

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



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**Year Ended June 30, 2016**

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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

The Board of Education  
Niagara Falls City School District, New York:

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position

thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Drescher & Malecki LLP*

November 3, 2016



**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016**

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

**Financial Highlights**

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$26,114,637 (*net position*). This consists of a deficit net investment in capital assets of \$707,607 and an unrestricted net deficit of \$27,317,714, offset by a \$1,910,684 net position restricted for specific purposes.
- The District's net position increased by \$9,582,963 during the year ended June 30, 2016.
- At the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$14,191,958, an increase of \$61,342,488 in comparison with the prior year. The increase primarily resulted from the proceeds of a serial bond issuance.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$5,482,205, or approximately 4.1 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 40.2 percent of the General Fund's total fund balance of \$13,648,283 at June 30, 2016.
- The District's total bonded indebtedness increased by \$52,145,000 during the year ended June 30, 2016, as a result of the issuance of serial bonds in the amount of \$55,505,000 and refunding bonds in the amount of \$7,715,000, offset by scheduled principal payments of \$3,135,000 and refunded bonds totaling \$7,715,000.

**Overview of the Financial Statements**

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

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

The *statement of net position* presents information on all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or

decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Aid Fund, School Lunch Fund, Capital Projects Fund, and Debt Service Fund, all of which are considered to be major.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

**Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District maintains two fiduciary funds, the Private Purpose Fund and the Agency Fund.

The fiduciary fund financial statements can be found on pages 17-18 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-45 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* concerning the District’s progress in funding its obligation to provide post-employment benefits to its employees, the District’s net pension liability, and the District’s budgetary comparison for the General Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 46-53 of this report.

Other Supplementary Information, as listed in the table of contents, is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 54-56 of this report.

The Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 57-66 of this report.

### Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$26,114,637 at the close of the most recent fiscal year, as compared to \$35,697,600 at the close of the fiscal year ended June 30, 2015.

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

**Table 1—Condensed Statements of Net Position**

	June 30,	
	2016	2015
Current assets	\$ 28,793,968	\$ 25,725,959
Noncurrent assets	<u>176,072,218</u>	<u>181,903,972</u>
Total assets	<u>204,866,186</u>	<u>207,629,931</u>
Deferred outflows of resources	<u>15,657,556</u>	<u>11,025,141</u>
Current liabilities	12,198,069	71,157,821
Noncurrent liabilities	<u>222,190,921</u>	<u>159,126,238</u>
Total liabilities	<u>234,388,990</u>	<u>230,284,059</u>
Deferred inflows of resources	<u>12,249,389</u>	<u>24,068,613</u>
Net position:		
Net investment in capital assets	(707,607)	(5,499,119)
Restricted	1,910,684	2,036,524
Unrestricted	<u>(27,317,714)</u>	<u>(32,235,005)</u>
Total net position	<u>\$ (26,114,637)</u>	<u>\$ (35,697,600)</u>

The District's net investment in capital assets is in a deficit position of \$(5,165,751) at June 30, 2016, this category of net position reflects the District's investment in capital assets (e.g. land, construction in progress, buildings and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net position, \$6,368,828, represents resources that are subject to external restrictions on how they may be used. Any remaining portion of the District's net position would represent resources that are unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. Unrestricted net position was in a deficit position of (\$27,317,714). This demonstrates that future funding will be necessary to liquidate long-term obligations.

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

**Table 2—Condensed Statements of Changes in Net Position**

	Year Ended June 30,	
	2016	2015
Program revenues:		
Charges for services	\$ 412,255	\$ 336,766
Operating grants and contributions	14,767,705	14,190,152
Capital grants and contributions	-	4,620,634
General revenues	131,474,791	127,023,282
Total revenues	146,654,751	146,170,834
Program expenses	137,071,788	133,902,510
Change in net position	9,582,963	12,268,324
Net position—beginning	(35,697,600)	(47,965,924)
Net position—ending	\$ (26,114,637)	\$ (35,697,600)

Overall revenues increased 0.3 percent from the prior year, due primarily to increases in unrestricted state sources which is mainly due to the receipt of greater basic formula state aid from the elimination of the gap adjustment in addition to aid for the start of an information technology project. This increase was offset by decreases in capital grants and contributions as the District received its final aid for ongoing capital projects during the year ended June 30, 2015 and completed said projects in the year ended June 30, 2016. Total expenses increased 2.4 percent from the year ended June 30, 2015, which is primarily attributed to an increase in instruction due to higher depreciation expense and allocable employee benefits, along with an increase in interest and other fiscal charges related to the issuance of refunding and serial bonds.

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

**Table 3—Summary of Sources of Revenues**

	Year Ended June 30,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
Charges for services	\$ 412,255	\$ 336,766	\$ 75,489	22.4
Operating grants and contributions	14,767,705	14,190,152	577,553	4.1
Capital grants and contributions	-	4,620,634	(4,620,634)	(100.0)
Taxes	29,350,394	29,174,396	175,998	0.6
Use of money and property	87,372	119,200	(31,828)	(26.7)
Other items	2,173,042	2,785,616	(612,574)	(22.0)
State sources—unrestricted	99,863,983	94,944,070	4,919,913	5.2
Total revenues	<u>\$ 146,654,751</u>	<u>\$ 146,170,834</u>	<u>\$ 483,917</u>	0.3

The most significant sources of revenues for the year ended June 30, 2016 were unrestricted State sources of \$99,863,938, or 68.1 percent of total revenues, and taxes of \$29,350,394, or 20.0 percent of total revenues. Similarly, for the year ended June 30, 2015, the largest sources of revenues were unrestricted State sources \$94,944,070, or 65.0 percent of total revenues, and taxes of \$29,174,396, or 20.0 percent of total revenues.

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

**Table 4—Summary of Program Expenses**

	Year Ended June 30,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
General support	\$ 18,203,102	\$ 19,112,424	\$ (909,322)	(4.8)
Instruction	101,523,402	99,216,837	2,306,565	2.3
Pupil transportation	8,701,321	8,120,791	580,530	7.1
Community services	130,852	138,074	(7,222)	(5.2)
School food service	3,933,545	3,780,877	152,668	4.0
Interest and other fiscal charges	4,579,566	3,533,507	1,046,059	29.6
Total program expenses	<u>\$ 137,071,788</u>	<u>\$ 133,902,510</u>	<u>\$ 3,169,278</u>	2.4

The most significant expense items for the year ended June 30, 2016 were instruction of \$101,523,402, or 74.1 percent of total expenses, general support of \$18,203,102, or 13.3 percent of total expenses, and pupil transportation of \$8,701,321, or 6.3 percent of total expenditures. Similarly, for the year ended June 30, 2015, the most significant expense items were instruction of \$99,216,837, or 74.1 percent of total expenses, general support of \$19,112,424, or 14.3 percent of total expenses, and pupil transportation of \$8,120,791, or 6.1 percent of total expenditures.

## Financial Analysis of Governmental Funds

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

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

At June 30, 2016, the District’s governmental funds reported combined ending fund balances of \$14,191,958 a change of \$61,342,488 from the prior year deficit fund balance of \$(47,150,530). The change resulted primarily from the issuance of serial bonds (\$55,505,000) and the related premium received (\$4,471,452). Approximately 38.6 percent of this amount, \$5,482,205, constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$318,983, (2) restricted for particular purposes, \$6,368,828, or (3) assigned for particular purposes, \$2,021,942.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$5,482,205, while the total fund balance increased to \$13,648,283. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. *Unassigned fund balance* represents approximately 4.1 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 10.3 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$4,845,192 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$2,121,473 of fund balance (this included funds appropriated from fund balance (\$2,100,000), and the re-appropriation of prior year’s encumbrances (\$21,473)). Thus, as a result of revenues exceeding budgeted expectations and spending less than anticipated, the District’s fund balance ended \$6,966,665 higher than originally anticipated. The main portion of this, \$4,552,688, represents premiums received on serial bonds transferred from the Debt Service Fund which is restricted for future debt payments.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Total revenues were \$9,817,854 and comprised of state, federal and local sources. Expenditures and transfers out totaled \$9,999,512 and were used toward the instruction and transportation of students. The difference between revenues and expenditures was subsidized by a transfer in from the General Fund.

At June 30, 2016, the District’s School Lunch Fund reports a fund balance of \$543,675, an increase of \$341,653 from the prior year. Nonspendable fund balance of \$92,803 is reported to reflect the amounts of inventory not in spendable form, which results in an assigned fund balance of \$450,872.

The District’s Capital Projects Fund fund balance increased \$56,889,357 from the prior year’s fund balance deficit of \$56,889,357 primarily due to the issuance of long-term debt during the year ended June 30, 2016. The District completed all outstanding capital projects during the current year.

At June 30, 2016, the District’s Debt Service Fund reports a fund balance of \$0, a decrease of \$733,714 from the prior year.

## General Fund Budgetary Highlights

The District's General Fund budget contains a minimal amount of budget amendments every year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose.

