

FORESTVILLE CENTRAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2016**

**FORESTVILLE CENTRAL SCHOOL DISTRICT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Forestville Central School District
Forestville, New York 14062

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 Forestville Central School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 Forestville Central School 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.

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Change in Accounting Principle

As described in Note I to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72 - *Fair Value Measurement and Application*, and GASB Statement No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. For the year ended June 30, 2015, the District implemented GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27*. Additional information received during the year ended June 30, 2016, resulted in an additional restatement to the financial statements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Funding Progress, budgetary comparison information, Schedule of Proportionate Share of the Net Pension Asset/Liability, and Schedule of District Contributions 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 Forestville Central School District's basic financial statements. The combining individual nonmajor fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining individual nonmajor fund financial statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining individual nonmajor fund financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016, on our consideration of the Forestville Central School 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 Forestville Central School District's internal control over financial reporting and compliance.

R.A. MERCER & CO., P.C.

RA Mercer & Co, P.C.

Cattaraugus, New York
September 26, 2016

**FORESTVILLE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

Within this section of the Forestville Central School District's annual financial report, management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the District's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Financial Highlights

The District's assets exceeded its liabilities by \$11,731,822 (net position) for the fiscal year reported.

Total net position is comprised of the following:

1. Net Investment in Capital Assets of \$6,847,584 include property, construction in progress and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
2. Net position of \$1,944,256 is restricted by constraints imposed from outside the District such as debt covenants, grantors, laws, or regulations.
3. Unrestricted net position of \$2,939,982 represents the portion available to maintain the District's continuing obligations to citizens and creditors.

Total liabilities and deferred inflows of resources of the District are \$12,315,073. Bonds payable total \$6,650,000, of which \$710,000 is the current portion.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) governmentwide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Governmentwide Financial Statements

The District's annual report includes two governmentwide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these governmentwide statements is the Statement of Net Position. This is the Districtwide statement of position presenting information that includes all of the District's assets and liabilities, 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of District infrastructure in addition to the financial information provided in this report.

The second governmentwide statement is the Statement of Activities which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both governmentwide financial statements distinguish governmental activities of the District that are principally supported by taxes and intergovernmental revenues from business-type activities, that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, pupil instruction, transportation, and community service. The District has no business-type activities.

The District's financial reporting includes the funds of the District (primary government) and the Extraclassroom Activity Fund for which the District is accountable (component unit). The Extraclassroom Activity Fund is reported in the Agency Fund. Separate audited financial statements of the Extraclassroom Activity Fund can be found at the end of Forestville Central School District's audited financial statements.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The District has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the governmentwide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the governmentwide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the governmentwide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement is presented as supplemental information later in this report. This statement demonstrates compliance with the District's adopted and final revised budget.

Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Extraclassroom Activity Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the Districtwide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the governmentwide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's compliance with NYS Education requirements. Supplemental information follows the notes to the financial statements.

Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District reported positive balances in net position for governmental activities.

The District's net position at fiscal year end 2016 is \$11,731,822. This is an increase from net position of \$10,684,618 (restated) at fiscal year end 2015.

Summary of Net Position As of June 30, 2016 and 2015

	Governmental Activities		
	2016	Restated 2015	Amount of Change
Assets:			
Current and Other Assets	\$ 8,756,387	7,229,202	1,527,185
Capital Assets	14,610,730	14,536,861	73,869
Total Assets	<u>23,367,117</u>	<u>21,766,063</u>	<u>1,601,054</u>
Deferred Outflows of Resources:			
Pensions	679,778	67,377	612,401
Total Deferred Outflows of Resources	<u>679,778</u>	<u>67,377</u>	<u>612,401</u>
Liabilities:			
Current Liabilities	4,615,801	1,825,311	2,790,490
Non-Current Liabilities	6,743,260	7,434,316	(691,056)
Total Liabilities	<u>11,359,061</u>	<u>9,259,627</u>	<u>2,099,434</u>
Deferred Inflows of Resources:			
Pensions	956,012	1,889,195	(933,183)
Total Deferred Inflows of Resources	<u>956,012</u>	<u>1,889,195</u>	<u>(933,183)</u>
Net Position:			
Net Investment in			
Capital Assets	6,847,584	6,179,491	668,093
Restricted	1,944,256	2,025,374	(81,118)
Unrestricted	2,939,982	2,479,753	460,229
Total Net Position	<u>\$ 11,731,822</u>	<u>\$ 10,684,618</u>	<u>\$ 1,047,204</u>

The Net Investment in Capital Assets amount represents 58 percent of the District's total net position.

Resources that are subject to restrictions on how they may be utilized represent 17 percent of the District's net position. These restrictions are for Debt Service, Capital Project, and other requirements.

The remaining category of net position, 25 percent, represents unrestricted net position.

The following table provides a summary of the District's changes in net position:

	Governmental Activities		Amount of
	2016	Restated 2015	Change
Revenues:			
Real Property Taxes and Tax Items	\$ 3,747,883	3,685,080	62,803
Other	170,530	165,771	4,759
State Sources	6,942,607	6,966,450	(23,843)
Medicaid Reimbursement	26,334	8,436	17,898
Federal Sources	474,968	485,281	(10,313)
Sales	83,761	83,165	596
Total Revenues	<u>11,446,083</u>	<u>11,394,183</u>	<u>51,900</u>
Expenses:			
General Support	1,643,745	1,863,132	(219,387)
Instruction	7,353,307	7,215,639	137,668
Pupil Transportation	1,074,021	1,113,517	(39,496)
Community Service	-	3,075	(3,075)
Interest	195,054	205,621	(10,567)
Cost of Sales	169,510	139,482	30,028
Total Expenses	<u>10,435,637</u>	<u>10,540,466</u>	<u>(104,829)</u>
Other Financing Sources and (Uses)			
Premium on Obligations	15,368	-	15,368
Gain on Sale of Equipment	21,390	39,625	(18,235)
Net Other Financing Sources and (Uses)	<u>36,758</u>	<u>39,625</u>	<u>(2,867)</u>
Change in Net Position	1,047,204	893,342	153,862
Beginning Net Position	10,684,618	9,082,737	1,601,881
Restatement	<u>-</u>	<u>708,539</u>	<u>(708,539)</u>
Net Position at End of Year	<u>\$ 11,731,822</u>	<u>10,684,618</u>	<u>1,047,204</u>

As shown above and discussed earlier, the District is heavily reliant on property taxes and state aid to support District operations. Property taxes and tax items provided 33 percent of the District's total governmental revenues in 2016 and 32 percent in 2015, while state aid provided 61 percent of the District's total governmental revenues in 2016 and 2015. Total governmental revenues increased \$51,900 from 2015 to 2016. In addition, gains on sale of equipment were \$21,390 in 2016 in comparison to \$39,625 in 2015.

The total governmental activities cost \$10,435,637 for this year. Of this amount, Instruction, with \$7,353,307, was the largest operating service cost at 70 percent of total cost of services in fiscal year end 2016. General Support cost was 16 percent of the total for 2016 and 18 percent for 2015. Each of these services were primarily funded by the District's taxing authority and New York State sources. Other District activities with significant funding requirements include Pupil Transportation, which was 10 percent of the total cost at \$1,074,021, a decrease of \$39,496 from last year, and Debt Interest, which totaled \$195,054, representing 2 percent of the total cost. It should be noted that General Support, Instruction, Pupil Transportation, and Capital Outlay have been adjusted for the purchase of capital assets and capital improvements for fiscal year 2016. Also, \$664,829 of depreciation expense is allocated to General Support, Instruction, Pupil Transportation, and Cost of Sales.

Financial Analysis of the District's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported an overall fund balance of \$2,737,137. The General Fund reported a fund balance of \$3,673,158 of which approximately \$481,927 is unassigned, indicating availability for continuing District service requirements. Restricted fund balances include: \$103,944 committed to service debt, \$175,600 for unemployment, other insurance reserves of \$95,938, \$43,590 for other property loss, \$259,070 for employee benefits and \$847,362 for retirement contributions. There are capital reserves of \$418,752. Non-spendable fund balance includes \$7,956 for Inventories and \$128,319 and \$36,809 for Special Aid and School Lunch Receivables, respectively. Fund Balance has been assigned to Board of Education, Finance, Central Services, Teaching-Regular School, and Employee Benefits for encumbrances totaling \$40,529. The amount of \$1,145,262 has been assigned to reduce taxes for the subsequent year.

