interest at 1.0% - 2.75%. | 3,765,000 |
| <u>Serial Bonds:</u> | |
| Bonds related to BOCES capital project, issued June 15, 2006 with maturity date of June 2019; bonds carry interest at 3.5% - 4.0%. | 90,000 |
| Subtotal of serial bonds | 9,840,000 |
| Add: unamortized bond premium | 380,675 |
| | <u>\$ 10,220,675</u> |

GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Page 32

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

e. Maturity

1. The following is a summary of maturing debt service requirements for serial bonds and capital leases:

| Year | Serial Bonds | |
|-----------|---------------------|-------------------|
| | Principal | Interest |
| 2017 | \$ 2,360,000 | \$ 278,944 |
| 2018 | 1,625,000 | 191,044 |
| 2019 | 1,685,000 | 139,231 |
| 2020 | 775,000 | 85,881 |
| 2021 | 790,000 | 69,831 |
| 2022-2026 | 2,250,000 | 175,144 |
| 2027 | 355,000 | 9,763 |
| Total | <u>\$ 9,840,000</u> | <u>\$ 949,838</u> |

f. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$370,191 for the year ended June 30, 2016 and consisted of interest paid on bonds held by the district.

3. Refunding of Long-Term Debt

On July 9, 2015, the District issued general obligation bond series 2015 of \$3,225,000 (par value) with an interest rate of 2% to refund general obligation bonds originally issued in 2003 and 2007 with interest rates ranging from 3.5% to 4.125%. The net proceeds of \$3,184,705 (after discounts, bond issuance costs and additional cash of \$90,643 and issue premium of \$50,348) were used to purchase government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments of the bonds.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity

A. Classification

The District's fund equity is comprised of various components.

| Category / Fund | Description | Balance June 30, 2016 |
|----------------------|------------------------------------|-----------------------------|
| Nonspendable: | | |
| Food Service | Inventory | \$ 26,164 |
| | Prepaid expenses | 2,258 |
| | | <u>\$ 28,422</u> |
| Restricted: | | |
| General | Reserve for employee benefits | \$ 602,674 |
| | Reserve for retirement | |
| | system contributions | 1,001,346 |
| | Reserve for unemployment | 85,142 |
| | Reserve for repairs | - |
| | Reserve for capital | 1,205,065 |
| | Insurance reserve | 112,515 |
| | | <u>\$ 3,006,742</u> |
| Debt Service | Fund Balance | <u>\$ 970,980</u> |
| Trust and Agency | Reserve for endowment Scholarships | <u>\$ 604,170</u> |
| Assigned: | | |
| General | Appropriated Fund Balance | \$ 1,563,425 |
| | Encumbrances | 748,361 |
| | | <u>\$ 2,311,786</u> |
| Food Service | Fund Balance | <u>\$ 102,928</u> |
| Capital Projects | Fund Balance | <u>\$ 136,780</u> |

B. Assigned – Appropriated Fund Balance

General Fund - The amount of \$1,563,425 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2017 as allowed by Section 1318 of the Real Property Tax Law.

C. District-wide Net Position

Net position of the District include restricted net position of \$3,977,722 which represents restricted amounts in the general and debt service funds as presented above.

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 33

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The **Gowanda Central School District** is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

2. Risk Sharing Pools

For its employee health and accident coverage, **Gowanda Central School District** is a participant in the NY 44 Health Trust, a public entity risk pool operated for the benefit of Erie and surrounding counties governmental units. The School District pays monthly premiums to the Plan for this health coverage.

The Plan is authorized to assess supplemental premiums to the participating districts. The Medical Plan obtains independent coverage for insured events in excess of this amount.

The District also participates in Erie #2 Area Schools Self Funded Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Erie #2 Area Schools Self Funded Workers' Compensation Plan is considered a self-sustaining risk pool that will provide coverage for its members up to \$500,000 per insured event and the District has transferred all related risk to the Plan. The excess expenses of any claim above the coverage amount will be paid by the carrier. The Plan has a liability for unbilled and open claims, for which the District has not made a provision for this its share of the liability. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Commitments and Contingencies (continued)

B. Federal and State Grants

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

C. Litigation

The District is involved with various legal proceedings which in the opinion of management will not have a material adverse effect upon the financial position of the District.

VIII. Native American Tuition and Transportation

During the fiscal year ended June 30, 2016, the District has claims for reimbursement related to Native American tuition in the amount of \$2,320,259. These amounts were not received as of June 30, 2016 and therefore recorded as a State and Federal Aid receivable. At the date of the audit, the District had no indication as to the date of when such funds would be available to the District. As a result of this uncertainty and based on prior years' experience, the District recorded estimated Native American tuition in the amount of \$2,320,259 as deferred inflows of resources in the fund financial statements. In the district-wide financial statements, the total receivable recognized was recorded as revenue as a result of such reimbursement being earned as of June 30, 2016.

The District received reimbursement for expenditures related to Native American transportation. During the years ended June 30, 2016 and 2015, the District received \$413,563 and \$374,786, respectively which was reported in the special aid fund, along with applicable transportation expenditures.

