

NAPLES CENTRAL SCHOOL DISTRICT

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2015**

**NAPLES CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, fiduciary funds and the aggregate remaining fund information of Naples Central School District, as of and for the year ended June 30, 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not 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, fiduciary funds and the aggregate remaining fund information of Naples Central School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the Naples Central School District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 3 through 11 and 42, and schedule of funding progress for other postemployment benefit obligations on page 43, schedule of District's proportionate share of the net pension assets/liabilities on page 44, and schedule of employer's contribution for pensions on page 45 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 Naples Central School District's basic financial statements. The other supplementary information listed on the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015, on our consideration of the Naples Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, 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 compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Naples Central School District's internal control over financial reporting and compliance.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
October 8, 2015

**NAPLES CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

The following is a discussion and analysis of the Naples Central School District's (the "District") financial performance for the fiscal year ended June 30, 2015. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the district-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Total district-wide general revenues, excluding charges for service and operating grants for the 2014-2015 year were \$18,856,404, or 95% of all revenues. This amount represents an increase of \$2,060,751 in general revenues over the 2013-2014 year of \$16,795,653. The 2013-2014 general revenues as a percent of total revenues was 94%. Of the total general revenues, state sources accounted for \$7,247,920, real property tax and real property tax items accounted for \$10,694,369, and other sources accounted for \$914,115 for the 2014-2015 fiscal year ended.

Total district-wide expenses for the 2014-2015 year were \$17,636,018. These expenses were offset by program revenues that included \$247,265 in charges for services and \$786,951 in operating grants and contributions. The net cost for governmental activities that was ultimately financed by general revenues was \$16,601,802, which represents an increase of \$241,807 from the 2013-2014 year.

During the current fiscal year, the District was able to fund the increase in the mandatory contribution to the New York State Employee's Retirement System and Teacher's Retirement System (the "Systems") without the need to finance the payments. The total current year contributions to the systems were \$1,187,127, which is an increase of \$248,819, or 26.5%, over the 2013-2014 amount of \$938,308. During the current fiscal year, the District implemented GASB 68, "Accounting and Financial Reporting for Pensions." The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. The District has recorded a net pension liability of \$188,318 and \$251,901 as of June 30, 2015 and 2014, respectively. The District has also recorded a net pension asset of \$4,118,819 as of June 30, 2015 and 2014, respectively. The implementation of GASB 68 resulted in a \$1,108,590 restatement of the District's net position.

Total District capital assets - net of depreciation increased by \$67,116 to \$29,603,460 in the 2014-2015 year as compared to \$29,536,344 in the 2013-2014 year. Total long-term liabilities decreased by \$524,547 to \$34,629,696 in the 2014-2015 year from \$35,154,243 in the 2013-2014 year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and single audit reports. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column. For the fiscal year ended June 30, 2015, all of the District's governmental funds were considered major.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

**NAPLES CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities report information about the District as a whole and about its activities in a manner that helps to answer this question.

These two statements report the District's net position and changes in those assets. The change in net position provides the reader with a tool to assist in determining whether the District's financial health is improving or deteriorating. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, student enrollment growth, required educational programs, and facility conditions in arriving at their conclusion regarding the overall health of the District.

In the statement of net position and the statement of activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to: general support, instruction, pupil transportation, employee benefits, debt interest and the school lunch program. The District does not have any business-type activities.

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

Fund Financial Statements

The fund financial statements are on pages 14 through 19 and provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants). The emphasis of the fund financial statements is on the major funds. For the 2014-2015 year, the District reports five major funds; the general fund, the school lunch fund, the special aid fund, the capital projects fund and the debt service fund.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are reconciled in the basic financial statements. Activities in these funds and reconciliations to district-wide financial statements are reported on pages 14 through 17.

Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 18 and 19.

**NAPLES CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The statement of net position provides the perspective of the District as a whole.

Table 1

**Condensed Statement of Net Position
June 30, 2015 and 2014**

	<u>2015</u>	<u>Restated 2014</u>	Total Percentage Change %
Assets			
Current assets	\$ 14,823,320	\$ 15,237,083	(2.7)
Capital assets	<u>29,603,460</u>	<u>29,536,344</u>	0.2
Total assets	<u>44,426,780</u>	<u>44,773,427</u>	(0.8)
Deferred Outflow of Resources	<u>1,129,416</u>	<u>73,870</u>	1,428.9
Liabilities			
Current liabilities	3,392,403	4,072,816	(16.7)
Long-term liabilities	<u>32,732,623</u>	<u>32,899,014</u>	(0.5)
Total liabilities	<u>36,125,026</u>	<u>36,971,830</u>	(2.3)
Deferred Inflows of Resources	<u>2,127,566</u>	<u>2,826,465</u>	(24.7)
Net Position			
Net investment in capital assets	5,902,878	5,404,032	9.2
Restricted	7,321,840	6,235,099	17.4
Unrestricted	<u>(5,921,114)</u>	<u>(6,590,129)</u>	(10.2)
Total net position	<u>\$ 7,303,604</u>	<u>\$ 5,049,002</u>	44.7