The total ending fund balances of governmental funds show an increase of \$167,288 for the General Fund and a decrease of \$392,166 for other governmental funds over the prior year. The changes are primarily the result of the events and programs described within the analysis of the District's governmental activities.

Major Governmental Funds

The General Fund is the District's primary operating fund and the largest source of day-to-day service delivery.

The Special Aid Fund is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes.

The Capital Projects Fund is used to account for capital improvements of the District and the purchase of buses.

General Fund Budgetary Highlights

The General Fund amended budget for fiscal year 2016 was \$11,783,531. This was a decrease of \$108,154 from the previous year amended budget. The supplemental section includes a schedule detailing the General Fund budget, its amendments, and comparisons to actual amounts.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, for governmental-type activities as of June 30, 2016, was \$14,610,730, an overall increase of \$73,869 from what was reported at June 30, 2015. The District recorded \$664,829 in depreciation expense for fiscal year 2016. Capital assets are detailed as follows:

**Capital Assets,
Net of Accumulated Depreciation
As of June 30, 2016 and 2015**

	Governmental Activities		Amount of Change
	2016	2015	
<u>Nondepreciable Assets:</u>			
Land	\$ 17,207	17,207	-
Construction in Progress	534,789	155,450	379,339
<u>Depreciable Assets:</u>			
Buildings	18,584,625	18,470,401	114,224
Machinery and Equipment	2,754,807	2,684,669	70,138
Accumulated Depreciation	(7,280,698)	(6,790,866)	(489,832)
Capital Assets, Net	<u>\$ 14,610,730</u>	<u>14,536,861</u>	<u>73,869</u>

Long-Term Debt

Total outstanding bond debt at June 30, 2015, was \$7,340,000.

At the end of fiscal year 2016, the District had total bond debt outstanding of \$6,650,000. This obligation is backed by the full faith and credit of the Forestville Central School District.

The District also has a long-term liability outstanding at June 30, 2016 in the amount of \$390,303 for an Energy Performance Contract entered into in January, 2011.

Capital Improvements Project

On May 20, 2014 the voters of the District approved a Board resolution dated March 27, 2014 authorizing a planned facilities improvement project at a maximum cost of \$2,000,000. The project will include various site work and interior/exterior building improvements to the Elementary and Middle/High Schools.

The project will be financed by transfer of the Repair Reserve fund balance of \$28,813 (plus interest earned) to the Construction and Renovation Reserve fund and use of the current balance of \$45,515 (plus interest earned) in the Construction and Renovation Reserve fund. The balance of \$1,925,672 will be financed by bond funding which will be paid off with General Fund appropriations funded by the tax levy and state aid. Expenditures on this project totaled \$379,338 for the year ended June 30, 2016.

Factors Bearing on the District's Future

The impact of large budget deficits at the state level may necessitate school aid reductions. While such action would adversely affect the District, the Forestville Central School District's contingency planning would include collaboration with other governmental units in sharing services.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District's Business Office, Forestville Central School District, 12 Water Street, Forestville, New York 14062.

FINANCIAL STATEMENTS

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EXHIBIT A

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 3,737,240
Restricted	1,943,846
Receivables	
Accounts Receivable, Net	4,590
State and Federal Aid Receivable, Net	295,347
Due From Other Governments	311,729
Inventories	7,957
Capital Assets, Net	14,610,730
Net Pension Asset	2,455,678
Total Assets	23,367,117
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	679,778
Total Deferred Outflows of Resources	679,778
LIABILITIES	
Payables	
Accrued Liabilities	541,804
Due to Other Governments	333
Notes Payable	
Bond Anticipation	2,482,564
Long-Term Liabilities	
Due and Payable Within One Year	
Compensated Absences	110,500
Bonds Payable	710,000
Energy Performance Contract Payable	51,716
Due and Payable After One Year	
Compensated Absences	442,001
Accrued Post Employment Obligations	22,672
Bonds Payable	5,940,000
Energy Performance Contract Payable	338,587
Net Pension Liability	718,884
Total Liabilities	11,359,061
DEFERRED INFLOWS OF RESOURCES	
Pensions	956,012
Total Deferred Inflows of Resources	956,012
NET POSITION	
Net Investment in Capital Assets	6,847,584
Restricted	1,980,410
Unrestricted	2,903,828
Total Net Position	\$ 11,731,822

The accompanying notes are an integral part of these financial statements.

EXHIBIT B

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

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				Total
General Support	\$ 1,643,745	-	-	(1,643,745)
Instruction	7,353,307	50,176	528,532	(6,774,599)
Pupil Transportation	1,074,021	-	-	(1,074,021)
Debt Service	195,054	-	-	(195,054)
Cost of Sales	169,510	83,761	172,464	86,715
Total Governmental Activities	\$ 10,435,637	133,937	700,996	(9,600,704)
General Revenues				
Real Property Taxes and Tax Items				3,747,883
Sale of Property and Compensation for Loss				628
Use of Money and Property				12,887
Miscellaneous				103,170
Interfund Revenues				3,669
State Sources				6,716,579
Medicaid Reimbursement				26,334
Total General Revenues				10,611,150
Other Financing Sources and (Uses)				
Premium on Obligations				15,368
Gain on Sale of Equipment				21,390
Net Other Financing Sources and (Uses)				36,758
Change in Net Position				1,047,204
Net Position-Beginning				9,976,079
Restatement				708,539
Net Position-Ending				\$ 11,731,822

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

FORESTVILLE CENTRAL SCHOOL DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	General Fund	Capital Projects Fund	Special Aid Fund	Non-Major Funds	Total	Adjustments (Note II)	Statement of Net Position
ASSETS							
Cash and Cash Equivalents							
Unrestricted	\$ 1,942,453	1,790,440	1,187	3,160	3,737,240	-	3,737,240
Restricted	1,840,312	-	-	103,534	1,943,846	-	1,943,846
Receivables							
Accounts Receivable, Net	4,590	-	-	-	4,590	-	4,590
State and Federal Aid Receivable, Net	141,320	-	143,476	10,551	295,347	-	295,347
Due from Other Funds	165,127	-	7,618	410	173,155	(173,155)	-
Due from Other Governments	311,729	-	-	-	311,729	-	311,729
Inventories	-	-	-	7,957	7,957	-	7,957
Capital Assets, Net	-	-	-	-	-	14,610,730	14,610,730
Net Pension Asset	-	-	-	-	-	2,455,678	2,455,678
Total Assets	4,405,531	1,790,440	152,281	125,612	6,473,864	16,893,253	23,367,117
DEFERRED OUTFLOWS OF RESOURCES							
Pensions	-	-	-	-	-	679,778	679,778
Total Deferred Outflows of Resources	-	-	-	-	-	679,778	679,778
Total Assets and Deferred Outflows of Resources	4,405,531	1,790,440	152,281	125,612	6,473,864		
LIABILITIES							
Payables							
Accrued Liabilities	195,994	324,395	896	1,536	522,821	18,983	541,804
Due to Other Funds	7,618	410	128,318	36,809	173,155	(173,155)	-
Due to Other Governments	-	-	-	333	333	-	333
Due to Teachers' Retirement System	475,964	-	22,097	-	498,061	(498,061)	-
Due to Employees' Retirement System	52,797	423	970	5,603	59,793	(59,793)	-
Notes Payable							
Bond Anticipation	-	2,482,564	-	-	2,482,564	-	2,482,564
Long-Term Liabilities							
Due Within One Year							
Compensated Absences	-	-	-	-	-	110,500	110,500
Bonds Payable	-	-	-	-	-	710,000	710,000
Energy Performance Contract	-	-	-	-	-	51,716	51,716
Due After One Year							
Compensated Absences	-	-	-	-	-	442,001	442,001
Accrued Post Employment Obligations	-	-	-	-	-	22,672	22,672
Bonds Payable	-	-	-	-	-	5,940,000	5,940,000
Energy Performance Contract	-	-	-	-	-	338,587	338,587
Net Pension Liability	-	-	-	-	-	718,884	718,884
Total Liabilities	732,373	2,807,792	152,281	44,281	3,736,727	7,622,334	11,359,061
DEFERRED INFLOWS OF RESOURCES							
Pensions	-	-	-	-	-	956,012	956,012
Total Deferred Inflows of Resources	-	-	-	-	-	956,012	956,012
FUND BALANCES/NET POSITION							
Fund Balances							
Nonspendable:							
Inventories	-	-	-	7,956	7,956	(7,956)	-
School Lunch Receivable	36,809	-	-	-	36,809	(36,809)	-
Special Aid Receivable	128,319	-	-	-	128,319	(128,319)	-
Restricted for:							
Debt Service	-	-	-	103,944	103,944	(103,944)	-
Employee Benefits	259,070	-	-	-	259,070	(259,070)	-
Retirement Contributions	847,362	-	-	-	847,362	(847,362)	-
Unemployment	175,600	-	-	-	175,600	(175,600)	-
Property Loss & Liability	43,590	-	-	-	43,590	(43,590)	-
Insurance	95,938	-	-	-	95,938	(95,938)	-
Capital	418,752	-	-	-	418,752	(418,752)	-
Assigned to:							
Appropriated Fund Balance	1,145,262	-	-	-	1,145,262	(1,145,262)	-
Board of Education	2,687	-	-	-	2,687	(2,687)	-
Finance	9,950	-	-	-	9,950	(9,950)	-
Central Services	4,638	-	-	-	4,638	(4,638)	-
Teaching - Regular School	20,096	-	-	-	20,096	(20,096)	-
Employee Benefits	3,158	-	-	-	3,158	(3,158)	-
Unassigned:							
Unassigned Fund Balance (Deficit)	481,927	(1,017,352)	-	(30,569)	(565,994)	565,994	11,517,976
Total Fund Balances (Deficit)	3,673,158	(1,017,352)	-	81,331	2,737,137	(2,737,137)	11,517,976
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,405,531	1,790,440	152,281	125,612	6,473,864		
Net Position							
Net Investment in Capital Assets						6,847,584	6,847,584
Restricted						1,944,256	1,944,256
Unrestricted						2,939,982	2,939,982
Total Net Position						11,731,822	11,731,822