**GOWANDA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 34

NOTE 4 – CAPITAL PROJECT

In a special meeting held on November 10, 2009 voters of the **Gowanda Central School District** voted to adopt a proposition authorizing the District to undertake an improvement program consisting of building renovations and upgrades; High School auditorium and gymnasium renovations and upgrades; High School addition; and the Stream Bank Stabilization Project at a maximum cost of \$6,821,593. During the year ended June 30, 2016, the District incurred costs totaling \$27,937.

The District also had expenditures in the current year in the amount of \$98,638 related to its capital outlay projects.

NOTE 5 – PRIOR PERIOD ADJUSTMENTS

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follows:

| | |
|--|----------------------|
| Net position beginning of year, as previously stated | <u>\$ 30,618,831</u> |
| GASB Statement No. 68 implementation | |
| Beginning System asset - Teachers' Retirement System | 426,283 |
| Beginning System liability - Employees' Retirement System | (548,080) |
| Beginning deferred outflow of resources for contributions subsequent to the measurement date | |
| Teachers' Retirement System | 1,607,617 |
| Employees' Retirement System | <u>177,332</u> |
| Total prior period adjustment | <u>1,663,152</u> |
| Net position beginning of year, as restated | <u>\$ 32,281,983</u> |

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 21, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

GOWANDA CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Original Budget | Revised Budget | Current Year's Revenue | Over (Under) Revised Budget |
|--|----------------------|----------------------|------------------------------|-----------------------------------|
| Revenues | | | | |
| Local Sources: | | | | |
| Real property taxes and tax items | \$ 4,975,045 | \$ 4,975,045 | \$ 4,979,693 | \$ 4,648 |
| Non-property tax items | 715,365 | 715,365 | 761,020 | 45,655 |
| Charges for services | 2,282,949 | 2,282,949 | 2,506,544 | 223,595 |
| Use of money and property | 20,500 | 20,500 | 27,196 | 6,696 |
| Sale of property and compensation for loss | 900 | 900 | 4,225 | 3,325 |
| Miscellaneous | 177,500 | 177,500 | 263,366 | 85,866 |
| State Sources: | | | | |
| Basic formula | 16,628,652 | 16,628,652 | 16,896,174 | 267,522 |
| BOCES | 1,070,518 | 1,070,518 | 1,150,072 | 79,554 |
| Textbooks | 73,608 | 73,608 | 72,056 | (1,552) |
| State Emergency Management Aid | - | - | - | - |
| All other aid | 135,930 | 135,930 | 298,367 | 162,437 |
| Federal Sources: | | | | |
| Medicaid reimbursement | - | - | 990,534 | 990,534 |
| Federal Emergency Management Act | - | - | 41,260 | 41,260 |
| Total revenue | 26,080,967 | 26,080,967 | 27,990,507 | 1,909,540 |
| Other Sources: | | | | |
| Operating transfer in | 225,132 | 225,132 | 1,362 | (223,770) |
| Total revenue and other sources | 26,306,099 | 26,306,099 | <u>\$ 27,991,869</u> | <u>\$ 1,685,770</u> |
| Appropriated fund equity | 2,483,409 | 3,404,766 | | |
| Total revenue, other sources and appropriated fund equity | <u>\$ 28,789,508</u> | <u>\$ 29,710,865</u> | | |

| | Original Budget | Revised Budget | Current Year's Expenditures | Encumbrances | Unencumbered Balances |
|---|----------------------|----------------------|-----------------------------------|-------------------|--------------------------|
| Expenditures | | | | | |
| General Support: | | | | | |
| Board of education | \$ 37,676 | \$ 39,536 | \$ 32,488 | \$ - | \$ 7,048 |
| Central administration | 204,927 | 228,203 | 225,136 | - | 3,067 |
| Finance | 481,604 | 463,840 | 406,597 | 13,227 | 44,016 |
| Staff | 145,503 | 210,756 | 161,646 | 12,500 | 36,610 |
| Central services | 2,318,555 | 2,645,505 | 2,336,391 | 127,398 | 181,716 |
| Special items | 348,362 | 302,843 | 296,646 | - | 6,197 |
| Instructional: | | | | | |
| Instruction, administration and improvement | 818,791 | 852,689 | 797,043 | - | 55,646 |
| Teaching - regular school | 7,661,009 | 7,720,291 | 7,286,828 | 231,002 | 202,461 |
| Programs for children with handicapping conditions | 3,473,163 | 3,504,337 | 3,040,506 | 2,199 | 461,632 |
| Teaching - special schools | 90,692 | 104,807 | 84,733 | - | 20,074 |
| Occupational education | 494,708 | 494,708 | 485,153 | - | 9,555 |
| Instructional media | 758,349 | 804,578 | 841,708 | 1,779 | (38,909) |
| Pupil services | 1,202,717 | 1,288,873 | 1,211,004 | 22,305 | 55,564 |
| Pupil Transportation | 1,420,972 | 2,063,819 | 1,286,499 | 337,951 | 439,369 |
| Employee Benefits | 6,373,748 | 6,158,002 | 5,745,607 | - | 412,395 |
| Debt Service: | | | | | |
| Debt service principal | 2,205,000 | 2,270,000 | 2,270,000 | - | - |
| Debt service interest | 491,394 | 370,192 | 370,191 | - | 1 |
| Total expenditures | <u>28,527,170</u> | <u>29,522,979</u> | <u>26,878,176</u> | <u>748,361</u> | <u>1,896,442</u> |
| Other Uses: | | | | | |
| Transfer to other funds | 262,338 | 187,886 | 147,210 | - | 40,676 |
| Total other uses | <u>262,338</u> | <u>187,886</u> | <u>147,210</u> | <u>-</u> | <u>40,676</u> |
| Total expenditures and other uses | <u>\$ 28,789,508</u> | <u>\$ 29,710,865</u> | <u>27,025,386</u> | <u>\$ 748,361</u> | <u>\$ 1,937,118</u> |
| Excess of revenue and other sources over expenditures and other uses | | | <u>\$ 966,483</u> | | |