A summary of revisions from adopted budget to final budget is presented below in Table 5:

**Table 5—General Fund Budget**

Adopted budget, 2015-2016	\$ 133,605,602
Add: Prior year's encumbrances	<u>21,473</u>
Original budget, 2015-2016	133,627,075
Budget revisions:	
Gifts and donations	<u>115,103</u>
Final budget, 2015-2016	<u>\$ 133,742,178</u>

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

## Capital Assets and Debt Administration

**Capital assets**—The District's investment in capital assets for its governmental activities as of June 30, 2016, amounted to \$143,021,202 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

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

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

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

	June 30,	
	<u>2016</u>	<u>2015</u>
Land	\$ 1,706,376	\$ 1,706,376
Construction in progress	-	21,279,004
Land improvements	666,505	820,299
Buildings and improvements	139,370,730	121,690,162
Furniture and equipment	1,175,573	1,332,477
Vehicles	<u>102,018</u>	<u>56,897</u>
Total	<u>\$ 143,021,202</u>	<u>\$ 146,885,215</u>

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

**Long-term debt**—At June 30, 2016, the District had bonded debt outstanding of \$92,540,000, as compared to \$40,395,000 in the prior year. During the year ended June 30, 2016, the District issued serial bonds of \$55,505,000 and refunding bonds of \$7,715,000. Additionally, the District made scheduled debt principal payments of \$3,135,000.

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

**Table 7—Summary of Long-Term Liabilities**

	June 30,	
	2016	2015
Serial bonds	\$ 92,540,000	\$ 40,395,000
Premium on serial bonds	10,743,289	5,203,215
Certificates of participation	44,740,000	48,215,000
Energy performance contracts	2,955,794	3,481,567
Due to retirement systems	5,364,895	5,285,192
Compensated absences	9,814,785	9,382,003
Workers' compensation	10,777,391	10,020,500
OPEB obligation	39,078,047	35,842,589
Net pension liability	6,176,720	1,301,172
Total	<u>\$ 222,190,921</u>	<u>\$ 159,126,238</u>

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

**Economic Factors and Next Year’s Budgets and Rates**

The unemployment rate, not seasonally adjusted, for the City of Niagara Falls, New York at June 30, 2016 was 4.4 percent. This compares favorably to New York State’s average unemployment rate of 4.9 percent.

During the current fiscal year, the District assigned \$95,393 of General Fund fund balance for encumbrances and \$1,475,677 for spending in the District’s 2016-2017 adopted budget. The 2016-2017 adopted budget appropriations total of \$137,055,127 is an approximate increase of 2.6 percent as compared to \$133,605,602 in 2015-2016. The District’s total tax levy in 2016-2017 is \$25,828,989 and remains unchanged with the amount levied in the 2015-2016 year.

**Requests for Information**

This financial report is designed to provide a general overview of the District’s finances and to show the District’s accountability for the money it receives for those with an interest in the District’s finances. If you have any questions about this report or need additional financial information, contact Superintendent, Niagara Falls City School District, 630 66<sup>th</sup> Street, Niagara Falls, New York 14304.



# BASIC FINANCIAL STATEMENTS



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**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Statement of Net Position**  
**June 30, 2016**

	<u>Primary Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,802,513
Restricted cash and cash equivalents	7,918,536
Taxes receivable	2,486,069
Receivables (net of allowances)	20,752
Intergovernmental receivables	8,247,115
Inventories	92,803
Prepaid items	226,180
Noncurrent net pension asset	33,051,016
Capital assets not being depreciated	1,706,376
Capital assets, net of accumulated depreciation	<u>141,314,826</u>
Total assets	<u>204,866,186</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows—relating to pensions	12,865,426
Deferred charge on refunding	<u>2,792,130</u>
Total deferred outflows of resources	<u>15,657,556</u>
<b>LIABILITIES</b>	
Accounts payable	1,779,196
Accrued liabilities	1,569,832
Intergovernmental payables	79,619
Due to retirement systems	7,069,980
Due to Agency Fund	150,401
Unearned revenue	1,549,041
Noncurrent liabilities:	
Due within one year	12,444,942
Due within more than one year	<u>209,745,979</u>
Total liabilities	<u>234,388,990</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows—relating to pensions	<u>12,249,389</u>
Total deferred inflows of resources	<u>12,249,389</u>
<b>NET POSITION</b>	
Net investment in capital assets	(707,607)
Restricted:	
Workers' compensation	952,435
Retirement contributions	774,265
Debt service	183,984
Unrestricted	<u>(27,317,714)</u>
Total net position	<u>\$ (26,114,637)</u>

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

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Statement of Activities**  
**Year Ended June 30, 2016**

<b>Function/Program</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Primary Governmental Activities</b>
Governmental activities:				
General support	\$ 18,203,102	\$ -	\$ -	\$ (18,203,102)
Instruction	101,523,402	130,446	10,995,142	(90,397,814)
Pupil transportation	8,701,321	-	-	(8,701,321)
Community services	130,852	-	-	(130,852)
School food service	3,933,545	281,809	3,772,563	120,827
Interest and other fiscal charges	4,579,566	-	-	(4,579,566)
Total primary government	<u>\$ 137,071,788</u>	<u>\$ 412,255</u>	<u>\$ 14,767,705</u>	(121,891,828)
General revenues:				
				27,564,363
				1,786,031
				87,372
				44,985
				2,128,057
				<u>99,863,983</u>
				<u>131,474,791</u>
				9,582,963
				<u>(35,697,600)</u>
				<u>\$ (26,114,637)</u>

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

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**June 30, 2016**

	<u>Special Revenue</u>					<b>Total Governmental Funds</b>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
<b>ASSETS</b>						
Cash and cash equivalents	9,729,482	\$ 28,565	\$ 44,466	\$ -	\$ -	\$ 9,802,513
Restricted cash and cash equivalents	7,917,869	-	-	667	-	7,918,536
Taxes receivable	2,486,069	-	-	-	-	2,486,069
Receivables (net of allowances)	20,752	-	-	-	-	20,752
Intergovernmental receivables	5,707,044	2,255,908	284,163	-	-	8,247,115
Due from other funds	2,187,762	-	229,115	-	-	2,416,877
Inventories	-	-	92,803	-	-	92,803
Prepaid items	226,180	-	-	-	-	226,180
Total assets	<u>\$ 28,275,158</u>	<u>\$ 2,284,473</u>	<u>\$ 650,547</u>	<u>\$ 667</u>	<u>\$ -</u>	<u>\$ 31,210,845</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,752,816	\$ 5,208	\$ 21,172	\$ -	\$ -	\$ 1,779,196
Accrued liabilities	969,875	49,725	85,178	-	-	1,104,778
Intergovernmental payables	39,952	39,145	522	-	-	79,619
Due to retirement systems	7,573,346	-	-	-	-	7,573,346
Due to other funds	376,216	2,190,395	-	667	-	2,567,278
Unearned revenue	1,549,041	-	-	-	-	1,549,041
Total liabilities	<u>12,261,246</u>	<u>2,284,473</u>	<u>106,872</u>	<u>667</u>	<u>-</u>	<u>14,653,258</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues-property taxes	2,365,629	-	-	-	-	2,365,629
Total deferred inflows of resources	<u>2,365,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,365,629</u>
<b>FUND BALANCES</b>						
Nonspendable	226,180	-	92,803	-	-	318,983
Restricted	6,368,828	-	-	-	-	6,368,828
Assigned	1,571,070	-	450,872	-	-	2,021,942
Unassigned	5,482,205	-	-	-	-	5,482,205
Total fund balances	<u>13,648,283</u>	<u>-</u>	<u>543,675</u>	<u>-</u>	<u>-</u>	<u>14,191,958</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,275,158</u>	<u>\$ 2,284,473</u>	<u>\$ 650,547</u>	<u>\$ 667</u>	<u>\$ -</u>	<u>\$ 31,210,845</u>

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

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**June 30, 2016**

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Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances—governmental funds (page 13)		\$ 14,191,958
Net pension assets are not financial resources and, therefore, are not reported in the funds.		33,051,016
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$214,676,789 and the accumulated depreciation is \$71,655,587.		143,021,202
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 6,864,303	
Deferred outflows related to experience and investment earnings	6,001,123	
Deferred inflows of resources related to pension plans	<u>(12,249,389)</u>	616,037
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the refunded debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.		2,792,130
Net accrued interest expense for serial bonds and capital leases is not reported in the fund statements.		(465,054)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (92,540,000)	
Unamortized premiums on serial bonds	(10,743,289)	
Certificates of participation	(44,740,000)	
Energy performance contracts	(2,955,794)	
Noncurrent due to retirement systems	(4,861,529)	
Compensated absences	(9,814,785)	
Workers' compensation	(10,777,391)	
Other post-employment benefits obligation	(39,078,047)	
Net pension liability	<u>(6,176,720)</u>	(221,687,555)
Real property taxes not collected within 60 days of year end are reported as deferred inflows of resources in the fund statements, but are recognized on the accrual basis for the government-wide statements.		<u>2,365,629</u>
Net position of governmental activities		<u>\$ (26,114,637)</u>