The accompanying notes are an integral part of these financial statements.

EXHIBIT D

FORESTVILLE CENTRAL SCHOOL DISTRICT
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN FUND BALANCES/NET POSITION AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects Fund	Special Aid Fund	Non- Major Funds	Total	Adjustments (Note II)	Statement of Activities
REVENUES							
Real Property Taxes and Tax Items	\$ 3,747,883	-	-	-	3,747,883	-	3,747,883
Charges for Services	50,176	-	-	-	50,176	-	50,176
Use of Money and Property	11,908	-	-	979	12,887	-	12,887
Sale of Property and Compensation for Loss	628	-	-	-	628	-	628
Miscellaneous	102,227	-	-	943	103,170	-	103,170
Interfund Revenues	3,669	-	-	-	3,669	-	3,669
State Sources	6,716,579	-	219,521	6,507	6,942,607	-	6,942,607
Medicaid Reimbursement	26,334	-	-	-	26,334	-	26,334
Federal Sources	-	-	309,011	165,957	474,968	-	474,968
Sales	-	-	-	83,761	83,761	-	83,761
Total Revenues	10,559,404	-	528,532	258,147	11,446,083	-	11,446,083
EXPENDITURES/EXPENSES							
General Support	1,329,141	-	-	149,780	1,478,921	164,824	1,643,745
Instruction	5,337,511	-	443,240	-	5,780,751	1,572,556	7,353,307
Pupil Transportation	711,779	186,640	28,003	-	926,422	147,599	1,074,021
Employee Benefits	1,854,683	-	70,969	55,096	1,980,748	(1,980,748)	-
Capital Outlay	-	479,338	-	-	479,338	(479,338)	-
Debt Service	-	-	-	-	-	-	-
Principal	948,067	-	-	-	948,067	(948,067)	-
Interest	187,255	-	-	-	187,255	7,799	195,054
Cost of Sales	-	-	-	113,827	113,827	55,683	169,510
Total Expenditures/Expenses	10,368,436	665,978	542,212	318,703	11,895,329	(1,459,692)	10,435,637
Excess (Deficiency) of Revenues Over Expenditures/Expenses	290,968	(665,978)	(13,680)	(60,556)	(449,246)	(1,459,692)	1,010,446
OTHER FINANCING SOURCES AND (USES)							
Interfund Transfers In	70,000	100,000	13,680	81,360	265,040	(265,040)	-
Interfund Transfers Out	(193,680)	(1,360)	-	(70,000)	(265,040)	265,040	-
Premium on Obligations	-	-	-	15,368	15,368	-	15,368
BAN Redeemed from Appropriations	-	209,000	-	-	209,000	(209,000)	-
Gain on Sale of Equipment	-	-	-	-	-	21,390	21,390
Total Other Financing Sources and (Uses)	(123,680)	307,640	13,680	26,728	224,368	(187,610)	36,758
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures/ Expenses and Other Financing (Uses)	167,288	(358,338)	-	(33,828)	(224,878)	224,878	
CHANGE IN NET POSITION						1,047,204	1,047,204
FUND BALANCES/NET POSITION							
Beginning of Year	3,505,870	(659,014)	-	115,159	2,962,015	7,014,064	9,976,079
Restatement	-	-	-	-	-	708,539	708,539
End of Year	\$ 3,673,158	(1,017,352)	-	81,331	2,737,137	8,994,685	11,731,822

The accompanying notes are an integral part of these financial statements.

EXHIBIT E

**FORESTVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2016**

	<u>Agency Fund</u>	<u>Private Purpose Trusts</u>
ASSETS		
Cash and Cash Equivalents		
Unrestricted	\$ 48,592	13,965
Restricted	<u>34,697</u>	<u>65,404</u>
Total Assets	<u>83,289</u>	<u>79,369</u>
LIABILITIES		
Accrued Liabilities	48,592	-
Extraclassroom Activity	<u>34,697</u>	<u>-</u>
Total Liabilities	<u>\$ 83,289</u>	<u>-</u>
NET POSITION		
Reserved For Endowment Scholarships		<u>79,369</u>
Total Liabilities and Net Position		<u>\$ 79,369</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT F

**FORESTVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions	\$ 3,757
Interest and Earnings	<u>159</u>
Total Additions	<u>3,916</u>
 DEDUCTIONS	
Scholarships and Awards	<u>3,602</u>
Total Deductions	<u>3,602</u>
Change in Net Position	314
 Net Position, Beginning of Year	<u>79,055</u>
 Net Position, End of Year	 \$ <u><u>79,369</u></u>

The accompanying notes are an integral part of these financial statements.

**FORESTVILLE CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

The reporting entity of the District is based on criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

The Extraclassroom Activity Fund

The Extraclassroom Activity Fund of the Forestville Central School District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Fund is independent of the School District with respect to its financial transactions and the designation of student management. The cash and investment balances are reported in the Agency Funds of the School District. Separate audited financial statements (cash basis) of the Extraclassroom Activity Fund can be found at the end of these financial statements.

B. JOINT VENTURE

The Forestville Central School District is one of many component school districts in the Erie II Board of Cooperative Educational Services (BOCES). The BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year ended June 30, 2016, the Forestville Central School District was billed \$1,485,325 for BOCES administrative and program costs. Participating school districts issue debt on behalf of BOCES. During the year, the District did not issue debt on behalf of BOCES and there was no BOCES debt outstanding as of the year end. The District's share of BOCES aid amounted to \$499,468. Financial statements for BOCES are available from the BOCES administrative office in Angola, New York.

C. BASIS OF PRESENTATION

1. Districtwide Statements

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

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

2. Fund Financial Statements

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

a. Governmental Funds:

- i. **General** - is the primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- ii. **Special Aid Fund** - is used to account for the proceeds of specific revenue sources such as federal and state grants that are restricted to expenditures for specified purposes other than debt service and capital projects. These restrictions may be imposed by either governments that provide the funds, by outside parties or by the government itself.
- iii. **Capital Projects Funds** - used to account for the financial resources that are restricted or assigned to expenditures for acquisition, construction, or major repair of capital facilities and bus purchases.
- iv. **School Lunch Fund** - used to account for all of the financial transactions, including federal and state grants, related to child nutrition.
- v. **Debt Service** - is used to account for the accumulation of resources that are restricted or assigned to expenditure for the payment of principal and interest on long-term financial debt of governmental activities.

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

- i. Private purpose trust funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- ii. Agency funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

E. PROPERTY TAXES

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 6, 2015. Taxes were collected during the period September 3, 2015 to November 5, 2015.

2. Enforcement

Uncollected real property taxes are subsequently enforced by the Counties of Cattaraugus and Chautauqua. The Counties pay an amount representing uncollected real property taxes transmitted to the Counties for enforcement to the School District no later than the forthcoming April 1.