GOWANDA CENTRAL SCHOOL DISTRICT**Schedule SS1A****COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016****Page 36**

| | School Food Service Fund | | |
|--|--------------------------|-------------------|-------------------------|
| | Budget (Amended) | Actual | Variance Fav. (Unf.) |
| Revenue | | | |
| State sources | \$ 72,259 | \$ 16,774 | \$ (55,485) |
| Federal sources | 460,559 | 439,285 | (21,274) |
| Sales | 206,200 | 227,672 | 21,472 |
| Miscellaneous | 150 | 1,872 | 1,722 |
| Surplus food | 20,820 | 24,854 | 4,034 |
| Use of money and property | 100 | 216 | 116 |
| Total revenue | 760,088 | 710,673 | (49,415) |
| Expenditures | | | |
| General support | 272,442 | 270,387 | 2,055 |
| Employee benefits | 102,434 | 83,124 | 19,310 |
| Cost of sales | 315,820 | 304,113 | 11,707 |
| Other expenses | 69,392 | 33,031 | 36,361 |
| Total expenditures | 760,088 | 690,655 | 69,433 |
| Other sources | | | |
| Transfer from other funds | - | 3,000 | 3,000 |
| Total other sources | - | 3,000 | 3,000 |
| Excess of revenue over expenditures | <u>\$ -</u> | <u>23,018</u> | <u>\$ 23,018</u> |
| Fund equity, beginning of year | | <u>108,332</u> | |
| Fund equity, end of year | | <u>\$ 131,350</u> | |

GOWANDA CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS2

Page 37

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

| | |
|--|-----------------------------|
| Adopted budget | \$ 28,789,508 |
| Additions: | |
| Prior year's encumbrances | <u>583,406</u> |
| Original budget | 29,372,914 |
| Budget revisions: | |
| Utilization of transportation reserve to purchase vehicles | <u>337,951</u> |
| Final budget | <u><u>\$ 29,710,865</u></u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | |
|--|-----------------------------|
| 2016-17 voter-approved expenditure budget | <u><u>\$ 29,938,210</u></u> |
| Maximum allowed (4% of 2016-17 budget) | <u><u>\$ 1,197,528</u></u> |

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

Unrestricted fund balance:

| | |
|---------------------------------|------------------|
| Committed fund balance | \$ - |
| Assigned fund balance | 2,311,786 |
| Unassigned fund balance | <u>1,189,539</u> |
| Total unrestricted fund balance | <u>3,501,325</u> |

Less:

| | |
|--|------------------|
| Appropriated fund balance | 1,563,425 |
| Insurance recovery reserve | - |
| Tax reduction reserve | - |
| Encumbrances included in committed and assigned fund balance | <u>748,361</u> |
| Total adjustments | <u>2,311,786</u> |

| | |
|--|----------------------------|
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law: | <u><u>\$ 1,189,539</u></u> |
|--|----------------------------|

| | |
|--------------------------|---------------------|
| Actual percentage | <u><u>3.97%</u></u> |
|--------------------------|---------------------|

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

GOWANDA CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS3

Page 38

| Project Title | Original Appropriation | Revised Appropriation | Expenditures | | | | Unexpended (Overexpended) Balance | Methods of financing | | | | Fund Balance June 30, 2016 |
|---|---------------------------|--------------------------|----------------------|-------------------|-----------------------------|----------------------|---|----------------------------|---------------------|---------------------|----------------------|----------------------------------|
| | | | Prior Years | Current Year | Transfer to general fund | Total | | Proceeds of Obligations | State Sources | Local Sources | Total | |
| Reconstruction project 2008 | \$ 6,821,593 | \$ 6,821,593 | \$ 6,793,179 | \$ 27,937 | \$ - | \$ 6,821,116 | \$ 477 | \$ 5,163,408 | \$ 1,407,264 | \$ 287,224 | \$ 6,857,896 | \$ 36,780 |
| 2013 Capital Outlay Project | 100,000 | 100,000 | 100,000 | - | - | 100,000 | - | - | - | 100,000 | 100,000 | - |
| 2014 Capital Outlay Project | 100,000 | 100,000 | - | 98,638 | 1,362 | 100,000 | - | - | - | 100,000 | 100,000 | - |
| 2015 Capital Outlay Project | 100,000 | 100,000 | - | - | - | - | 100,000 | - | - | 100,000 | 100,000 | 100,000 |
| Reconstruction project 2006 | 7,762,492 | 7,762,492 | 7,767,196 | - | - | 7,767,196 | (4,704) | 5,075,000 | 1,641,669 | 1,050,527 | 7,767,196 | - |
| | <u>\$ 14,884,085</u> | <u>\$ 14,884,085</u> | <u>\$ 14,660,375</u> | <u>\$ 126,575</u> | <u>\$ 1,362</u> | <u>\$ 14,788,312</u> | <u>\$ 95,773</u> | <u>\$ 10,238,408</u> | <u>\$ 3,048,933</u> | <u>\$ 1,637,751</u> | <u>\$ 14,925,092</u> | 136,780 |
| Less: Bond anticipation notes outstanding | | | | | | | | | | | | - |
| Ending fund equity as of June 30, 2016 | | | | | | | | | | | | <u>\$ 136,780</u> |