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

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

	<u>Special Revenue</u>				<u>Debt Service</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>		
<b>REVENUES</b>						
Real property taxes and other tax items	\$ 27,328,209	\$ -	\$ -	\$ -	\$ -	\$ 27,328,209
Non-property tax items	1,786,031	-	-	-	-	1,786,031
Charges for services	130,446	-	-	-	-	130,446
School lunch	-	-	281,809	-	-	281,809
Use of money and property	86,159	-	-	1,213	-	87,372
Sale of property and compensation for loss	44,985	-	-	-	-	44,985
Miscellaneous	2,611,308	82,376	-	-	-	2,693,684
State sources	100,242,242	3,495,479	87,708	-	-	103,825,429
Federal sources	315,778	6,239,999	3,684,855	-	-	10,240,632
Total revenues	<u>132,545,158</u>	<u>9,817,854</u>	<u>4,054,372</u>	<u>1,213</u>	<u>-</u>	<u>146,418,597</u>
<b>EXPENDITURES</b>						
Current:						
General support	13,234,080	-	-	-	-	13,234,080
Instruction	64,649,873	9,326,691	-	-	-	73,976,564
Pupil transportation	7,225,071	-	-	-	-	7,225,071
Community services	130,852	-	-	-	-	130,852
Cost of sales (school lunch)	-	-	2,996,207	-	-	2,996,207
Employee benefits	32,206,957	668,438	716,512	-	-	33,591,907
Debt service:						
Principal	7,135,773	-	-	-	-	7,135,773
Interest and other fiscal charges	3,884,296	-	-	-	932,867	4,817,163
Capital outlay	-	-	-	2,088,085	-	2,088,085
Total expenditures	<u>128,466,902</u>	<u>9,995,129</u>	<u>3,712,719</u>	<u>2,088,085</u>	<u>932,867</u>	<u>145,195,702</u>
Excess (deficiency) of revenues over expenditures	<u>4,078,256</u>	<u>(177,275)</u>	<u>341,653</u>	<u>(2,086,872)</u>	<u>(932,867)</u>	<u>1,222,895</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	4,552,688	181,658	-	3,604,094	56,012	8,394,452
Transfers out	(3,785,752)	(4,383)	-	(132,865)	(4,471,452)	(8,394,452)
Premiums on serial bonds issued	-	-	-	-	4,471,452	4,471,452
Premiums on refunding bonds issued	-	-	-	-	1,489,020	1,489,020
Serial bonds issued	-	-	-	55,505,000	-	55,505,000
Refunding bonds issued	-	-	-	-	7,715,000	7,715,000
Payment to escrow agent	-	-	-	-	(9,060,879)	(9,060,879)
Total other financing sources (uses)	<u>766,936</u>	<u>177,275</u>	<u>-</u>	<u>58,976,229</u>	<u>199,153</u>	<u>60,119,593</u>
Net change in fund balances (deficit)	4,845,192	-	341,653	56,889,357	(733,714)	61,342,488
Fund balances (deficit)—beginning	<u>8,803,091</u>	<u>-</u>	<u>202,022</u>	<u>(56,889,357)</u>	<u>733,714</u>	<u>(47,150,530)</u>
Fund balances—ending	<u>\$ 13,648,283</u>	<u>\$ -</u>	<u>\$ 543,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,191,958</u>

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



**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended June 30, 2016**

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

Net change in fund balances (deficit)—total governmental funds (page 15) \$ 61,342,488

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

Capital asset additions, net of transfers	\$ 2,186,193	
Depreciation expense	<u>(6,050,206)</u>	(3,864,013)

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

District pension contributions	\$ 7,573,346	
Cost of benefits earned net of employee contributions	<u>1,042,679</u>	8,616,025

For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge on the government-wide statements and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred charge on refunding bond issued in the current year	\$ 1,120,879	
Amortization of deferred charge on refunding bonds issued in prior years	<u>(128,554)</u>	992,325

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (54,247)

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

Refunding bonds issued	\$ (7,715,000)	
Serial bonds issued	(55,505,000)	
Principal repayment of serial bonds	3,135,000	
Refunded bonds	7,940,000	
Premium on refunding bonds issued	(1,489,020)	
Premium on serial bonds issued	(4,471,452)	
Amortization of premiums on serial bonds	420,398	
Principal repayment of certificates of participation	3,475,000	
Principal repayment of energy performance contracts	525,773	
Change in noncurrent due to retirement systems	423,663	
Change in compensated absences	(432,782)	
Change in workers' compensation liability	(756,891)	
Change in other post-employment benefits obligation	<u>(3,235,458)</u>	(57,685,769)

The governmental funds recognize real property taxes only if collected within 60 days after year end; however, the government-wide statements recognize revenue on a full accrual basis. 236,154

Change in net position of governmental activities \$ 9,582,963

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

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Statement of Fiduciary Net Position—Fiduciary Funds**  
**June 30, 2016**

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	<b>Private Purpose Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 83,815	\$ 102,822
Due from other funds	-	150,401
Total assets	83,815	\$ 253,223
<b>LIABILITIES</b>		
Extraclassroom activity funds	-	\$ 93,908
Agency liabilities	-	159,315
Total liabilities	-	\$ 253,223
<b>NET POSITION</b>		
Restricted for scholarships	\$ 83,815	

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

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

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	<b>Private Purpose Fund</b>
<b>ADDITIONS</b>	
Interest income	\$ 66
Gifts and contributions	94,497
Total additions	<u>94,563</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	95,499
Total deductions	<u>95,499</u>
Change in net position	(936)
Net position—beginning	<u>84,751</u>
Net position—ending	<u><u>\$ 83,815</u></u>

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

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**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Description of Government-wide Financial Statements***

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

***Reporting Entity***

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

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

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

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

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

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

During the fiscal year ended June 30, 2016, the District was billed \$11,287,543 for BOCES administrative and program costs and recognized \$5,291,126 related to BOCES aid and refunds. Audited financial statements for the Orleans-Niagara BOCES are available at the BOCES' administrative offices.

#### ***Basis of Presentation – Government-wide Financial Statements***

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

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

#### ***Basis of Presentation – Fund Financial Statements***

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

The District reports the following major governmental funds:

- *General Fund*—This fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal sources of revenue for the General Fund are real property taxes and state sources.
- *Special Aid Fund*—This fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.
- *School Lunch Fund*—This fund is used to account for transactions of the District's food service operations.
- *Capital Projects Fund*—This fund is used to account for financial resources used for the acquisition, construction or renovation of major capital facilities or equipment.
- *Debt Service Fund*—This fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term debt obligations of the governmental funds.

Additionally, the District reports the following fund type:

*Fiduciary Funds*—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. The fiduciary funds of the District include a *Private Purpose Fund* and an *Agency Fund*.

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

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

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

### ***Measurement Focus and Basis of Accounting***

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

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

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

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

The Private Purpose Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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

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

***Restricted Cash and Cash Equivalents***—Restricted cash represents unspent funds received under an agreement with the New York Power Authority as well as unspent debt proceeds, and amounts to support restricted fund balances.

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

***Prepaid Items***—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the good or services are consumed.

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



Land and construction in progress are not depreciated. The other property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

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

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

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2016, the District has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the District’s proportion of the collective net pension asset or liability, and the difference during the measurement period between the District’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is a deferred charge on refunding which the District reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2016, the District has two items that qualify for reporting in this category. The first item represents the effect of the net change in the District’s proportion of the collective net pension asset or liability and the difference during the measurement periods between the District’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements. Additionally, the District reported unavailable revenue on the balance sheet for governmental funds in the amount of \$2,365,629, which represents taxes that the District does not expect to receive within 60 days of year-end.

***Net Position Flow Assumptions***—Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the

resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

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

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education assigns fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenses/Expenditures***

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

***Property Taxes***—Real property taxes are levied annually by the Board of Education no later than September 1<sup>st</sup>, and become a lien as of July 1<sup>st</sup>. The city and county in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City of Niagara Falls, New York to the District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable.

***Unearned Revenue***—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2016, the District reported unearned revenues of

\$868,641 that are received under an agreement with the New York Power Authority. These funds will be recognized as revenues when they are expended according to the agreement. Additionally, the District reported \$680,400 of host funding from the New York Power Authority for the 2016-17 year as unearned revenues.

***Compensated Absences***—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually.

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

***Other Post-Employment Benefits***—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees, as disclosed in Note 7.

#### ***Other***

***Estimates***—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

***Adoption of New Accounting Pronouncements***—During the year ended June 30, 2016, the District implemented GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes, as well as guidance on applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

***Future Impacts of Accounting Pronouncements***—The District has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans*; and No. 80, *Blending Requirements for Certain Component Units - an Amendment of*

*GASB Statement No. 14*, effective for the fiscal year ending June 30, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending June 30, 2018. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 73, 74, 75, 77, 78, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 882	\$ -	\$ 882
Deposits	<u>17,720,167</u>	<u>186,637</u>	<u>17,906,804</u>
Total	<u>\$ 17,721,049</u>	<u>\$ 186,637</u>	<u>\$ 17,907,686</u>

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

	Bank Balance	Carrying Balance
FDIC insured	\$ 1,000,000	\$ 1,000,000
Uninsured:		
Collateral held by pledging bank's agent in the District's name	<u>18,958,899</u>	<u>16,906,804</u>
Total	<u>\$ 19,958,899</u>	<u>\$ 17,906,804</u>

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

**Restricted Cash and Cash Equivalents**—The District reports amounts to support restricted fund balances and unspent debt proceeds as restricted cash and cash equivalents. Additionally, cash held pursuant to an agreement with the New York Power Authority, which may be used to assist in financing future capital improvements, is reported as restricted. At June 30, 2016, the District

reported \$7,918,536 of restricted cash within its governmental funds. Of this amount, \$868,641 is cash held for Greenway Commission projects.