F. RESTRICTED RESOURCES

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

G. INTERFUND TRANSACTIONS

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

In the Districtwide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity is presented later in these notes.

H. ESTIMATES

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

I. CASH AND CASH EQUIVALENTS/INVESTMENTS

For financial statement purposes, all highly liquid investments with an original maturity of three months or less are considered as cash equivalents. The District's cash and cash equivalents consist of cash on hand, demand and time deposits, savings accounts, and certificates of deposit.

New York State law governs the Forestville Central School District's investment policies. Forestville Central School District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

J. RECEIVABLES

All receivables are reported at their gross value, and when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. INVENTORIES

Inventories of food 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 inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

L. CAPITAL ASSETS

Capital assets are reported at actual cost or estimated historical cost, based on an appraisal conducted by an independent third-party professional. Donated assets are reported at estimated fair market value at the time received.

The District has a specific capitalization policy of \$500 regarding equipment with a \$5,000 costing policy. Therefore, items costing in excess of \$500 are tagged for asset tracking purposes. However, only those in excess of \$5,000 are included for cost valuation and depreciation calculations. Depreciation is computed using the straight-line method over estimated useful lives with salvage value appropriately applied.

M. COMPENSATED ABSENCES

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

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

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the Districtwide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

N. OTHER BENEFITS

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

In addition to providing pension benefits, the School District provides post-employment health insurance coverage for retired employees. These benefits are provided through the Chautauqua County School Districts' Medical Health Plan, a community rated, cost sharing plan. The election by the retiree to stay in this health plan is done at the retiree's own expense. An employer subsidy does not exist.

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

O. SHORT-TERM DEBT

The District may issue bond anticipation notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

P. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

Q. EQUITY CLASSIFICATIONS

Net position on the Districtwide statements includes the following:

1. Net Investment in Capital Assets

Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvement of those assets.

2. Restricted Net Position

Reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted Net Position

Reports all other net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

R. FUND STATEMENTS

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$7,956. It also includes the Special Aid and School Lunch fund receivables in the General Fund of \$128,319 and \$36,809, respectively.

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

Debt Service – According to General Municipal Law, the Mandatory Reserve for Debt Service must be established for the purpose of retiring outstanding obligations. Interest and earnings on outstanding obligations and remaining bond proceeds not utilized for the intended purpose are recorded in the Reserve for Debt Service. These monies must be used to pay for the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service Fund.

Employee Benefits – The purpose of this account is to reserve monies for the payment of any accrued benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board of Education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

Reserve for Employee Retirement Contributions – According to General Municipal law, this reserve must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

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

Reserve for Property Loss and Liability – Property loss reserve and liability reserves are used to pay for property loss and liability claims incurred. Separate reserves for property loss and liability claims are required, and these reserves may not exceed 3 percent of the annual budget or \$15,000, whichever is greater. This type of reserve may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the General Fund.

Reserve for Insurance – This reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law, e.g., Unemployment Compensation Insurance. This reserve may be established by Board action and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5 percent of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

Reserve for Capital – Capital Reserve is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the sources of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law. This reserve is accounted for in the General Fund and Capital Projects Fund.

Restricted fund balance includes the following:

General Fund:	
Employee Benefits	\$ 259,070
Retirement Contributions	847,362
Unemployment	175,600
Property Loss and Liability	43,590
Insurance	95,938
Capital	418,752
Debt Service Fund:	<u>103,944</u>
Total Restricted Fund Balance:	<u>\$ 1,944,256</u>

Committed – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the school district's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2016.

Assigned – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Appropriated fund balance and encumbered balances of the General Fund are classified as Assigned Fund Balance in the General Fund.

Assigned fund balance includes the following:

General Fund:	
Appropriated Fund Balance	\$ 1,145,262
Board of Education	2,687
Finance	9,950
Central Services	4,638
Teaching - Regular School	20,096
Employee Benefits	<u>3,158</u>
Total Assigned Fund Balance:	<u>\$ 1,185,791</u>

Unassigned – Includes all other General Fund net position that does not meet the definition of the above four classifications and is deemed to be available for general use by the School District.

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

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

Along with the Board of Education, the Superintendent and/or the Business Executive of the District have the authority to assign fund balances for particular purposes.

S. New Accounting Standards

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

GASB Statement No. 72 – *Fair Value Measurement and Application*, effective for the year ended June 30, 2016.

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

T. Accounting Standards Issued But Not Yet Implemented

GASB Statement 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*, effective for the year ending June 30, 2017.

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans* establishes new accounting and financial reporting requirements for OPEB plans. Effective for the year ending June 30, 2017.

GASB Statement No. 75 – *Accounting and Financial Reporting Postemployment Benefits Other than Pension*. This Statement replaces the requirements of Statements No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as amended, and No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* for OPEB. Effective for the year ending June 30, 2018.

GASB Statement No. 77 – *Tax Abatement Disclosures*. Effective for the year ending June 30, 2017.

GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Effective for the year ending June 30, 2017.

GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. Effective for the year ending June 30, 2017.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. Effective for the year ending June 30, 2017.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. Effective for the year ending June 30, 2018.

GASB Statement No. 82 – *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. Effective for the year ending June 30, 2017.

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

NOTE II – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICTWIDE STATEMENTS

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

A. TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS VS. NET POSITION OF GOVERNMENTAL ACTIVITIES

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

The costs of building and acquiring capital assets (land, construction in progress, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Governmental Funds Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 21,891,428
Accumulated Depreciation	(7,280,698)
	<u>\$ 14,610,730</u>

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period.

Balances at year-end were:

	Due in One Year	Due After One Year	Total
Compensated Absences	\$ 110,500	442,001	552,501
Bonds Payable	710,000	5,940,000	6,650,000
Energy Performance Contract Payable	51,716	338,587	390,303
	<u>\$ 872,216</u>	<u>6,720,588</u>	<u>7,592,804</u>

Interest on long-term debt is recorded as an expenditure in governmental funds when it is due, and thus requires the use of current financial resources. On the Statement of Net Position, interest is recognized as it accrues, regardless of when it is due. The accrued interest on bonds payable increased from the prior year by \$7,799.

As indicated in Note 1, the amounts reported on the Statement of Net Position for due to and due from other funds represent amounts due between different fund types (governmental activities and Fiduciary Funds). Eliminations have been made for amounts due to and due from within the same fund type. A summary of governmental interfund receivable/payable eliminations is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 165,127	7,618
Special Aid Fund	7,618	128,318
School Lunch Fund	-	36,809
Debt Service	410	-
Capital Fund	-	410
	<u>\$ 173,155</u>	<u>173,155</u>

B. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE VS. STATEMENT OF ACTIVITIES

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

1. Long-Term Revenue Differences

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

2. Capital Related Differences

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

3. Long-Term Debt Transaction Differences

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

4. Allocation of Indirect Expenses

Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

Differences between the governmental funds Operating Statement and Statement of Activities.

Total Revenue and Other Funding Sources of Governmental Funds

Total revenue and other funding sources of governmental funds	\$ 11,935,491
BAN redeemed from appropriations has been reported in the governmental statements but eliminated for the Statement of Activities	(209,000)
In the Statement of Activities, only the gain \$21,390 on the sale/trade of equipment is reported, whereas in the governmental funds, the proceeds from the sale of equipment are reported	21,390
Elimination of interfund revenue from governmental funds: Interfund Transfers In	<u>(265,040)</u>
Total Revenue and other funding sources of governmental activities in the Statement of Activities	<u>\$ 11,482,841</u>

Total Expenditures and Other Uses Reported in Governmental Funds

Total Expenditures and other uses reported in governmental funds	\$ 12,160,369
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In the Statement of Activities, certain operating expenses (compensated absences) 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 estimated liability for compensated absences was higher than the amounts paid by \$59,985.

59,985

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures, net of trades, of \$717,308 exceeded depreciation of \$664,829.

(52,479)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

(948,067)

Elimination of interfund expenditures from governmental funds.

Interfund Transfers Out

(265,040)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net interest reported in the Statement of Activities is the result of accrued interest on bonds payable.

7,799

Net Other Post Employment Obligation	22,672
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(Increases) decreases in proportionate share of net pension asset/liability in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the government funds.