GOWANDA CENTRAL SCHOOL DISTRICT**Schedule SS4A****BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016****Page 39**

| Grant Title | Grantors Project No. | Grant Period | Total Revenue | Total Expenditures |
|--------------------------------|-------------------------|-----------------|-------------------|-----------------------|
| Summer School * | N/A | 2015-16 | \$ 152,990 | \$ 152,990 |
| Primary Project Grant | N/A | 2015-16 | 15,000 | 15,000 |
| Wellness Grant | N/A | 2015-16 | 331 | 331 |
| Native American Transportation | N/A | 2015-16 | 413,563 | 413,563 |
| Universal Pre-Kindergarten | 0409-16-0250 | 2015-16 | 155,483 | 155,483 |
| Livermore Grant | N/A | 2015-16 | 5,000 | 5,000 |
| School breakfast programs | N/A | 2015-16 | 5,882 | 5,882 |
| School lunch programs | N/A | 2015-16 | 10,892 | 10,892 |
| | | | <u>\$ 759,141</u> | <u>\$ 759,141</u> |

Included in revenue is an interfund transfer from the general fund for the local share of the grant in the amount of \$44,210.

GOWANDA CENTRAL SCHOOL DISTRICT

Schedule SS4B

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Gowanda Central School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principle, and Audit Requirements of Federal Awards (*Uniform Guidance*). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Non-monetary Federal Program

The accompanying **Gowanda Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2016, the District reported in the Schedule of Federal Awards \$24,854 of donated commodities at fair market value received and disbursed.

Note 3 – Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

GOWANDA CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS4C

Page 40

| Federal Program Title | Federal CFDA Number | Agency or Pass-through Number | Program or Award Amount | Revenue | Expenditures |
|--|---------------------------|-------------------------------------|-------------------------------|--------------|--------------|
| US Department of Education: | | | | | |
| Direct Award: | | | | | |
| Title VII * | 84.060 | 5060A150330 | \$ 143,392 | \$ 143,392 | \$ 143,392 |
| Title VIII, Impact Aid * | 84.041 | 42-NY-2016-6704 | 884,889 | 884,889 | 884,889 |
| Passed through NYS | | | | | |
| Department of Education: | | | | | |
| Title I | 84.010A | 0021-16-0250 | 403,796 | 400,670 | 400,670 |
| Title I | 84.010A | 0021-15-0250 | 3,802 | 3,802 | 3,802 |
| Title I, school improvement | 84.010A | 0011-16-2574 | 42,852 | 6,533 | 6,533 |
| Title II, Part A | 84.367A | 0147-16-0250 | 81,213 | 81,965 | 81,965 |
| Title VI - Part B - Rural Schools | 84.358B | 0006-07-0250 | 24,275 | 24,275 | 24,275 |
| Title II, Part A | 84.367A | 0147-15-0250 | 752 | 752 | 752 |
| IDEA, Part B Public Law 94-142 ** | 84.027A | 0032-16-0080 | 306,393 | 305,674 | 305,674 |
| IDEA, Pre-school Public Law 99-457 ** | 84.173A | 0033-16-0080 | 14,318 | 14,279 | 14,279 |
| US Department of Homeland Security: | | | | | |
| Passed through NYS | | | | | |
| Emergency Management Office | | | | | |
| Federal Emergency Management Aid | 97.042 | PA-02-NY-4180-PW-00268(0) | 41,260 | 41,260 | 41,260 |
| Passed through Chautauqua Opportunities | | | | | |
| 21st Century | 84.287 | Unknown | 49,294 | 46,414 | 46,414 |
| US Department of Agriculture: | | | | | |
| Passed through NYS | | | | | |
| Department of Education: | | | | | |
| National School Lunch Program *** | | | | | |
| Cash Assistance | 10.555 | N/A | 327,110 | 327,110 | 327,110 |
| National School Breakfast Program *** | 10.553 | N/A | 112,175 | 112,175 | 112,175 |
| Passed through NYS | | | | | |
| Office of General Services: | | | | | |
| National School Lunch Program *** | | | | | |
| Non-Cash Assistance (commodities) | 10.555 | N/A | 24,854 | 24,854 | 24,854 |
| Total expenditures and revenue | | | | \$ 2,418,044 | \$ 2,418,044 |

* Represents direct Federal funding

** Constitutes a cluster of Federal programs named Special Education Cluster which had total revenue in the amount of \$ 319,953

*** Constitutes a cluster of Federal programs name Child Nutrition Cluster which had total revenue in the amount of \$ 464,139