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

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

### 3. RECEIVABLES

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

**Receivables**—Represents amounts due from various sources for out-of-District tuition, reimbursements and other services provided. The District reported \$72,130 of receivables in the General Fund, net of allowances for uncollectible accounts of \$51,378. In addition, taxes receivable represents amounts due from District taxpayers that remain unpaid. At June 30, 2016, that amount was \$2,486,069.

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

General Fund:		
State aid	\$ 2,949,282	
County sales tax	268,162	
BOCES aid	2,233,324	
E-rate reimbursements	212,981	
Other	43,295	<u>5,707,044</u>
Special Aid Fund:		
Title I	141,328	
Title IIA	152,783	
Title IIB math/science	156,859	
Section 611 & 619 IDEA	313,927	
Universal pre-k	860,387	
Other	630,624	<u>2,255,908</u>
School Lunch Fund:		
State aid	25,219	
Federal aid	258,944	<u>284,163</u>
Total governmental funds		<u>\$ 8,247,115</u>

#### 4. CAPITAL ASSETS

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Capital assets, not being depreciated:				
Land	\$ 1,706,376	\$ -	\$ -	\$ 1,706,376
Construction in progress	21,279,004	2,088,085	23,367,089	-
Total capital assets, not being depreciated	<u>22,985,380</u>	<u>2,088,085</u>	<u>23,367,089</u>	<u>1,706,376</u>
Capital assets, being depreciated:				
Land improvements	4,132,666	-	-	4,132,666
Buildings and improvements	179,904,713	23,367,089	-	203,271,802
Furniture and equipment	4,911,621	19,017	-	4,930,638
Vehicles	556,216	79,091	-	635,307
Total capital assets, being depreciated	<u>189,505,216</u>	<u>23,465,197</u>	<u>-</u>	<u>212,970,413</u>
Less accumulated depreciation for:				
Land improvements	3,312,367	153,794	-	3,466,161
Buildings and improvements	58,214,551	5,686,521	-	63,901,072
Furniture and equipment	3,579,144	175,921	-	3,755,065
Vehicles	499,319	33,970	-	533,289
Total accumulated depreciation	<u>65,605,381</u>	<u>6,050,206</u>	<u>-</u>	<u>71,655,587</u>
Total capital assets, being depreciated, net	<u>123,899,835</u>	<u>17,414,991</u>	<u>-</u>	<u>141,314,826</u>
Governmental activities capital assets, net	<u>\$ 146,885,215</u>	<u>\$ 19,503,076</u>	<u>\$ (23,367,089)</u>	<u>\$ 143,021,202</u>

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

Governmental activities:	
General support	\$ 102,854
Instruction	4,471,102
Pupil transportation	<u>1,476,250</u>
Total	<u>\$ 6,050,206</u>

#### 5. ACCRUED LIABILITIES

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

	General Fund	Special Aid Fund	School Lunch Fund	Total Governmental Funds
Salary and employee benefits	\$ 969,875	\$ 49,725	\$ 85,178	\$ 1,104,778
Total accrued liabilities	<u>\$ 969,875</u>	<u>\$ 49,725</u>	<u>\$ 85,178</u>	<u>\$ 1,104,778</u>

## 6. PENSION OBLIGATIONS

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

### *Plan Descriptions and Benefits Provided*

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

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

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

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2015	March 31, 2016
Net pension (asset)/liability	\$ (33,051,016)	\$ 6,176,720
District's portion of the Plan's total net pension (asset)/liability	0.3182020%	0.0384836%

For the year ended June 30, 2016, the District recognized an actuarial increase of \$2,205,043 for the TRS and pension expense of \$2,394,570 for the ERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources located below.

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experiences	\$ -	\$ 31,212	\$ 915,985	\$ 732,147
Changes of assumptions	-	1,647,145	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,664,369	10,447,598	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	658,397	152,958	701
District contributions subsequent to the measurement date	<u>6,315,539</u>	<u>548,764</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,315,539</u>	<u>\$ 6,549,887</u>	<u>\$ 11,516,541</u>	<u>\$ 732,848</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown on the following page.



<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2017	\$ (4,233,163)	\$ 1,357,316
2018	(4,233,163)	1,357,316
2019	(4,233,163)	1,357,316
2020	1,718,244	1,196,327
2021	(133,412)	-
Thereafter	(401,884)	-

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

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

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

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

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

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

**Discount Rate**—The discount rate used to calculate the total pension liability/(asset) was 8.0% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that the contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

**Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption**—The chart on the following page presents the District’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 8.0% for TRS and 7.0% for ERS, as well as what the District’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (7.0% for TRS and 6.0% for ERS) or one percentage-point higher (9.0% for TRS and 8.0% for ERS) than the current assumption.

	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
<u>TRS</u>			
Employer's proportionate share of the net pension liability/(asset)	\$ 2,254,505	\$ (33,051,016)	\$ (63,159,212)
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<u>ERS</u>			
Employer's proportionate share of the net pension liability/(asset)	\$ 13,928,055	\$ 6,176,720	\$ (372,827)

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

	(Dollars in Thousands)		
	<u>TRS</u>	<u>ERS</u>	<u>Total</u>
Valuation date	June 30, 2014	April 1, 2015	
Employers' total pension liability/(asset)	\$ 99,332,103	\$ 172,303,544	\$ 271,635,647
Plan fiduciary net position	<u>109,718,916</u>	<u>156,253,265</u>	<u>265,972,181</u>
Employers' net pension liability/(asset)	<u>\$ (10,386,813)</u>	<u>\$ 16,050,279</u>	<u>\$ 5,663,466</u>
System fiduciary net position as a percentage of total pension liability/(asset)	110.46%	90.68%	97.92%

**Payables to the Pension Plan**—For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$7,024,582.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends of March 31<sup>st</sup>. 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 \$548,764.

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

**Plan Description**—The District participates in a single-employer other post-employment benefits (“OPEB”) obligation plan which requires the District to pay a portion of eligible retirees’ health insurance, depending on the type of health plan provided. Separate financial statements are not issued or available for the OPEB plan. Eligibility for post-employment benefits depends upon union group as follows: (1) *Niagara Falls Teachers* – employee must be 55 years of age and eligible to retire under NYSTRS, (2) *Niagara Falls School Systems Unit 7696, Local 872 of the Civil Service Employees Association, Inc. Local 1000, AFSCME, AFL-CIO* – employee must be 55 and have 20 years of service, (3) *Administrative and Supervisory Council of the Public Schools, Niagara Falls, New York* – employee must have 20 years of service with the District or 10 years of service as an administrator with the District, or (4) *Classified Administrators and Supervisors* – employee must be eligible to retire under either NYSTRS or NYSERS and have 20 years of service with the District.

**Funding Policy**—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through a union contract, which was ratified by the District’s Board of Education. Upon retirement, the District generally pays 100% of the cost of the medical plan in effect at the time of retirement until an employee reaches the age of 65. At 65, the District pays 100% of supplemental health coverage for life. An exception to the general benefit levels is those employees hired after July 1, 2006 under the *Niagara Falls School Systems Unit 7696, Local 872 of the Civil Service Employees Association, Inc. Local 1000, AFSCME, AFL-CIO* contract, who receive 80% of such benefit.

The District’s annual OPEB cost is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

	Year Ended June 30,	
	2016	2015
Annual required contribution ("ARC")	\$ 9,387,061	\$ 6,326,483
Interest on net OPEB obligation	1,433,704	1,330,235
Adjustment to ARC	<u>(1,548,309)</u>	<u>(1,377,574)</u>
Annual OPEB cost (expense)	9,272,456	6,279,144
Contributions made	<u>(6,036,998)</u>	<u>(3,692,434)</u>
Increase in net OPEB obligation	3,235,458	2,586,710
Net OPEB obligation—beginning of year	<u>35,842,589</u>	<u>33,255,879</u>
Net OPEB obligation—end of year	<u>\$ 39,078,047</u>	<u>\$ 35,842,589</u>

**Funding Status and Funding Progress**—As of June 1, 2016, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities was \$176,135,236.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include

assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Year Ended June 30,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2016	\$ 9,272,456	\$ 6,036,998	65.1%
2015	6,279,144	3,692,434	58.8%
2014	6,673,193	3,730,863	55.9%

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

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

In the June 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The actuarial assumptions included a valuation date as of June 1, 2016 and measurement date of June 30, 2016. The assumed inflation rate is 2.2% and the expected investment rate of return on employer’s assets is 4.0%. The 2014 New York State Teachers’ Retirement System rates; separate for active and retirees; separate for males and females were used for mortality rates. The initial and ultimate health care cost (medical) trend rates are 5.6% and 3.8%, respectively. The unfunded actuarial accrued liability is being amortized over 30 years, as of June 30, 2016 the amortization period was open and the remaining period is twenty-one years.