Teachers' Retirement System	(640,363)	
Employees' Retirement System	<u>90,762</u>	<u>(549,601)</u>

Total expenses and other uses of governmental activities	<u>\$ 10,435,638</u>
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NOTE III – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING

1. Budget Policies

The budget policies are as follows:

a. General Fund and School Lunch Fund

- i. The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Lunch Fund.
- ii. The voters within the School District approved the proposed appropriation budget for the General Fund.
- iii. Appropriations are adopted at the program line item level.
- iv. Appropriations established by the adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.
- v. The Board of Education approves transfers among budgetary line items as deemed necessary.
- vi. The New York State Uniform System of Accounts requires that fixed budgetary controls be used for all governmental fund types.

b. Special Aid Fund

Individual budgets are all adopted based on each federal, state and local grant award. Transfers among budgetary line items are made as deemed necessary after approval by the grantor agency. Appropriations lapse at the end of the grant period versus the School District's fiscal year end.

2. Budget Basis of Accounting

Budgets are adopted annually on a legally prescribed basis. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

B. DEFICIT FUND BALANCES

The Capital Projects Fund had a deficit fund balance of \$1,017,352. This will be funded as the District redeems the outstanding bond anticipation notes.

The School Lunch Fund had a deficit fund balance of \$22,613. This will be funded by the continued operation of the fund and transfers from the General Fund.

NOTE IV – CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, AND INTEREST RATE RISKS

A. CASH AND CASH EQUIVALENTS

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

The District's aggregate bank balances included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$ <u> -</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ <u> 6,005,498 </u>

B. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments represents cash, cash equivalents, and investments where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash and investments as of year-end includes the following:

<u>Governmental Funds</u>	<u>Amount</u>	<u>Purpose</u>
Major:		
General Fund	\$ 259,070	Reserve for Employee Benefits
General Fund	847,362	Reserve for Retirement Contributions
General Fund	175,600	Reserve for Unemployment
General Fund	43,590	Reserve for Property Loss and Liability
General Fund	95,938	Reserve for Insurance
General Fund	418,752	Reserve for Capital
Non-Major:		
Debt Service	<u>103,534</u>	Reserve for Debt
Total	<u>1,943,846</u>	
Fiduciary Funds:		
Agency Fund	34,697	Extraclassroom Activities
Private-Purpose Trusts	<u>65,404</u>	Endowment Scholarships
Total	<u>100,101</u>	
Restricted Cash and Investments	<u><u>\$ 2,043,947</u></u>	

NOTE V – RECEIVABLES

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

<u>Governmental Funds</u>	<u>Description</u>	<u>Amount</u>
Major:		
General	Accounts Receivable	\$ 4,590
	State and Federal Aid	141,320
	BOCES Aid	311,729
Special Aid Fund	State and Federal Aid	<u>143,476</u>
		601,115
Non-Major:		
School Lunch Fund	Accounts Receivable	-
School Lunch Fund	State and Federal Aid	<u>10,551</u>
Total		<u><u>\$ 611,666</u></u>

NOTE VI – CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 7/1/15	Additions	Deletions	Balance 6/30/16
Nondepreciable:				
Land	\$ 17,207	-	-	17,207
Construction in Progress	155,450	379,339	-	534,789
Depreciable:				
Buildings	18,470,401	114,224	-	18,584,625
Equipment	2,684,669	256,745	(186,607)	2,754,807
Subtotal	21,327,727	750,308	(186,607)	21,891,428
Less: Accumulated Depreciation	(6,790,866)	(664,829)	174,997	(7,280,698)
Net Capital Assets	\$ 14,536,861	\$ 85,479	\$ (11,610)	\$ 14,610,730

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 6,648
Instruction	478,677
Pupil Transportation	166,207
Cost of Sales	13,297
Total	<u>\$ 664,829</u>

NOTE VII – LIABILITIES

A. PENSION PLANS AND POST-EMPLOYMENT BENEFITS

1. General Information

The Forestville Central School District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). These are cost-sharing multiple-employer, public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

2. Provisions and Administration

a. Teachers' Retirement System (TRS)

As an employer, the District makes contributions to the New York State Teachers' Retirement System (the System), a cost-sharing multiple employer defined benefit pension plan administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York, 12211-2395.

b. Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and benefits to employees. The system issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, NY 12244.

3. Funding Policies

TRS plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3 1/2% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, depending upon their salary, for their entire working career. Employers are required to contribute at an actuarially determined rate, currently 13.26% of the annual covered payroll for the fiscal year ended June 30, 2016. Rates applicable to the fiscal years ended June 30, 2015 and 2014, were 17.53% and 16.25%, respectively.

ERS members who joined prior to July 27, 1976 are not required to contribute. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. For employees who joined after January 1, 2010, a 3% contribution of their salary is required throughout their active membership. The Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The School District is required to contribute at an actuarially determined rate. The required and actual contributions for the current year and two preceding years were:

Year	ERS	TRS
2016	\$ 177,182	480,892
2015	284,867	614,040
2014	285,388	463,405

The School District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

The changes in the Forestville Central School District's accrued liabilities for amounts due for pension obligations are detailed as follows:

	Balance 7/1/15	Additions	Deletions	Balance 6/30/16
Due to TRS - Employer	\$ 620,359	480,891	(620,359)	480,891
Due to TRS - Employee	18,107	17,170	(18,107)	17,170
Due to ERS	70,073	59,793	(70,073)	59,793
	<u>\$ 708,539</u>	<u>557,854</u>	<u>(708,539)</u>	<u>557,854</u>

These obligations are noninterest bearing.

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

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

	ERS	TRS
Actuarial Valuation Date	March 31, 2016	June 30, 2015
Net Pension Asset (Liability)	(\$718,884)	\$2,455,678
Districts Portion of the Plan's Total Net Pension Asset (Liability)	0.0044789%	0.023642%

For the year ended June 30, 2016, the District's recognized pension expense of \$257,663 for ERS and the actuarial value of \$158,191 decrease to pension expense for TRS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources		Deferred Inflows Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 3,633	-	85,212	68,057
Changes of Assumptions	191,705	-	-	-
Net difference between projected and actual earnings on pension investments	426,481	-	-	776,253
Changes in proportion and differences between the District's contributions and proportionate share of contributions	22,401	35,558	26,490	-
Total	\$ 644,220	35,558	111,702	844,310

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

Year Ended:	ERS	TRS
2016	\$ -	\$ (308,879)
2017	133,130	(308,879)
2018	133,130	(308,879)
2019	133,130	133,308
2020	133,128	(4,269)
Thereafter	-	11,152

5. Actuarial Assumptions

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

	ERS	TRS
Measurement Date	March 31, 2016	June 30, 2015
Actuarial Valuation Date	April 1, 2015	June 30, 2014
Interest Rate	7.00%	8.00%
Salary Scale	4.90%	4.01% - 10.91%
Decrement Tables	April 1, 2010 - March 31, 2015 ERS' Experience	July 1, 2005 - June 30, 2010 TRS' Experience
Inflation Rate	2.50%	3.00%

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

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

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

	ERS	TRS
Measurement Date	March 31, 2016	June 30, 2015
Asset Type:		
Domestic Equity	7.30%	6.50%
International Equity	8.55%	7.70%
Real Estate	8.25%	4.60%
Alternative Investments	0.00%	9.90%
Domestic Fixed Income Securities	0.00%	2.10%
Absolute Return Strategy Investment	6.75%	0.00%
Opportunistic Funds	8.60%	0.00%
Real Assets	8.65%	0.00%
Private Equity	11.00%	0.00%
Global Fixed Income Securities	0.00%	1.90%
Mortgages	4.00%	3.40%
Short-Term	0.00%	1.20%
Cash	2.25%	0.00%
Inflation-Indexed Bonds	4.00%	0.00%

6. Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 8.0% for TRS, as well as what the District's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 7.0% for TRS) or 1-percentage point higher (8.0% for ERS and 9.0% for TRS) than the current rate:

	ERS		
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (1,621,013)	(718,884)	43,391
	TRS		
	1% Decrease (7%)	Current Assumption (8%)	1% Increase (9%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ 167,509	2,455,678	4,692,706

8. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued ERS and TRS financial reports.

9. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$59,793.

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 \$498,061.