GOWANDA CENTRAL SCHOOL DISTRICT
SCHEDULE OF MAJOR PROGRAMS TESTED
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS4D

Page 41

| <u>Federal Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount</u> |
|--|------------------------------------|---------------------|
| Total expenditures of Federal Awards | | <u>\$ 2,418,044</u> |
| Major Programs Tested (Type A and B): | | |
| Title I | 84.010A | \$ 411,005 |
| Title VIII, Impact Aid | 84.041 | <u>884,889</u> |
| Total major programs tested | | <u>\$ 1,295,894</u> |
| % of Federal programs tested | | <u>54%</u> |

GOWANDA CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUE AND EXPENDITURES
COMPARED TO ST-3 DATA – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS5

Page 42

| | Account Code | ST-3 Amount | Audited Amount |
|--------------------------|-----------------|----------------|-------------------|
| Revenues | | | |
| Property taxes | A-1001 | \$ 4,979,693 | \$ 4,979,693 |
| Non-property taxes | AT-1199 | 761,020 | 761,020 |
| State aid | AT-3999 | 18,416,669 | 18,416,669 |
| Federal aid | AT-4999 | 1,031,794 | 1,031,794 |
| Total revenue | AT-5999 | 27,991,869 | 27,991,869 |
| Expenditures | | | |
| General support | AT-1999 | 3,458,904 | 3,458,904 |
| Pupil transportation | AT-5599 | 1,286,499 | 1,286,499 |
| Debt service - principal | AT-9798.6 | 2,270,000 | 2,270,000 |
| Debt service - interest | AT-9798.7 | 370,191 | 370,191 |
| Total expenditures | AT-9999 | \$ 27,025,386 | \$ 27,025,386 |

GOWANDA CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2016

Schedule SS6

Page 43

| | |
|----------------------------------|-----------------------------|
| Capital assets | \$ 35,710,425 |
| Less: | |
| Serial bonds | (10,220,675) |
| Bond anticipation notes | - |
| Plus: | |
| Equity in capital projects fund | <u>136,780</u> |
| Net investment in capital assets | <u><u>\$ 25,626,530</u></u> |

GOWANDA CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THORUGH JUNE 30, 2016

Schedule SS7

Page 44

New York State Teachers' Retirement System

| For the year ended June 30, | 2016 | 2015 | 2014 | 2013 |
|--|---------------|--------------|--------------|--------------|
| Contractually required contributions | \$ 1,356,729 | \$ 1,748,786 | \$ 1,607,612 | \$ 1,140,307 |
| Contributions in relation to the contractually required contribution | (1,356,729) | (1,748,786) | (1,607,612) | (1,140,307) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 10,231,742 | \$ 9,975,961 | \$ 9,892,997 | \$ 9,630,971 |
| Contributions as a percentage of District's covered-employee payroll | 13.26% | 17.53% | 16.25% | 11.84% |

New York State Local Employees' Retirement System

| For the year ended March 31, | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|
| Contractually required contributions | \$ 577,021 | \$ 582,072 | \$ 609,747 | \$ 696,630 |
| Contributions in relation to the contractually required contribution | (577,021) | (582,072) | (609,747) | (696,630) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 3,230,306 | \$ 3,281,798 | \$ 3,303,280 | \$ 3,263,294 |
| Contributions as a percentage of District's covered-employee payroll | 17.86% | 17.74% | 18.46% | 21.35% |

**SCHEDULE DISTRICTS PROPORTIONATE SHARE DOF THE
NET PENSION ASSET – NYSTRS AND PROPORTIONATE SHARE OF
NET PENSION LIABILITY – NYSLERS****FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2016****Page 45*****New York State Teachers' Retirement System - Net Pension Asset***

| As of the measurement date of June 30, | 2016 | 2015 | 2014 | 2013 |
|--|------|--------------|--------------|------------|
| District's proportion of the net pension asset | n/a | 0.066412% | 0.066973% | 0.064760% |
| District's proportionate share of the net pension asset | n/a | \$ 6,898,076 | \$ 7,460,404 | \$ 426,283 |
| District's covered-employee payroll | n/a | 9,975,961 | 9,892,997 | 9,630,971 |
| District's proportionate share of the net pension asset as a percentage of its covered employee payroll | n/a | 69.15% | 75.41% | 4.43% |
| Plan fiduciary net position as a percentage of the total pension liability | n/a | 110.46% | 111.48% | 100.70% |

New York State Local Employees' Retirement System - Net Pension Liability

| As of the measurement date of March 31, | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|------|
| District's proportion of the net pension liability | 0.0122326% | 0.0121287% | n/a | n/a |
| District's proportionate share of the net pension liability | \$ 1,979,418 | \$ 409,738 | \$ 548,080 | n/a |
| District's covered-employee payroll | \$ 3,230,306 | \$ 3,281,798 | \$ 3,303,280 | n/a |
| District's proportionate share of the net pension liability as a percentage of its covered employee payroll | 61.28% | 12.49% | 16.59% | n/a |
| Plan fiduciary net position as a percentage of the total pension liability | 90.70% | 97.90% | n/a | n/a |



**INDEPENDENT AUDITOR'S 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"**

**To the President and
Members of the Board of Education
Gowanda Central School District
Gowanda, 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 and each major fund of *Gowanda Central School District* as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise *Gowanda Central School District's* basic financial statements and have issued our report thereon dated September 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered *Gowanda Central School 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 *Gowanda Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Gowanda Central School District* internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item II.A.2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Gowanda Central School District's* financial statements are free of 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.