## 8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees, health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The District purchases insurance for: general liability, as well as automobile, law enforcement professional, property, crime, network, and school and educators’ legal liabilities. The general liability insurance is limited to \$8.1 million, with \$3 million of the limit for general aggregate. The automobile insurance is limited to \$1 million with a \$1,000 deductible. The law enforcement professional, crime, and school and educators’ legal liability insurances are limited to \$1 million each, with a \$5,000, \$10,000 and \$10,000 deductible, respectively. In addition to this, the District also limits it’s network liability at \$2 million per claim for privacy and network security liabilities with a \$2 million aggregate. The District also carries a \$12 million umbrella policy with no deductible. There have not been any significant changes in any type of insurance coverage from the prior year,

nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

**Workers' Compensation Self-Insurance**—The District has chosen to establish a self-insured plan for risks associated with employee workers' compensation claims. The program administrator is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The District accounts for this activity in the General Fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNR"). Claim liabilities are calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. The District has a stop-loss insurance policy for claims exceeding \$750,000 per occurrence to reduce its exposure to larger claims.

Claims activity for the current year and the prior year are as follows:

Fiscal Year Ended	Beginning Balance	Current Claims and Changes in Estimates	Claims Paid	Ending Balance
June 30, 2016	\$ 10,020,500	\$ 1,853,365	\$ 1,096,474	\$ 10,777,391
June 30, 2015	8,452,414	2,499,798	931,712	10,020,500

At June 30, 2016, the General Fund maintains a restricted fund balance in the amount of \$952,435 for the purpose of funding the District's future claim liabilities.

## 9. SHORT-TERM DEBT

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

Description	Interest Rate	Maturity Date	Balance 7/1/2015	Issue	Redemptions	Balance 6/30/2016
<b>Capital Projects Fund:</b>						
Various capital projects	1.13%	6/23/2016	\$ 25,000,000	\$ -	\$ 25,000,000	\$ -
Various capital projects	2.00%	6/23/2016	34,109,094	-	34,109,094	-
Total			<u>\$ 59,109,094</u>	<u>\$ -</u>	<u>\$ 59,109,094</u>	<u>\$ -</u>
<b>General Fund:</b>						
Revenue anticipation notes	1.25%	3/30/2016	\$ -	\$ 6,500,000	\$ 6,500,000	\$ -
Total			<u>\$ -</u>	<u>\$ 6,500,000</u>	<u>\$ 6,500,000</u>	<u>\$ -</u>

## 10. LONG-TERM LIABILITIES

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

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

The District's outstanding long-term liabilities include bonds payable, certificates of participation, energy performance contracts, due to retirement systems, compensated absences, workers' compensation, other post-employment benefits ("OPEB") obligation, and the net pension liability. The serial bonds of the District are secured by its general credit and revenue raising powers, as per State statute.

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Serial bonds	\$ 40,395,000	\$ 63,220,000	\$ 11,075,000	\$ 92,540,000	\$ 5,785,000
Premiums on serial bonds	5,203,215	5,960,472	420,398	10,743,289	958,807
Bonds payable	45,598,215	69,180,472	11,495,398	103,283,289	6,743,807
Certificates of participation	48,215,000	-	3,475,000	44,740,000	3,320,000
Energy performance contracts	3,481,567	-	525,773	2,955,794	546,451
Due to retirement systems	5,285,192	490,506	410,803	5,364,895	805,075
Compensated absences	9,382,003	1,509,510	1,076,728	9,814,785	490,739
Workers' compensation	10,020,500	1,853,365	1,096,474	10,777,391	538,870
OPEB obligation	35,842,589	9,272,456	6,036,998	39,078,047	-
Net pension liability*	1,301,172	4,875,548	-	6,176,720	-
<b>Total</b>	<b>\$ 159,126,238</b>	<b>\$ 87,181,857</b>	<b>\$ 24,117,174</b>	<b>\$ 222,190,921</b>	<b>\$ 12,444,942</b>

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

**Serial Bonds**—The District issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 9 to 21 years.

On June 15, 2016, the District issued \$55,505,000 of general obligation bonds for various capital projects. Principal payments begin on June 15, 2017 and mature on June 15, 2030. The bonds bear an interest rate which ranges from 2.1 to 5.0 percent. The District received a premium on this issuance in the amount of \$4,471,452.

On April 1, 2016, the District issued \$7,715,000 in refunding serial bonds, which partially refunded the previously issued 2009 serial bonds. The refunding bonds were issued at a premium of \$1,489,020 and a deferred charge of \$1,120,879 and as a result, the previously issued serial bonds, as shown in the following table, are considered partially refunded and the refunded portion of these bonds,

\$7,940,000, has been removed from the financial statements. Principal payments on these bonds began June 15, 2016, and the bonds' interest rate is 5.0 percent. The refunding bonds will produce a net present value debt service savings of approximately \$430,979.

A summary of the District's outstanding bond issues, for the year ended June 30, 2016 follows:

Description	Original Issue	Interest Rate (%)	Year of Issue/ Maturity	Balance	Additions	Reductions	Balance
				7/1/2015			6/30/2016
2009 serial bonds	\$ 18,870,000	4.00-5.00	2009/2025	\$ 13,035,000	\$ -	\$ 9,120,000	\$ 3,915,000
2012 insured refunding bonds	2,575,000	3.00-5.00	2012/2021	2,575,000	-	1,215,000	1,360,000
2015 refunding bonds	25,150,000	4.00-5.00	2015/2036	24,785,000	-	735,000	24,050,000
2016 serial bonds	55,505,000	2.00-5.00	2016/2030	-	55,505,000	-	55,505,000
2016 refunding bonds	7,715,000	5.00	2016/2024	-	7,715,000	5,000	7,710,000
<b>Total</b>				<u>\$ 40,395,000</u>	<u>\$ 63,220,000</u>	<u>\$ 11,075,000</u>	<u>\$ 92,540,000</u>

**Amortization of Bond Premiums**—The premiums on the serial bonds and refunding bonds are being amortized on a straight-line basis over the life of the respective bonds. The unamortized premium as of June 30, 2016 totaled \$10,743,289.

**Certificates of Participation**—In November 1997, the Board of Education consolidated its existing two high school facilities into one state of the art facility (the "Project"). To further this goal, in March 1998, the District leased a site for the Project from the City of Niagara Falls for a period of 99 years. This lease contemplates that the site will be used for the purpose of operating and conducting a school and such other uses as may from time to time be approved by the City of Niagara Falls.

In accordance with Chapter 562 of the laws of New York for 1996, as amended by Chapter 671 of the Laws of New York for 1997, the District has agreed to make lease payments under the Lease Purchase Agreement in connection with the Project. The District is responsible for maintenance and repair of the Project, for taxes, assessments and charges (if any), and for maintaining insurance respecting the Project. The obligation for the District to make payments under the lease purchase agreement is subject to, and dependent upon, the making of annual appropriations therefore by the District. The lease purchase agreement is subject to termination during any fiscal year of the District if the District does not appropriate funds sufficient for its continuation.

The District has agreed in the Lease Purchase Agreement to make semi-annual lease payments (the "lease payments" or "lease payment requirement") which have been assigned to a trustee pursuant to an assignment agreement. The lease payments have been calculated to aggregate in the six-month period preceding each payment date to an amount equal to the interest and in the twelve-month period preceding each payment date to an amount equal to the principal due on certificates of participation on such payment date. Such certificates of participation were used to finance the project. Under the Lease Purchase Agreement, the District is required to make lease payments on June 15 and December 15 of each year. The District made its first lease payment on December 15, 1998 and has continued to make lease payments through June 15, 2028 in the amount and at the times due under the Lease Purchase Agreement. All lease payments are required to be made without any right of defense, offset, or counterclaim.

The District has been advised by the New York State Education Department that lease payments made in connection with the Project are eligible for State Building Aid at 83.1% of eligible lease payments. Under the terms of the lease, the District has instructed the New York State Comptroller's



office to forward all state aid payments to the designated depository, Chase Manhattan Bank, in accordance with the Depository Agreement dated July 23, 1998. These deposits of state aid will continue until such time as the required lease payments for the applicable fiscal year are satisfied.

During 2005, Refunding Certificates of Participation were issued to refund and defease all of the District's \$63,985,000 outstanding principal amount of the \$70,870,000 School District Certificates of Participation – Series 1998 and \$5,285,000 outstanding principal amount of the \$5,700,000 School District Certificates of Participation – Series 2000, pursuant to the District's refunding plan.

During the fiscal year ended June 30, 2015, the District issued \$50,775,000 in Refunding Certificates of Participation, to refund \$52,680,000 of outstanding principal of the previously issued 2005 Refunding Certificates of Participation. The District used the net proceeds of the Refunded Certificates of Participation (the "Certificates") to purchase non-callable securities which are guaranteed by the United States of America. The proceeds of the Certificates, after payment of certain costs of issuance and other costs related to the issuance of the Certificates, are deposited with the Trustee in the Redemption Account and invested in U.S. Government Securities which will be in amounts sufficient and timely to make payments when due of principal of, interest on, and redemption premiums payable with respect to, the prior Certificates. As a result, \$52,680,000 of principal of the 2005 Refunded Certificates of Participation is considered defeased, and the District has removed the liability associated with that principal from its accounts. The outstanding principal of the defeased bonds is \$48,215,000 at June 30, 2016.