10. Restatement of Net Position

For the fiscal year ended June 30, 2016, the District obtained additional information related to the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. This resulted in an additional restatement to the financial statements. The District's net position has been restated as follows:

Net Position, Beginning of Year, As Previously Stated	\$ 9,976,079
<u>GASB Statement No. 68 Implementation</u>	
Beginning System Liability - TRS	638,466
Beginning System Liability - ERS	<u>70,073</u>
Net Position, Beginning of Year, Restated	\$ <u><u>10,684,618</u></u>

B. INDEBTEDNESS

1. Short-Term Debt

The District issues bond anticipation notes to finance the purchase of transportation equipment and the capital improvements project. The details of the short-term debt transactions for the year ended June 30, 2016 are summarized below:

	2016 BUS BAN	2015 BUS BAN	2016 PROJECT BAN
Maturity	8/18/2016	8/20/2015	6/7/2017
Interest Rate	1.24%	0.94%	2.00%
Beginning Balance \$	-	-	-
Issued	557,000	578,000	1,925,564
Redeemed	-	(209,000)	-
Refinanced	-	(369,000)	-
Ending Balance \$	<u>557,000</u>	<u>-</u>	<u>1,925,564</u>

Total interest paid on the BANs was \$5,418 as of June 30, 2016. This payment was recorded in the general fund.

The General Fund is typically used to liquidate short-term obligations and reports an expenditure for the redeemed debt and related interest.

2. Long-Term Debt

a. Long-Term Debt Interest

Interest paid on long-term indebtedness amounted to \$181,837. This payment was recorded in the General Fund.

b. Changes

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

	Balance 7/1/15	Additions	Deletions	Balance 6/30/16	Amounts Due within one Year
Serial Bonds	\$ 7,340,000	-	(690,000)	6,650,000	710,000
Compensated Absences	492,516	59,985	-	552,501	110,500
Energy Performance Contract	439,370	-	(49,067)	390,303	51,716
Post Employment Obligations	-	22,672	-	22,672	-
	<u>\$ 8,271,886</u>	<u>82,657</u>	<u>(739,067)</u>	<u>7,615,476</u>	<u>872,216</u>

Additions and deletions to compensated absences are shown net since it is impractical to separately determine these amounts:

The General Fund is typically used to liquidate long-term obligations.

c. Maturity

i. The following is a summary of maturity of indebtedness:

Description of Issue	Issue Date	Final Maturity	Average Interest Rate	Outstanding at 6/30/16
Energy Performance Contract	2011	2023	4.85%	390,303
Serial Bonds	2013	2025	2.00%-2.75%	6,650,000

ii. The following is a summary of maturing debt service requirements:

Fiscal Year End June 30,	Principal	Interest
2017	\$ 761,716	165,388
2018	779,508	148,396
2019	802,450	130,953
2020	820,553	112,951
2021	843,822	94,481
2022-2025	3,032,254	175,513
Total	<u>\$ 7,040,303</u>	<u>827,682</u>

NOTE VIII – INTERFUND TRANSACTIONS

Interfund balances as June 30, 2016, were as follows:

	Due From Other Funds	Due to Other Funds	Interfund Revenues	Interfund Expenditures
<u>Governmental Funds</u>				
Major:				
General Fund	\$ 165,127	7,618	70,000	193,680
Special Aid	7,618	128,318	13,680	-
Capital Projects	-	410	100,000	1,360
Non-Major:				
School Lunch	-	36,809	80,000	-
Debt Service	410	-	1,360	70,000
Total	<u>\$ 173,155</u>	<u>173,155</u>	<u>265,040</u>	<u>265,040</u>

As discussed in Note II, eliminations have been made for amounts due to and due from other funds and for interfund revenues and expenditures within the same fund type.

NOTE IX – RISK MANAGEMENT

1. General Information

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

2. Medical Health Insurance Plan

The Forestville Central School District incurs costs related to an employee health insurance plan sponsored by Chautauqua County School Districts' consortium and its component districts. The plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the plan do not have a minimum requirement for withdrawal. A member may withdraw from the plan by informing the plan administrator 30 days prior to withdrawal. Plan members include 19 districts, with Forestville Central School District bearing a 3 percent share of the plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. In the event the plan's assets were exhausted, members would be responsible for the plan's liabilities. The plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks insured. The plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. During the year ended June 30, 2016, Forestville Central School District incurred premiums or contribution expenditures totaling \$801,029. Payments of claims and claim adjustment expenses attributable to insured events of the current fiscal year totaled \$48,505,078 for the total consortium, which has a fund balance of \$22,548,376.

3. Workers' Compensation

Forestville Central School District participates in a risk-sharing pool, Erie II Area Schools, Self-Funded, Workers' Compensation, to insure Workers' Compensation claims. This is a public-entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. For the year ended June 30, 2016, there were three claims paid on behalf of the District. At June 30, 2016, the District did not recognize a liability for unpaid, unasserted claims, if any, as they would be deemed immaterial.

4. Unemployment Insurance

The District provides unemployment insurance through direct billings from the New York State Insurance Fund. For the year ended June 30, 2016, the District paid \$2,926 in unemployment insurance benefits. At June 30, 2016, the District did not recognize a liability for unpaid, unasserted claims, if any, as these would be deemed immaterial.

NOTE X - OTHER POST-EMPLOYMENT BENEFITS - GASB STATEMENT NO. 45

1. School District

In addition to providing pension benefits, the District also provides health care benefits for retired employees, their dependents, and certain survivors. Substantially all of the District's employees may become eligible for those benefits if they reach normal retirement age while working for the District.

In June 2016, the District was required to report these benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, prospectively. This statement establishes the standards for the recognition, measurement, and display of other post-employment benefits (retiree health insurance), expenses, and related liabilities and note disclosure.

2. Plan Description

The District administers its Retiree Medical Plan (the Plan), as a single-employer defined benefit Other Post-Employment Benefit (OPEB) plan. The Plan provides for the continuation of medical benefits to certain qualifying retirees of the District and their spouses, and can be amended by action of the District. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

3. Funding Policy

The obligations of the Plan members, employers, and other entities are established by employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement covering the retiree, the retiree's hiring date, and number of years of service to the District. The District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. For 2016, the District contributed approximately \$47,566 for current premiums. The costs of administering this Plan are paid by the District.

4. Funded Status and Funding Progress

The schedule of funding progress presents multi-year (when available) trend information that is useful in determining whether the actuary's value of Plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the Plan as of October 1, 2015, the latest valuation date.

Actuarial Accrued Liability (AAL)

Actuarial accrued liability	\$ 878,440
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 878,440</u>
Funded ratio	<u>0.00%</u>
Annual covered payroll	<u>\$ 5,394,581</u>
Ration of unfunded actuarial accrued liability to covered payroll	<u>16.28%</u>
2015 normal cost	<u>\$ 31,841</u>

The following table summarizes the amortization calculation of the UAAL as of the latest valuation date:

UAAL	\$ 878,440
Amortization period (years)	30
Amortization discount rate	1.76%
Present value factor	23.55%
2015 UAAL amortization amount	\$ 37,290

5. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. the ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfounded actuarial liabilities of a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for 2016:

Normal cost	\$	30,923
Amortization of UAAL		<u>37,290</u>
		68,213
Interest		<u>918</u>
ARC		69,131
Interest of OPEB Obligation		1,107
Adjustment to ARC		<u>-</u>
OPEB expense	\$	<u>70,238</u>

The following table reconciles the District's OPEB obligation at June 30, 2016:

Net OPEB obligation at beginning of year	\$	-
2016 OPEB expense		70,238
2016 OPEB contributions		<u>47,566</u>
Net OPEB obligation at end of year		22,672
Less: estimated current portion of OPEB Obligation		<u>-</u>
Estimated long-term portion of OPEB obligation	\$	<u>22,672</u>
Percentage of expense contributed		<u>67.72%</u>

6. Actuarial Methods and Assumptions

Actuarial valuation of an ongoing plan involves 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 healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse's benefits is the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, that AAL is determined by pro-rating the projected benefit based upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The normal cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility.

The measurement date for the calculation was October 1, 2015, and the discount rate utilized was 1.76%. No salary increases were assumed since benefits are now based on compensation. Health care costs for the governmental activities were assumed to increase as follows:

<u>Trend Increase</u>	
<u>Year</u>	<u>Medical Trend Rate</u>
2016	6.10%
2017	5.80%
2018	6.20%
2019	6.60%
2020	6.40%
2030	5.30%
2040	5.10%

NOTE XI – COMMITMENTS AND CONTINGENCIES

1. Federal and State Grants

The School District has received grants, reported in the special aid fund which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowance and a request for a return of funds. Based on prior audits, the School District's administration believes disallowance, if any, will be immaterial.

2. Litigation

A review of Forestville Central School District by legal counsel indicated that they were aware of no asserted or unasserted claims against the District as of June 30, 2016.