Gowanda Central School District's Response to Findings

Gowanda Central School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. *Gowanda Central School District's* response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not provided 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 21, 2016**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

**To the President and
Members of the Board of Education
Gowanda Central School District
Gowanda, New York**

Report on Compliance for Each Major Federal Program

We have audited *Gowanda Central School District's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of *Gowanda Central School District's* major federal programs for the year ended June 30, 2016. *Gowanda Central School District's* major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of *Gowanda Central School 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 Part 200, Uniform Administrative Requirements, Cost Principle, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and 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 *Gowanda Central School 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 legal determination on *Gowanda Central School District's* compliance.

Opinion on Each Major Federal Program

In our opinion, *Gowanda Central School District* complied, in all material respects, with the 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 *Gowanda Central School 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 *Gowanda Central School District's* internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the 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 award 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 the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted other matters that we have reported to management of [Gowanda Central School District](#) in a separate letter dated September 21, 2016.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 21, 2016**

GOWANDA CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Page 50

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of **Gowanda Central School District**.
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". This significant deficiency is described in the accompanying schedule of findings and questioned costs as item II.A.2016-001.
3. There were no instances of noncompliance material to the financial statements of **Gowanda Central School District** reported in the 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".
4. No significant deficiencies relating to the audit of the major federal assistance programs of the **Gowanda Central School District** are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Uniform Guidance.
5. The auditor's report on compliance for the major federal assistance programs for the **Gowanda Central School District** expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.

7. The programs tested as major programs include:

| <u>Name</u> | <u>CFDA#</u> | <u>Program Type</u> | <u>Expenditures Amounts</u> |
|-------------------------------------|--------------|---------------------|-----------------------------|
| Title I | 84.010A | Type B | \$ 411,005 |
| Title VIII, Impact Aid | 84.041 | Type A | 884,889 |
| Total tested | | | <u>\$ 1,295,894</u> |
| Percentage of total programs tested | | | <u>54%</u> |

8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. **Gowanda Central School District** does qualify as a low-risk auditee.

GOWANDA CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Page 51

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2016-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2016

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors.

Effect: AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to GAAP.

Auditor's Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with draft financial statements.

District's Response: The District has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments on these financial statements. Lastly, the District considers such assistance provided by the auditors to be the most cost effective in preparing such information.

Year ended June 30, 2015

Similar finding was reported on during the fiscal year ended June 30, 2015 reported as item 2015-001.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2016

No findings related to compliance are being reported upon during the fiscal year ended June 30, 2016.

Year ended June 30, 2015

No findings related to compliance were reported upon during the fiscal year ended June 30, 2015.

GOWANDA CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Page 52

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2016

No findings related to compliance were reported upon during the fiscal year ended June 30, 2016.

Year ended June 30, 2015

No findings related to compliance were reported upon during the fiscal year ended June 30, 2015.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2016

No findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2016.

Year ended June 30, 2015

No findings related to internal control over compliance were reported on during the fiscal year ended June 30, 2015.



To the President and Members of the
Board of Education
and School Administration
Gowanda Central School District
Gowanda, New York

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2016 of the District's financial statements and have issued our reports thereon dated September 21, 2016. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Gowanda Central School District* for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the District generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2012 through June 30, 2016. In addition, we have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Gowanda Central School District* has provided responses to the additional comments, however, we did not audit these responses and, accordingly, we express no opinion on them.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C

**Olean, New York
September 21, 2016**

GOWANDA CENTRAL SCHOOL DISTRICT
REVENUE AND EXPENDITURES COMPARISON AND
ANALYSIS OF FUND EQUITY (AMOUNTS IN \$1,000)