**Energy Performance Contract**—On June 21, 2006, the District entered into an Energy Performance Contract Municipal Lease/Purchase Agreement with Manufacturers and Traders Trust Company. The District received an amount equal to the cost of energy conservation improvements and equipment to be delivered to the District as per an Energy Performance Contract with a third party.

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

<u>Year Ending June 30,</u>	<u>Certificates of Participation</u>	<u>Energy Performance Contract</u>	<u>Total</u>
2017	\$ 5,079,175	\$ 662,702	\$ 5,741,877
2018	5,079,575	662,702	5,742,277
2019	5,072,775	662,702	5,735,477
2020	5,075,275	662,703	5,737,978
2021	5,060,100	662,702	5,722,802
2022-2026	22,999,650	-	22,999,650
2027-2028	<u>8,035,200</u>	<u>-</u>	<u>8,035,200</u>
Total minimum lease payments	56,401,750	3,313,511	59,715,261
Less: amounts representing imputed interest costs	<u>11,661,750</u>	<u>357,717</u>	<u>12,019,467</u>
Present value of minimum lease payments	<u>\$ 44,740,000</u>	<u>\$ 2,955,794</u>	<u>\$ 47,695,794</u>

**Due to Retirement Systems**—The District has chosen to amortize portions of its retirement bills in accordance with Chapter 57 of the Laws of 2010 of the State of New York. In the current year, the District deferred \$406,106 relating to the New York State Employees’ Retirement System and \$84,400 relating to the Teachers’ Retirement System. The long-term liability at June 30, 2016 is \$5,364,895. Management estimates that \$805,075 is due within one year. A portion of this, \$503,366, which is due to the Teachers’ Retirement System has been included as a fund liability in the General Fund.

**Compensated Absences**—As explained in Note 1, the District records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2016, for governmental activities is \$9,814,785. Management estimates that \$490,739 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

**Workers’ Compensation**—As explained in Note 8, the District is self-insured for risks associated with employee workers’ compensation claims. The District’s liability, as calculated by an independent third party administrator, is estimated to be \$10,777,391 as of June 30, 2016.

**OPEB Obligation**—As explained in Note 7, the District provides health insurance coverage for certain retirees. The District’s annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB liability is estimated to be \$39,078,047 as of June 30, 2016.

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

A maturity schedule of the District’s indebtedness is presented as follows:

Year Ending June 30,	Serial Bonds	Premiums	Certificates of Participation	Energy Performance Contract	Due to Retirement Systems
2017	\$ 5,785,000	\$ 958,807	\$ 3,320,000	\$ 546,451	\$ 805,075
2018	5,910,000	958,807	3,420,000	567,943	832,223
2019	6,090,000	957,015	3,550,000	590,280	860,295
2020	6,240,000	915,757	3,730,000	613,496	889,329
2021	6,415,000	884,754	3,840,000	637,624	919,352
2022-2026	30,815,000	3,865,254	19,200,000	-	1,058,621
2027-2031	23,430,000	2,017,811	7,680,000	-	-
2032-thereafter	7,855,000	185,084	-	-	-
Total	<u>\$ 92,540,000</u>	<u>\$ 10,743,289</u>	<u>\$ 44,740,000</u>	<u>\$ 2,955,794</u>	<u>\$ 5,364,895</u>

(continued)

(concluded)

Year Ending June 30,	Compensated Absences	Workers' Compensation	OPEB Obligation	Net Pension Liability	Total
2017	\$ 490,739	\$ 538,870	\$ -	\$ -	\$ 12,444,942
2018	-	-	-	-	11,688,973
2019	-	-	-	-	12,047,590
2020	-	-	-	-	12,388,582
2021	-	-	-	-	12,696,731
2022-2026	-	-	-	-	54,938,876
2027-2031	-	-	-	-	33,127,811
2032-thereafter	<u>9,324,046</u>	<u>10,238,521</u>	<u>39,078,047</u>	<u>6,176,720</u>	<u>72,857,416</u>
Total	<u>\$ 9,814,785</u>	<u>\$ 10,777,391</u>	<u>\$ 39,078,047</u>	<u>\$ 6,176,720</u>	<u>\$ 222,190,921</u>

Interest requirements on serial bonds payable are as follows:

Year Ending June 30,	Interest
2017	\$ 4,235,512
2018	3,962,712
2019	3,605,137
2020	2,838,662
2021	2,548,662
2022-2026	8,001,060
2027-2031	3,040,059
2032-2035	<u>784,197</u>
Total	<u>\$ 29,016,001</u>

## 11. NET POSITION AND FUND BALANCE

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

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

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

- **Prepaid Items**—Representing the portion of fund balance, \$226,180, composed of prepaid items. This balance is nonspendable as the balance does not represent an available resource.
- **Inventories**—Representing the portion of fund balance, \$92,803, composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. Restricted fund balance maintained by the District as June 30, 2016 includes:

	General Fund
Workers' compensation	\$ 952,435
Retirement contributions	774,265
Debt service	4,642,128
Total	<u>\$ 6,368,828</u>

- **Restricted for Workers' Compensation**—Represents funds accumulated for workers' compensation claims, which are not anticipated to be funded through the District's operating budget.
- **Restricted for Retirement Contributions**—Represented resources accumulated to fund employer retirement contributions to the Employees' Retirement System.
- **Restricted for Debt Service**—Represents resources that have been legally restricted for principal and interest payments that will be made in future periods.

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

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

- **Assigned to Encumbrances**—Representing amounts related to unperformed (executory) contracts for goods and services. The District has \$95,393 of fund balance within the General Fund assigned to encumbrances at June 30, 2016.
- **Assigned to Subsequent Year's Expenditures**—Representing available General Fund fund balance being appropriated to meet expenditure requirements in the 2016-17 fiscal year, \$1,475,677 at June 30, 2016.

- **Assigned to School Lunch**—Representing remaining fund balance of \$450,872 within the special revenue fund used to maintain school lunch operations.

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

## 12. INTERFUND BALANCES AND ACTIVITY

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

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
Governmental funds:		
General Fund	\$ 2,187,762	\$ 376,216
Special Aid Fund	-	2,190,395
School Lunch Fund	229,115	-
Capital Projects Fund	<u>-</u>	<u>667</u>
Total governmental funds	2,416,877	2,567,278
Fiduciary funds:		
Agency Fund	<u>150,401</u>	<u>-</u>
Total	<u>\$ 2,567,278</u>	<u>\$ 2,567,278</u>

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

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

<u>Fund</u>	<u>Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	
Transfers in:					
General Fund	\$ -	\$ 4,383	\$ 76,853	\$ 4,471,452	\$ 4,552,688
Special Aid Fund	181,658	-	-	-	181,658
Capital Projects Fund	3,604,094	-	-	-	3,604,094
Debt Service Fund	<u>-</u>	<u>-</u>	<u>56,012</u>	<u>-</u>	<u>56,012</u>
Total	<u>\$ 3,785,752</u>	<u>\$ 4,383</u>	<u>\$ 132,865</u>	<u>\$ 4,471,452</u>	<u>\$ 8,394,452</u>

Transfers are used primarily to finance certain special aid programs, support capital projects expenditures and to record debt premium transfers.

### 13. AGENCY FUND

The Agency Fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2016:

	Balance			Balance
	7/1/2015	Increases	Decreases	6/30/2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 127,117	\$ 67,056,959	\$ 67,081,254	\$ 102,822
Due from other funds	153,902	184	3,685	150,401
Total assets	<u>\$ 281,019</u>	<u>\$ 67,057,143</u>	<u>\$ 67,084,939</u>	<u>\$ 253,223</u>
<b>LIABILITIES</b>				
Extraclassroom activity funds	\$ 86,610	\$ 417,429	\$ 410,131	\$ 93,908
Due to other funds	13,698	334	14,032	-
Agency liabilities	180,711	62,444,284	62,465,680	159,315
Total liabilities	<u>\$ 281,019</u>	<u>\$ 62,862,047</u>	<u>\$ 62,889,843</u>	<u>\$ 253,223</u>

### 14. LABOR CONTRACTS

District employees are represented by six bargaining units and Board of Education rules and regulations. The Teachers Associates Unit's contract expired June 30, 2015 and is currently in negotiations. Settled contracts are in place through June 30, 2019 for the Niagara Falls Teachers, the Substitute Teachers United, the Classified Administrators and Supervisors, the Administrative and Supervisory Council and the Civil Service Employees Association.

### 15. COMMITMENTS

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

The District considers encumbrances to be significant for amounts that are encumbered in excess of \$20,000. As of June 30, 2016, the District had one encumbrance in the General Fund in the amount of \$59,145 for a detection project that would be considered significant.

### 16. CONTINGENCIES

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

**Grants**—In the normal course of operations, the District receives grant funds from various federal and state agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the District. While the

amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any such amounts to be immaterial.

*Other*—The District is involved in litigation in ordinary course of its operations. The District believes its ultimate liability, if any, in connection with these matters will not have a material adverse effect on the District’s financial condition or results of operations.