3. Compensated Absences

The District accrued a liability for vested and accumulating non-vested sick leave and retirement benefits in the amount of \$552,501 at June 30, 2016.

The District has included a liability for accumulating, non-vested sick leave on the basis of the percentage of probability that those amounts will become vested. This percentage was applied based on historical vesting of certain employee groups.

4. Capital Improvements Projects

On May 20, 2014 the voters of the District approved a Board resolution dated March 27, 2014 authorizing a planned facilities improvement project at a maximum cost of \$2,000,000. The project will include various site work and interior/exterior building improvements to the Elementary and Middle/High Schools.

The project will be financed by transfer of the Repair Reserve fund balance of \$28,813 (plus interest earned) to the Construction and Renovation Reserve fund and use of the current balance of \$45,515 (plus interest earned) in the Construction and Renovation Reserve fund. The balance of \$1,925,672 will be financed by bond funding which will be paid off with General Fund appropriations funded by the tax levy and state aid.

Expenditures on this project totaled \$379,338 for the year ended June 30, 2016.

On May 19, 2015, the voters of the District approved a Capital Improvements Project in the amount of \$100,000 for improvements and upgrades at the elementary school building.

Expenditures on this project totaled \$100,000 for the year ended June 30, 2016. This project was financed by an approved transfer from the General Fund.

5. Energy Performance Contract

On January 20, 2011, the District entered into an Energy Performance Contract Municipal Lease/Purchase Agreement with Real Lease, Inc.

This agreement provided for the District to lease certain energy conservation improvements and equipment. This includes upgrades to the lighting in the gym and replacement of the existing hot water boilers, including all piping, burners, controls, vent piping, electrical and miscellaneous accessories.

An escrow fund was established by the Lessor in the amount of \$603,768 for the execution of this contract with M & T Bank as Escrow Agent. The lessee is obligated to make rental payments of \$17,840 per quarter which include principal and interest at a rate of 4.85 percent.

The project was fully expended at June 30, 2012 and was capitalized and is being depreciated.

The lease liability has been recorded as a long term obligation at June 30, 2016.

NOTE XII – DONOR-RELATED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of scholarship awards.

Donor-restricted endowments are reported at fair value. Earnings on the endowments are available for annual scholarship awards.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District. These funds are recorded in the Fiduciary Fund - Private Purpose Trust.

NOTE XIII – ADDITIONAL DISCLOSURES

1. Budget Modifications

The 2015-2016 operating budget is summarized as follows:

Original Adopted Budget:	\$	11,741,805
June 30, 2015 Carryover Encumbrances		41,726
Revised Budget	\$	<u>11,783,531</u>

2. Subsequent Events

The management of Forestville Central School District has evaluated subsequent events through September 26, 2016, the date on which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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FORESTVILLE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Actuarial Date</u>	<u>Actuarial Assets</u>	<u>(AAL) Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
October 1, 2015	-	878,440	878,440	0%	5,394,581	16.28%

The accompanying independent auditors' report should be read in conjunction with these financial statements.

FORESTVILLE CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)		Final Budget Variance With Budgetary Actual
REVENUES					
Local Sources					
Real Property Taxes	\$ 3,737,472	3,737,472	3,738,447		(975)
Real Property Tax Items	6,500	6,500	9,436		(2,936)
Charges for Services	14,200	14,200	50,176		(35,976)
Use of Money and Property	9,000	9,000	11,908		(2,908)
Sales of Property and Compensation for Loss	1,000	1,000	628		372
Miscellaneous	68,000	68,000	102,227		(34,227)
Interfund Revenues	-	-	3,669		(3,669)
State Sources	6,759,872	6,759,872	6,716,579		43,293
Medicaid Reimbursement	4,000	4,000	26,334		(22,334)
Total Revenues	10,600,044	10,600,044	10,659,404		(59,360)
OTHER FINANCING SOURCES					
Interfund Transfers In	70,000	70,000	70,000		-
Total Revenues and Other Financing Sources	10,670,044	10,670,044	10,729,404		(59,360)
APPROPRIATED FUND BALANCE	1,071,761	1,113,487			
Total Revenues, Other Financing Sources and Appropriated Fund Balance	11,741,805	11,783,531			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual And Encumbrances
EXPENDITURES					
General Support					
Board of Education	27,841	29,050	18,361	2,687	8,002
Central Administration	181,179	181,588	175,392	-	6,196
Finance	218,293	228,531	191,420	9,950	27,161
Staff	58,291	58,291	26,854	-	31,437
Central Services	982,206	1,000,489	821,007	4,638	174,844
Special Items	108,624	108,800	96,107	-	12,693
Total General Support	1,576,434	1,606,749	1,329,141	17,275	260,333
Instruction					
Administration & Improvement	436,733	437,905	368,361	-	69,544
Teaching - Regular School	3,119,928	3,139,002	2,893,057	20,096	225,849
Programs for Students with Handicapping Conditions	1,229,684	1,286,730	1,154,842	-	131,888
Occupational Education	409,283	408,493	368,634	-	39,859
Instructional Media	244,984	247,445	228,183	-	19,262
Pupil Services	367,230	369,808	324,434	-	45,374
Total Instruction	5,807,842	5,889,383	5,337,511	20,096	531,776
Pupil Transportation	848,794	846,750	711,779	-	134,971
Community Services	4,332	4,332	-	-	4,332
Employee Benefits	2,149,341	2,081,255	1,854,683	3,158	223,414
Debt Service					
Principal	948,067	948,067	948,067	-	-
Interest	211,320	211,320	187,255	-	24,065
Total Expenditures	11,546,130	11,587,856	10,368,436	40,529	1,178,891
OTHER FINANCING USES					
Interfund Transfers Out	195,675	195,675	193,680	-	1,995
Total Expenditures and Other Financing Uses	11,741,805	11,783,531	10,562,116	40,529	1,180,886
Net Change In Fund Balance	-	-	167,288		
Fund Balance, Beginning	3,505,870	3,505,870	3,505,870		
Fund Balance, Ending	\$ 3,505,870	3,505,870	3,673,158		

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**FORESTVILLE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2015</u>	<u>2016</u>
NYSERS Pension Plan		
District's proportion of the net pension liability	0.0050591%	0.0044789%
District's proportionate share of the net pension liability	\$ 170,907	\$ 718,884
District's covered-employee payroll	\$ 1,598,416	\$ 1,708,581
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.69%	42.07%
Plan fiduciary net position as a percentage of the total pension liability	97.90%	97.90%
NYSTRS Pension Plan		
District's proportion of the net pension asset	0.0247140%	0.0236420%
District's proportionate share of the net pension asset	\$ 2,752,998	\$ 2,455,678
District's covered-employee payroll	\$ 3,551,392	\$ 3,626,633
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	77.52%	67.71%
Plan fiduciary net position as a percentage of the total pension liability	111.48%	97.90%

The accompanying independent auditors' report should be read in conjunction with these financial statements.

Supplemental Schedule 4

**FORESTVILLE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2015</u>	<u>2016</u>
NYSLRS Pension Plan		
Statutorily Required Contributions	\$ 284,867	177,182
Contributions In Relation To Statutorily Required Contributions	<u>284,867</u>	<u>177,182</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>
Employer's Covered-Employee Payroll	\$ 1,598,416	1,708,581
Contributions As A Percentage of Covered-Employee Payroll	17.82%	10.37%
NYSTRS Pension Plan		
Statutorily Required Contributions	\$ 614,040	480,892
Contributions In Relation To Statutorily Required Contributions	<u>614,040</u>	<u>480,892</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>
Employer's Covered-Employee Payroll	\$ 3,551,392	3,626,633
Contributions As A Percentage of Covered-Employee Payroll	17.29%	13.26%

The accompanying independent auditors' report should be read in conjunction with these financial statements.

SUPPLEMENTAL SCHEDULES

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 11,741,805
Add: Prior Year's Encumbrances	<u>41,726</u>
Final Budget	<u>\$ 11,783,531</u>
Next year's budget is a voter-approved budget	<u>\$ 12,053,954</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-2017 Voter-Approved Expenditure Budget	
Maximum Allowed (4% of 2016-2017 budget)	<u>\$ 482,158</u>

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

Unrestricted fund balance:		
Assigned Fund Balance	\$ 1,185,791	
Unassigned Fund Balance	<u>481,927</u>	
Total Unrestricted Fund Balance	<u>\$ 1,667,718</u>	
Less:		
Appropriated Fund Balance	\$ 1,145,262	
Encumbrances Included in Committed and Assigned Fund Balance	<u>40,529</u>	
Total Adjustments	<u>\$ 1,185,791</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 481,927</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.