Page 54

| | 06/30/16 | 06/30/15 | 06/30/14 | 06/30/13 | 06/30/12 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue and other sources | | | | | |
| Property taxes | \$ 4,980 | \$ 4,902 | \$ 4,829 | \$ 4,714 | \$ 4,619 |
| Non-property taxes | 761 | 765 | 748 | 735 | 739 |
| State aid | 18,417 | 18,009 | 17,378 | 16,237 | 17,097 |
| All other | 3,834 | 3,074 | 3,207 | 4,590 | 1,771 |
| | <u>27,992</u> | <u>26,750</u> | <u>26,162</u> | <u>26,276</u> | <u>24,226</u> |
| Expenditures and other uses | | | | | |
| General support | 3,459 | 3,389 | 3,164 | 3,107 | 2,872 |
| Instruction | 13,748 | 13,228 | 13,239 | 12,859 | 12,296 |
| Transportation | 1,286 | 1,054 | 1,325 | 1,012 | 1,349 |
| Benefits | 5,746 | 6,059 | 6,018 | 5,488 | 4,880 |
| Debt | 2,640 | 2,683 | 2,645 | 2,724 | 2,458 |
| Transfers | 147 | 122 | 139 | 65 | 1,300 |
| | <u>27,026</u> | <u>26,535</u> | <u>26,530</u> | <u>25,255</u> | <u>25,155</u> |
| Excess (deficiency) of revenue over expenditures | 966 | 215 | (368) | 1,021 | (929) |
| Fund equity | | | | | |
| Beginning of year | 5,542 | 5,327 | 5,695 | 4,674 | 5,597 |
| Prior period adjustment | - | - | - | | 6 |
| End of year | <u>\$ 6,508</u> | <u>\$ 5,542</u> | <u>\$ 5,327</u> | <u>\$ 5,695</u> | <u>\$ 4,674</u> |
| Analysis of fund equity | | | | | |
| Restricted | | | | | |
| Reserve for repairs | \$ - | \$ - | \$ 30 | \$ 30 | \$ 30 |
| Reserve for employee benefits | 603 | 282 | 348 | 415 | 279 |
| Reserve for capital/transportation | 1,205 | 831 | 698 | 856 | 743 |
| Reserve for unemployment insurance | 85 | 61 | 75 | 106 | 84 |
| Reserve for insurance | 113 | 112 | 112 | 112 | 111 |
| Reserve for retirement system | 1,001 | 749 | 1,008 | 955 | 970 |
| Assigned | | | | | |
| Reserve for encumbrances | 748 | 583 | 188 | 365 | 272 |
| Next year's budget | 1,563 | 1,809 | 1,809 | 1,809 | 1,300 |
| Unassigned | 1,190 | 1,115 | 1,059 | 1,047 | 885 |
| | <u>\$ 6,508</u> | <u>\$ 5,542</u> | <u>\$ 5,327</u> | <u>\$ 5,695</u> | <u>\$ 4,674</u> |

**GOWANDA CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 55

Budgeting and Forecasting

During the fiscal years ended June 30, 2016, 2015 and 2014, the District's actual revenue and expenditures, including encumbrances was different from the budget by approximately \$3,623,000, \$2,644,000 and \$2,588,000, respectively. The District should continue to prepare projections of future revenue and expenditures and should consider incorporating into a three year forecast of revenue and expenditures in the general fund. We realize that such a forecast will require the use of estimates and assumptions of information such as the amount of expected State Aid, expected rate increase in health insurance, potential increase in salaries, etc. However, we believe a forecast is a very useful tool that the District can utilize when negotiating employee contracts, setting future tax rates, and purchasing future equipment. The forecast would also be beneficial in the budgeting process, whereby the District would have an indication as to whether current year operations are running at an overall surplus or deficit.

District response: The District understands the importance of utilizing revenue and expenditure projections to maintain good fiscal health.

Uniform Guidance

The Federal Office of Management and Budget (OMB) has issued new regulations titled the Uniform Guidance which takes effect for recipients of Federal grants for awards received after December 26, 2014. The new regulations attempt to combine and codify the requirements of eight circulars previously maintained by OMB and to streamline the Federal grant administrative, cost accounting, and audit policies in the Federal register. The new regulations do not affect grants awarded prior to that date, but rather, will affect future reporting of Federal grants for the District. The Uniform Guidance has a focus on improving overall performance and outcome of grants and to reduce administrative burdens for grant applicants and recipients, while reducing the risk of waste, fraud and abuse. Included in the new guidance is subpart D, Post-Federal Award Requirements, which outlines guidelines that pertain once a Federal grant is obtained. Some of the items outlined in this area are: internal controls, procurement standards, subrecipient monitoring, grant closeout, etc. We recommend individuals involved with the oversight of Federal grants at the District familiarize themselves with the new Uniform Guidance, which may include continuing education, webinars and further training.

District response: The District understands the importance of following the Uniform Guidance and the School District will encourage those individuals with oversight of the grants to obtain training.

GASB 75- Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans

In June 2015, the Government Accounting Standards Board issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions Plans – an amendment of GASB Statement No. 45. Statement No. 75 which will be effective for the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

The new accounting standard will require governmental entities to report its actuarial accrued liability related to OPEB in the statement of net position within the government-wide financial statements. The District currently does not have post-employment benefits, however, the District participates in a consortium health insurance plan where medical claim costs are pooled and risk is shared by the consortium, which includes retirees from other districts. We recommend that the District have an actuarial study performed by an actuary familiar with the plan to determine whether there is an implicit cost which would have to be quantified and included as a liability.

District response: The District understands the importance of complying with Statement No. 75 and plans to have an actuarial study during the 17-18 fiscal year.

GOWANDA CENTRAL SCHOOL DISTRICT

**EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**



INDEPENDENT AUDITOR'S REPORT

**To the President and
Members of the Board of Education
Gowanda Central School District
Gowanda, New York**

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Gowanda Central School District** for the year ended June 30, 2016 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 21, 2016**