**17. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 3, 2016, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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## REQUIRED SUPPLEMENTARY INFORMATION



**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Funding Progress—Other Post-Employment Benefits Plan**  
**Year Ended June 30, 2016**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability ("AAL") (b)</b>	<b>Unfunded AAL ("UAAL") (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
June 1, 2016	\$ -	\$ 176,135,236	\$ 176,135,236	-	\$ 54,724,527	321.86%
June 30, 2015	-	110,303,493	110,303,493	-	53,029,722	208.00%
June 30, 2014	-	115,092,129	115,092,129	-	51,485,167	223.54%

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of the District's Proportionate Share of the**  
**Net Pension Liability (Asset)—Teachers' Retirement System**  
**Last Three Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Measurement date	June 30, 2015	June 30, 2014	June 30, 2013
District's proportion of the net pension liability (asset)	0.318202%	0.314369%	0.307988%
District's proportionate share of the net pension liability (asset)	<u>\$ (33,051,016)</u>	<u>\$ (35,018,757)</u>	<u>\$ (2,027,343)</u>
District's covered-employee payroll	\$ 48,910,292	\$ 47,945,029	\$ 46,411,743
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(67.6%)	(73.0%)	(4.3%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.5%	111.5%	100.7%

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

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

	Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 8,379,027	\$ 7,546,047	\$ 5,341,449
Contribution in relation to the contractually required contribution	<u>(8,379,027)</u>	<u>(6,561,578)</u>	<u>(5,341,449)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 984,469</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 48,910,292	\$ 47,945,029	\$ 46,411,743
Contributions as a percentage of covered-employee payroll	17.1%	15.7%	11.5%

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

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of the District's Proportionate Share of the**  
**Net Pension Liability (Asset)—Employees' Retirement System**  
**Last Three Fiscal Years\***

	Year Ended June 30,		
	2016	2015	2014
Measurement date	March 31, 2016	March 31, 2015	March 31, 2014
District's proportion of the net pension liability (asset)	0.0384836%	0.0385162%	0.0385162%
District's proportionate share of the net pension liability (asset)	<u>\$ 6,176,720</u>	<u>\$ 1,301,172</u>	<u>\$ 1,740,494</u>
District's covered-employee payroll	\$ 11,627,096	\$ 12,090,805	\$ 11,716,685
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.1%	10.7%	14.8%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.7%	97.9%	97.2%

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

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

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	Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 2,143,123	\$ 2,355,201	\$ 2,203,296
Contribution in relation to the contractually required contribution	<u>(1,737,017)</u>	<u>(1,602,413)</u>	<u>(1,456,600)</u>
Contribution deficiency (excess)	<u>\$ 406,106</u>	<u>\$ 752,788</u>	<u>\$ 746,696</u>
District's covered-employee payroll	\$ 11,627,096	\$ 12,090,805	\$ 11,716,685
Contributions as a percentage of covered-employee payroll	18.4%	19.5%	18.8%

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

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance—**  
**Budget (Non-GAAP Basis) and Actual—General Fund**  
**Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources:				
Real property taxes and other tax items	\$ 26,725,654	\$ 26,725,654	\$ 27,328,209	\$ 602,555
Non-property tax items	1,900,000	1,900,000	1,786,031	(113,969)
Charges for services	85,300	85,300	130,446	45,146
Use of money and property	144,280	144,280	86,159	(58,121)
Sale of property and compensation for loss	4,750	4,750	44,985	40,235
Miscellaneous	2,127,250	2,242,353	2,611,308	368,955
State sources:				
Basic formula	77,724,625	77,724,625	80,732,107	3,007,482
Lottery	17,061,503	17,061,503	13,756,008	(3,305,495)
BOCES	4,529,409	4,529,409	4,724,499	195,090
Textbooks	451,660	451,660	449,400	(2,260)
Computer software	109,358	109,358	107,722	(1,636)
Library loan program	43,175	43,175	44,943	1,768
Other State aid	148,638	148,638	427,563	278,925
Federal sources	450,000	450,000	315,778	(134,222)
Total revenues	<u>131,505,602</u>	<u>131,620,705</u>	<u>132,545,158</u>	<u>924,453</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>4,552,688</u>	<u>4,552,688</u>
Total revenues and other financing sources	<u>\$ 131,505,602</u>	<u>\$ 131,620,705</u>	<u>\$ 137,097,846</u>	<u>\$ 5,477,141</u>

(continued)



**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance—**  
**Budget (Non-GAAP Basis) and Actual—General Fund**  
**Year Ended June 30, 2016**

(concluded)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Encumbrances</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>			
<b>EXPENDITURES</b>					
General support:					
Board of Education	\$ 212,415	\$ 174,842	\$ 156,511	\$ -	\$ 18,331
Central administration	253,075	254,185	253,697	-	488
Finance	1,635,627	1,365,963	1,297,120	-	68,843
Staff	1,018,227	1,008,214	982,419	-	25,795
Central services	9,521,158	9,678,164	8,952,424	86,643	639,097
Special items	1,380,739	1,674,235	1,591,909	2,050	80,276
Instruction:					
Instruction, administration and improvement	12,253,646	13,011,399	12,934,721	-	76,678
Teaching—regular school	35,911,683	35,993,064	35,829,070	-	163,994
Programs for pupils with handicapping conditions	7,153,365	7,300,095	7,210,123	-	89,972
Occupational education	2,178,060	2,185,366	2,184,067	-	1,299
Teaching—special schools	813,267	767,149	761,135	-	6,014
Instructional media	1,498,421	1,503,781	1,485,427	1,000	17,354
Pupil services	4,095,851	4,312,439	4,245,330	5,700	61,409
Pupil transportation	7,507,346	7,260,375	7,225,071	-	35,304
Community services	7,550	138,402	130,852	-	7,550
Employee benefits	32,416,478	32,308,684	32,206,957	-	101,727
Debt service:					
Principal	7,130,773	7,135,773	7,135,773	-	-
Interest and other fiscal charges	4,096,740	3,884,296	3,884,296	-	-
Total expenditures/encumbrances	129,084,421	129,956,426	128,466,902	95,393	1,394,131
<b>OTHER FINANCING USES</b>					
Transfers out	4,542,654	3,785,752	3,785,752	-	-
Total expenditures/encumbrances and other financing uses	133,627,075	133,742,178	132,252,654	\$ 95,393	\$ 1,394,131
Net change in fund balance*	(2,121,473)	(2,121,473)	4,845,192		
Fund balance—beginning	8,803,091	8,803,091	8,803,091		
Fund balance—ending	\$ 6,681,618	\$ 6,681,618	\$ 13,648,283		

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

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

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Note to the Required Supplementary Information**  
**Year Ended June 30, 2016**

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**1. BUDGETARY INFORMATION**

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

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

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

## SUPPLEMENTARY INFORMATION



**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Change from Adopted Budget to Final Budget**  
**And the Real Property Tax Limit—General Fund**  
**For the Year Ended June 30, 2016**

**Change from Adopted Budget to Final Budget**

Adopted budget, 2015-2016	\$ 133,605,602
Add: Prior year's encumbrances	<u>21,473</u>
Original budget, 2015-2016	133,627,075
Budget revisions:	
Gifts and donations	<u>115,103</u>
Final budget, 2015-2016	<u><u>\$ 133,742,178</u></u>

**Section 1318 of Real Property Tax Law Limit Calculation**

2016-2017 Voter-approved expenditure budget	\$ 137,055,127	
Maximum allowed (4% of 2016-2017 budget)		\$ 5,482,205
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	\$ 1,571,070	
Unassigned fund balance	<u>5,482,205</u>	
Total unrestricted fund balance		\$ 7,053,275
Less:		
Appropriated fund balance	\$ 1,475,677	
Encumbrances included in assigned fund balance	<u>95,393</u>	
Total adjustments		<u>1,571,070</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 5,482,205</u></u>
Actual percentage		4.00%

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

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Capital Projects Expenditures**  
**Year Ended June 30, 2016**

Project title	Original Appropriation	Revised Appropriation	Expenditures			Total Current Year Activity	Total Expenditures	Unexpended Balance
			Prior Year	Current Year	Adjustments*			
Inventing Tomorrow Phases 1, 2, and 3:								
LPS Press box	\$ -	\$ 81,705	\$ 80,055	\$ 1,650	\$ -	\$ 1,650	\$ 81,705	\$ -
LPS Concessions	-	901,827	862,836	38,991	-	38,991	901,827	-
Maintenace Barn	133,278	126,238	109,127	17,381	(270)	17,111	126,238	-
NFHS Field House	4,639,878	5,651,550	5,662,670	-	(11,120)	(11,120)	5,651,550	-
Main Stadium Press Box	112,036	110,869	110,707	162	-	162	110,869	-
Varsity Baseball Press Box	100,655	97,912	34,750	63,162	-	63,162	97,912	-
Varsity Softball Press Box	100,722	97,834	160,671	-	(62,837)	(62,837)	97,834	-
NFHS	13,934,754	15,160,939	15,046,659	114,280	-	114,280	15,160,939	-
GPS	626,750	3,575,994	3,384,572	191,422	-	191,422	3,575,994	-
LPS	1,093,534	6,191,302	5,622,308	568,994	-	568,994	6,191,302	-
Abate	9,407,059	10,782,175	10,690,565	91,341	269	91,610	10,782,175	-
Cataract	-	1,246,318	1,112,050	58,292	-	58,292	1,170,342	75,976
HP	-	1,312,743	1,268,975	43,768	-	43,768	1,312,743	-
Kalfas	11,144,099	12,595,381	12,441,299	154,082	-	154,082	12,595,381	-
Maple Avenue	2,217,712	2,295,867	2,280,120	15,747	-	15,747	2,295,867	-
Niagara Street	-	581,057	588,102	-	(7,045)	(7,045)	581,057	-
79th Street	-	2,533,719	2,002,477	531,242	-	531,242	2,533,719	-
GJ Mann	1,844,180	3,110,347	2,832,102	278,245	-	278,245	3,110,347	-
Nicoletti Press Box	117,849	115,897	115,734	163	-	163	115,897	-
Nicoletti Lighting Hut	40,055	55,298	55,132	166	-	166	55,298	-
District Wide	4,153,764	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 49,666,325</b>	<b>\$ 66,624,972</b>	<b>\$ 64,460,911</b>	<b>\$ 2,169,088</b>	<b>\$ (81,003)</b>	<b>\$ 2,088,085</b>	<b>\$ 66,548,996</b>	<b>\$ 75,976</b>

\*During the year ended June 30, 2016, the District has made adjustments to certain capital project expenditures based on the final cost report.