The accompanying independent auditors' report should be read in conjunction with these financial statements.

Supplemental Schedule 6

**FORESTVILLE CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016**

	<u>Debt Service Fund</u>	<u>School Lunch Fund</u>	<u>Total Non-Major Funds</u>
ASSETS			
Cash and Cash Equivalents			
Unrestricted	\$ -	3,160	3,160
Restricted	103,534	-	103,534
Receivables			
State and Federal Aid Receivable, Net	-	10,551	10,551
Due from Other Funds	410	-	410
Inventories	-	7,957	7,957
Total Assets	<u>103,944</u>	<u>21,668</u>	<u>125,612</u>
LIABILITIES			
Payables			
Accrued Liabilities	-	1,536	1,536
Due to Other Funds	-	36,809	36,809
Due to Other Governments	-	333	333
Due to Employees' Retirement System	-	5,603	5,603
Total Liabilities	<u>-</u>	<u>44,281</u>	<u>44,281</u>
FUND BALANCES			
Nonspendable:			
Inventories	-	7,956	7,956
Restricted for:			
Debt Service	103,944	-	103,944
Unassigned:	-	(30,569)	(30,569)
Total Fund Balances (Deficit)	<u>103,944</u>	<u>(22,613)</u>	<u>81,331</u>
Total Liabilities and Fund Balances	<u>\$ 103,944</u>	<u>21,668</u>	<u>125,612</u>

The accompanying independent auditors' report should be read in conjunction with these financial statements.

Supplemental Schedule 7

**FORESTVILLE CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Debt Service Fund	School Lunch Fund	Total Non-Major Funds
REVENUES			
Use of Money and Property	\$ 979	-	979
Miscellaneous	-	943	943
State Sources	-	6,507	6,507
Federal Sources	-	165,957	165,957
Sales	-	83,761	83,761
Total Revenues	<u>979</u>	<u>257,168</u>	<u>258,147</u>
EXPENDITURES			
General Support	-	149,780	149,780
Employee Benefits	-	55,096	55,096
Cost of Sales	-	113,827	113,827
Total Expenditures	<u>-</u>	<u>318,703</u>	<u>318,703</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>979</u>	<u>(61,535)</u>	<u>(60,556)</u>
OTHER FINANCING SOURCES AND (USES)			
Premium on Obligations	15,368	-	15,368
Interfund Transfers In	1,360	80,000	81,360
Interfund Transfers Out	(70,000)	-	(70,000)
Net Other Financing Sources (Uses)	<u>(53,272)</u>	<u>80,000</u>	<u>26,728</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(52,293)</u>	<u>18,465</u>	<u>(33,828)</u>
Fund Balance, Beginning of Year	<u>156,237</u>	<u>(41,078)</u>	<u>115,159</u>
Fund Balance (Deficit), End of Year	<u>\$ 103,944</u>	<u>(22,613)</u>	<u>81,331</u>

The accompanying independent auditors' report should be read in conjunction with these financial statements.

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

Supplemental Schedule 8

Capital Assets, Net		\$ 14,610,730
Deduct:		
Bond Anticipation Note Payable	722,843	
Short-Term Portion of Bonds Payable	710,000	
Long-Term Portion of Bonds Payable	5,940,000	
Short-Term Portion of Energy Performance Contract Payable	51,716	
Long-Term Portion of Energy Performance Contract Payable	<u>338,587</u>	
		<u>7,763,146</u>
Net Investment in Capital Assets		<u>\$ 6,847,584</u>

The accompanying independent auditors' report should be read in conjunction with these financial statements.

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

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2016
			Prior Years	Current Year	Total		Proceeds of Obligations	Local Sources	State/Federal Aid	
Capital Project 2015	\$ 100,000	100,000	-	100,000	100,000	-	-	100,000	-	-
Capital Project 2014	2,000,000	2,000,000	155,450	379,338	534,788	1,465,212	-	74,436	-	(460,352)
Energy Performance Contract 2011	603,768	603,768	603,768	-	603,768	-	603,768	-	-	-
2016 Purchase of Buses	188,000	188,000	-	186,640	186,640	1,360	188,000	-	-	(188,000)
2015 Purchase of Buses	105,000	105,000	105,000	-	105,000	-	105,000	-	-	(84,000)
2014 Purchase of Buses	224,000	224,000	224,000	-	224,000	-	224,000	-	-	(135,000)
2013 Purchase of Buses	269,000	269,000	269,000	-	269,000	-	269,000	-	-	(110,000)
2012 Purchase of Buses	198,893	198,893	198,893	-	198,893	-	198,893	-	-	(40,000)
Totals	\$ 3,688,661	3,688,661	1,556,111	665,978	2,222,089	1,466,572	1,588,661	174,436	-	(1,017,352)

* Transferred to Debt Service fund during the year ended June 30, 2016.

The accompanying independent auditors' report should be read in conjunction with these financial statements.

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INTERNAL CONTROL AND COMPLIANCE



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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

To the Board of Education
Forestville Central School District
Forestville, New York 14062

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forestville Central School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Forestville Central School District's basic financial statements, and have issued our report thereon dated September 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Forestville Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Forestville Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Forestville Central School 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

R.A. MERCER & CO., P.C.

RA Mercer & Co, P.C.

Cattaraugus, New York
September 26, 2016

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EXTRACLASSROOM ACTIVITY FUND



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INDEPENDENT AUDITORS' REPORT

To the President and Members
of the Board of Education
Forestville Central School District
12 Water Street
Forestville, New York 14062

We have audited the accompanying statements of assets and liabilities arising from cash transactions and the statement of revenues collected and expenses paid of the Extraclassroom Activity Fund, a component unit of the Forestville Central School District as of and for the year ended June 30, 2016.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

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

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

R. A. MERCER & CO., P.C.

RA Mercer & Co., P.C.

Cattaraugus, New York
September 26, 2016

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Supplemental Schedule 10

**FORESTVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
EXTRACLASROOM ACTIVITY FUND
AS OF JUNE 30, 2016**

Assets

Cash - Checking	\$ <u>34,697</u>
Total Assets	<u>34,697</u>

Liabilities and Fund Balance

Liabilities	-
Sales Tax Payable	<u>1,231</u>
Total Liabilities	1,231
Fund Balance	<u>33,466</u>
Total Liabilities and Fund Balance	\$ <u>34,697</u>

See accompanying note to extraclassroom activity fund financial statements.

**FORESTVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
EXTRACLASSROOM ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

Extraclassroom Accounts	Balances 7/1/15	Total Receipts	Total Disbursements	Balances 6/30/16
Class of 2015	\$ 861	-	380	481
Class of 2016	1,397	6,095	4,707	2,785
Class of 2017	1,017	4,466	3,156	2,327
Class of 2018	774	2,440	1,609	1,605
Class of 2019	829	2,161	1,582	1,408
Class of 2020	1,319	944	557	1,706
Honor Society	428	1,326	1,665	89
Band	1,311	8,992	9,640	663
Echo	2,903	8,304	826	10,381
Student Council	3,808	9,337	9,690	3,455
Marathon Club	1,162	1,257	1,326	1,093
Spanish Club	3,398	7,761	9,064	2,095
Science Club	20	-	-	20
Chorus	2,247	574	404	2,417
Varsity Club	852	1,518	1,895	475
Social Studies	2	-	-	2
Stage Crew Club	896	1,170	-	2,066
Key Club	386	133	121	398
Totals	\$ 23,610	56,478	46,622	33,466

See accompanying note to extraclassroom activity fund financial statements.

**FORESTVILLE CENTRAL SCHOOL DISTRICT
NOTE TO FINANCIAL STATEMENTS
EXTRACLASSROOM ACTIVITY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - ACCOUNTING POLICY

The transactions of the Extraclassroom Activity Fund are independent of the reporting entity of Forestville Central School District. Consequently, such transactions are not included in the financial statements of the District. The Board of Education exercises general oversight of these funds, therefore, as of and for the year ended June 30, 2016, the cash and corresponding liabilities of the Extraclassroom Activity Fund are being included in the Agency Fund Statement of Fiduciary Net Assets.

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

**FORESTVILLE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
FINDINGS AND RECOMMENDATIONS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

There were no findings and recommendations for the Extraclassroom Activity Funds for the year ended June 30, 2016.