GOWANDA CENTRAL SCHOOL DISTRICT**ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND****JULY 1, 2015 THROUGH JUNE 30, 2016****Page 57**

| | Beginning Balance June 30, 2015 | Receipts | Balance | Disbursements | Reallocations/ Adjustments | Ending Balance June 30, 2016 |
|---|---------------------------------------|------------|------------|---------------|-------------------------------|------------------------------------|
| High School Activity Funds | | | | | | |
| Class of 2015 | \$ 6,991 | \$ 1,180 | \$ 8,171 | \$ 8,171 | \$ - | \$ - |
| Class of 2016 | 7,266 | 7,345 | 14,611 | 7,068 | (465) | 7,078 |
| Class of 2017 | 5,350 | 13,186 | 18,536 | 11,014 | (1,084) | 6,438 |
| Class of 2018 | 5,042 | 3,751 | 8,793 | 2,919 | (125) | 5,749 |
| Class of 2019 | 2,263 | 3,523 | 5,786 | 2,150 | (75) | 3,561 |
| Band | 247 | 11,657 | 11,904 | 11,378 | (31) | 495 |
| Baseball Club | 15 | 2,011 | 2,026 | 1,321 | - | 705 |
| Baton and Volleyball Club | 7,241 | 10,043 | 17,284 | 9,155 | (55) | 8,074 |
| Boys' Basketball Club | - | 345 | 345 | 220 | (59) | 66 |
| Cheerleaders' Club | 92 | 7,901 | 7,993 | 8,002 | 32 | 23 |
| Ecology Club | 789 | - | 789 | - | - | 789 |
| Football Club | 1,504 | 6,029 | 7,533 | 5,586 | - | 1,947 |
| Girls' Basketball Club | 337 | - | 337 | 31 | - | 306 |
| Girls' Track Club | 70 | 1,027 | 1,097 | 1,040 | - | 57 |
| Lacrosse Club | 3,963 | 308 | 4,271 | 3,947 | - | 324 |
| National Honor Society Club | 2,395 | 3,796 | 6,191 | 2,992 | - | 3,199 |
| Native American Youth Organization Club | 319 | 1,100 | 1,419 | 778 | - | 641 |
| School Store | 1,209 | 4,457 | 5,666 | 3,967 | 31 | 1,730 |
| Softball Club | 2,495 | 1,293 | 3,788 | 1,467 | 16 | 2,337 |
| Spanish Club | 58 | 15,493 | 15,551 | 7,038 | 33 | 8,546 |
| Student Council | 8,320 | 3,674 | 11,994 | 6,220 | 256 | 6,030 |
| Student Music Boosters Club | 608 | 7,481 | 8,089 | 8,063 | 300 | 326 |
| Students Against Drunk Driving Club | 1,128 | 1,882 | 3,010 | 1,413 | (200) | 1,397 |
| Tennis Club | 168 | - | 168 | - | - | 168 |
| Thespians Club | 5,991 | 9,184 | 15,175 | 11,368 | 1,879 | 5,686 |
| Valley Bugle Club | 5,233 | 9,671 | 14,904 | 10,291 | 162 | 4,775 |
| Wrestlers Club | 2,227 | 4,814 | 7,041 | 5,422 | (100) | 1,519 |
| Sales Tax Account | 4,010 | 4,503 | 8,513 | 884 | (4,559) | 3,070 |
| Total high school | 75,331 | 135,654 | 210,985 | 131,905 | (4,044) | 75,036 |
| Middle School Activity Funds | | | | | | |
| Class of 2021 | - | 1,734 | 1,734 | 220 | - | 1,514 |
| Class of 2020 | 2,426 | 15,840 | 18,266 | 15,390 | - | 2,876 |
| Happy Tones | 11,656 | 10,258 | 21,914 | 9,351 | - | 12,563 |
| Middle School Student Council | 6,501 | 426 | 6,927 | 392 | - | 6,535 |
| Total middle school | 20,583 | 28,258 | 48,841 | 25,353 | - | 23,488 |
| Total activity funds | \$ 95,914 | \$ 163,912 | \$ 259,826 | \$ 157,258 | \$ (4,044) | \$ 98,524 |

See accompanying independent auditor's report and notes to financial statement on extraclassroom activity fund.

**GOWANDA CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

Page 58

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of **Gowanda Central School District**. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$98,524 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

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

NOTE 2 – REALLOCATIONS/ADJUSTMENTS

Included in the annual financial statement on extraclassroom fund is a column for reallocations/adjustments. This column represents transactions that include wire transfers, adjustments to receipts and disbursements and reclassification of transactions between activity funds.

**GOWANDA CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

Page 59

Internal Profit Margin Analysis

During our testing of cash receipts, we noted significant improvements in the documentation that demonstrated internal profit margin analyses were being performed on fundraisers. Margin analysis is an excellent tool for analyzing the profitability of a fundraiser, and also identifying any potential errors in record keeping or potential fraud. We recommend that the District continues to emphasize the importance of these analyses and provides the proper training and oversight for those individuals responsible for completing them.

District response: The District understands the importance of completing a profit margin analysis as an effort to safeguard against record keeping errors or potential fraud. District internal procedures require this analysis to be performed at the conclusion of each fund raising activity and will reiterate the District's expectations with personnel responsible for completing the internal profit margin analysis.

Inactive Activity Funds

During the audit of the extraclassroom activity fund we noted certain activities (Ecology Club and Tennis Club) which had no activity during the current fiscal year and seemed to be inactive. We recommend that the District continue to review activities which are deemed to be inactive should be closed out.

District's response: To close inactive accounts is a good idea, but not always practical. These accounts and amounts were authorized by past year classes to be held in trust by the District for future use as indicated by the account name. The District will continue to review inactive accounts.