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Net Investment in Capital Assets**  
**June 30, 2016**

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Capital assets, net of accumulated depreciation		\$ 143,021,202
Add:		
Unspent debt proceeds		4,458,144
Deduct:		
Serial bonds	\$ (92,540,000)	
Premiums on bonds payable	(10,743,289)	
Certificates of participation	(44,740,000)	
Energy performance contracts	(2,955,794)	
Deferred charge on refunding	<u>2,792,130</u>	<u>(148,186,953)</u>
Net investment in capital assets		<u>\$ (707,607)</u>

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# FEDERAL AWARDS INFORMATION



**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title (1)</b>	<b>Federal CFDA Number (2)</b>	<b>Pass-Through Entity's Identifying Number</b>	<b>Total Federal Expenditures (3)</b>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through New York State Department of Agriculture:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	006325	\$ 691,183
National School Lunch Program	10.555	006325	<u>2,762,191</u>
Total Child Nutrition Cluster			<u>3,453,374</u>
Commodity Supplemental Food Program	10.565	006325	231,481
Farm to School Grant Program	10.575	CN-F2S-PLN-15-NY-12	<u>10,251</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>3,695,106</u>
<b>U.S. DEPARTMENT OF LABOR:</b>			
<i>Passed through Niagara County:</i>			
WIA/WIOA Youth Activities	17.259	PY 2014-Y-01	9,639
WIA/WIOA Youth Activities	17.259	PY 2015-Y-01	<u>35,711</u>
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<u>45,350</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
<i>Direct Program:</i>			
Indian Education-Grants to Local Education Agencies	84.060	n/a	125,707
<i>Passed through New York State Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	0021-15-1965	138,441
Title I Grants to Local Educational Agencies	84.010	0021-16-1965	2,668,835
Title I Grants to Local Educational Agencies	84.010	0011-16-2636	<u>118,429</u>
Total CFDA 84.010			<u>2,925,705</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	0032-16-0608	1,933,000
Special Education - Preschool Grants	84.173	0033-16-0608	<u>92,326</u>
Total Special Education Cluster			<u>2,025,326</u>
English Language Acquisition State Grants	84.365	0293-15-1965	236
English Language Acquisition State Grants	84.365	0293-16-1965	12,661
English Language Acquisition State Grants	84.365	0149-16-1965	<u>21,834</u>
Total CFDA 84.365			<u>34,731</u>
Mathematics and Science Partnerships	84.366	0294-16-0219	380,651
Improving Teacher Quality State Grants	84.367	0147-15-1965	21,818
Improving Teacher Quality State Grants	84.367	0147-14-1965	<u>670,460</u>
Total CFDA 84.67			<u>692,278</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>6,184,398</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 9,924,854</u>

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

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

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**1. BASIS OF PRESENTATION**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3. NON-MONETARY FEDERAL PROGRAM**

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2016, the District used \$231,481 worth of commodities.

**4. RECONCILIATION OF FEDERAL AID**

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

Balance per schedule of expenditures of federal awards	\$ 9,924,854
Medicaid reimbursement	<u>315,778</u>
Total Federal Sources per financial statements	<u>\$ 10,240,632</u>

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

The Board of Education  
Niagara Falls City School District, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Niagara Falls City School District, New York (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Drescher & Malecki LLP*

November 3, 2016

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Certified Public Accountants

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

The Board of Education  
Niagara Falls City School District, New York

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

## Report on Internal Control Over Compliance

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

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

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

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

*Drescher & Malecki LLP*

November 3, 2016



**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

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**Section I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

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

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	✓ ___ No
Significant deficiency(ies) identified?	✓ ___ Yes	___ None reported
Noncompliance material to the financial statements noted?	___ Yes	✓ ___ No

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified?	___ Yes	✓ ___ No
Significant deficiency(ies) identified?	___ Yes	✓ ___ None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	✓ ___ No
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Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Improving Teacher Quality State Grants	84.367

Dollar threshold used to distinguish between Type A and Type B programs?	\$ 750,000
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Auditee qualified as low-risk auditee?	✓ ___ Yes	___ No
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## Section II. FINANCIAL STATEMENT FINDINGS

*We consider the deficiency presented below to be a significant deficiency in internal control.*

### 2016-001 – Extraclassroom Activities

- **Receipts and Deposits**

*Criteria*—All extraclassroom receipts should be deposited in a timely manner and pre-numbered to correspond with records kept by the Central Treasurer for each school. It is the District’s policy to deposit all moneys received within two days of receipt. Schools should utilize collection reports in order to record receipts.

*Condition and Context*—Two deposits out of a sample of twenty-five were not deposited in a timely manner. Furthermore, pre-numbered receipts were not utilized by a majority of elementary and middle schools. Lastly, all schools did not utilize collection reports in order to record receipts.

*Effect or Potential Effect*—Risk of misappropriation of extraclassroom assets and errors in financial reporting.

*Cause*—Cash receipts were not pre-numbered, deposited in a timely manner or uniformly recorded on District collection reports.

*Recommendation*—We recommend that all deposits be made in a timely manner. Additionally, student treasurers should utilize pre-numbered receipts for all sales. Lastly, all receipts should be logged on the collection form upon receipt with a corresponding number.

*View of Responsible Officials and Corrective Action Plan*—The District provides the treasurers “The Safeguarding, Accounting, and Auditing of Extraclassroom” pamphlets to assist the treasurers in better understanding and implementing extraclassroom internal control procedures. The District will remind all treasurers that deposits should be made at least weekly when receipts exceed \$50 on hand. If receipts on hand are less than \$50; the treasurers can hold the cash in the office safe until they exceed \$50, but must make a deposit at least within two weeks.

- **Elementary Schools**

*Criteria*—According to the “Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Pamphlet 2” issued by the New York State Department of Education, the student extraclassroom activities may only be formed by students in districts with education programs beyond the 6th grade.

*Condition and Context*—The activities that are carried out in the elementary schools do not meet the requirements of the activities that should be carried out by extraclassroom, for example one school used the extraclassroom club for classroom supplies, while other schools had “General” and “Discretionary” clubs in order to facilitate routine school activity.

*Effect or Potential Effect*—The District is not in compliance with the regulations of extraclassroom activities as set forth by the New York State Department of Education.

*Cause*—The District is conducting extraclassroom activities through its elementary schools in which students are under the 6<sup>th</sup> grade requirement.

*Recommendation*—We recommend that the District reevaluate its extraclassroom activities that are performed in the elementary schools to determine the best course of action going forward. In order to

be in compliance with regulations of extraclassroom activities as set forth by the New York State Department of Education, these clubs should be discontinued as extraclassroom activities.

*View of Responsible Officials and Corrective Action Plan*—The District will reevaluate the extraclassroom accounts at the elementary schools and consider alternative methods.

- **Cash Management and Student Treasurers**

*Criteria*—According to the “Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds – Pamphlet 2” issued by the New York State Department of Education, to ensure proper cash management of extraclassroom funds, each activity should have a student treasurer and a faculty advisor and/or Central Treasurer to maintain two independent sets of records.

*Condition and Context*—Extraclassroom activities should have two independent sets of records maintained for each of the activities to (1) act as a learning tool for the students and (2) provide a system to ensure that the cash raised by students is used to support activities controlled for and by students. We noted that the elementary schools did not have student treasurers maintaining a separate set of records for each activity.

*Effect or Potential Effect*—Lack of a dual recording system and improper cash management of funds increases the risk of the misappropriation of assets.

*Cause*—The District is not in compliance with the regulations of extraclassroom activities as set forth by the New York State Department of Education.

*Recommendation*—We recommend that the District provide additional guidance and oversight to all the schools within the District to ensure that two independent sets of records are being maintained and that proper cash management is occurring.

*View of Responsible Officials and Corrective Action Plan*—All treasurers will be reminded of the type of record keeping required by the State and all treasurers will be sent a copy of the extraclassroom handbook for review.

### **Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings noted.

**NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK**  
**Summary Schedule of Prior Year Audit Findings and Corrective Action Plan**  
**Year Ended June 30, 2016**

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**2015-001 – Extraclassroom Activities**

See finding 2016-001 within the Schedule of Findings and Questioned Costs for current status.