**NAPLES CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Table 2

**Changes in Net Position from Operating Results
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	Total Percentage Change %
Revenues			
Program revenues			
Charges for services	\$ 247,265	\$ 179,534	37.7
Operating grants and contributions	<u>786,951</u>	<u>816,404</u>	(3.6)
Total program revenues	<u>1,034,216</u>	<u>995,938</u>	3.8
General revenues			
Property taxes	9,636,948	9,267,149	4.0
Other taxes	1,057,421	1,049,253	0.8
State sources	7,247,920	6,319,540	14.7
Other	<u>914,115</u>	<u>159,711</u>	472.4
Total general revenues	<u>18,856,404</u>	<u>16,795,653</u>	12.3
Total revenues	<u>19,890,620</u>	<u>17,791,591</u>	11.8
Expenses			
General support	2,378,882	2,374,131	0.2
Instructional	13,082,105	12,963,198	0.9
Pupil transportation	1,120,329	1,163,668	(3.7)
Community services	3,134	186	1,584.9
School lunch program	340,233	363,232	(6.3)
Debt service - interest	<u>711,335</u>	<u>491,518</u>	44.7
Total expenses	<u>17,636,018</u>	<u>17,355,933</u>	1.6
Change in net position	<u>\$ 2,254,602</u>	<u>\$ 435,658</u>	(417.5)

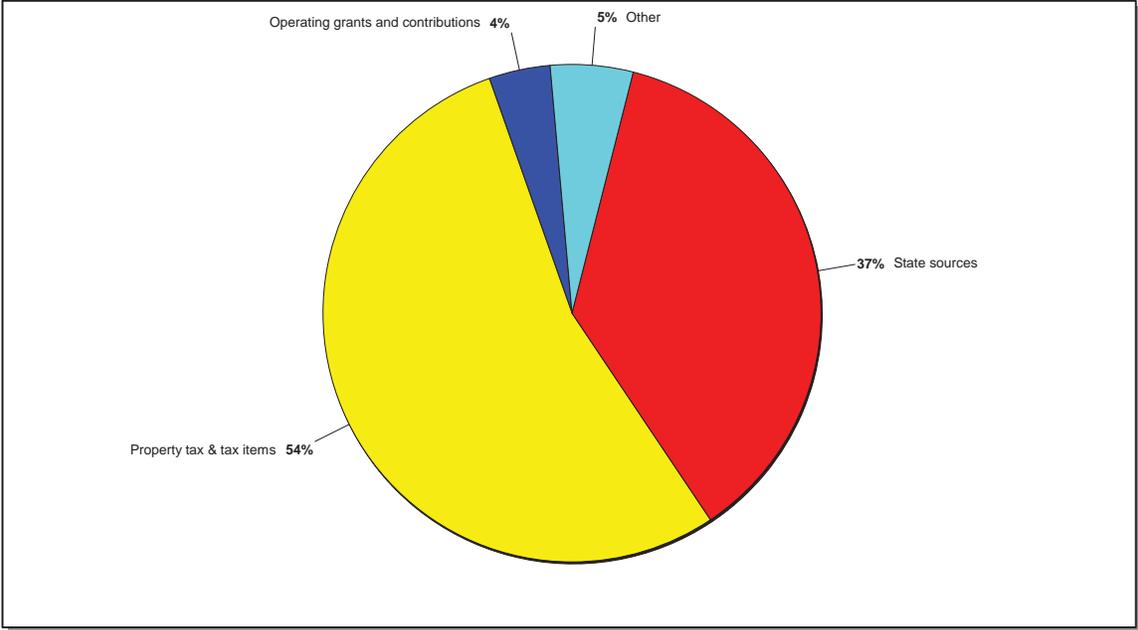
As reported in the statement of activities on page 13 the cost of all governmental activities was \$17,636,018 and \$17,355,933 for 2015 and 2014, respectively. However, the amount that taxpayers ultimately financed for these activities through the District real property taxes was \$9,636,948 and \$9,267,149 for 2015 and 2014, respectively.

The June 30, 2014 statement of activities does not reflect any restatement adjustments for GASB 68 because the information was not available.

NAPLES CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

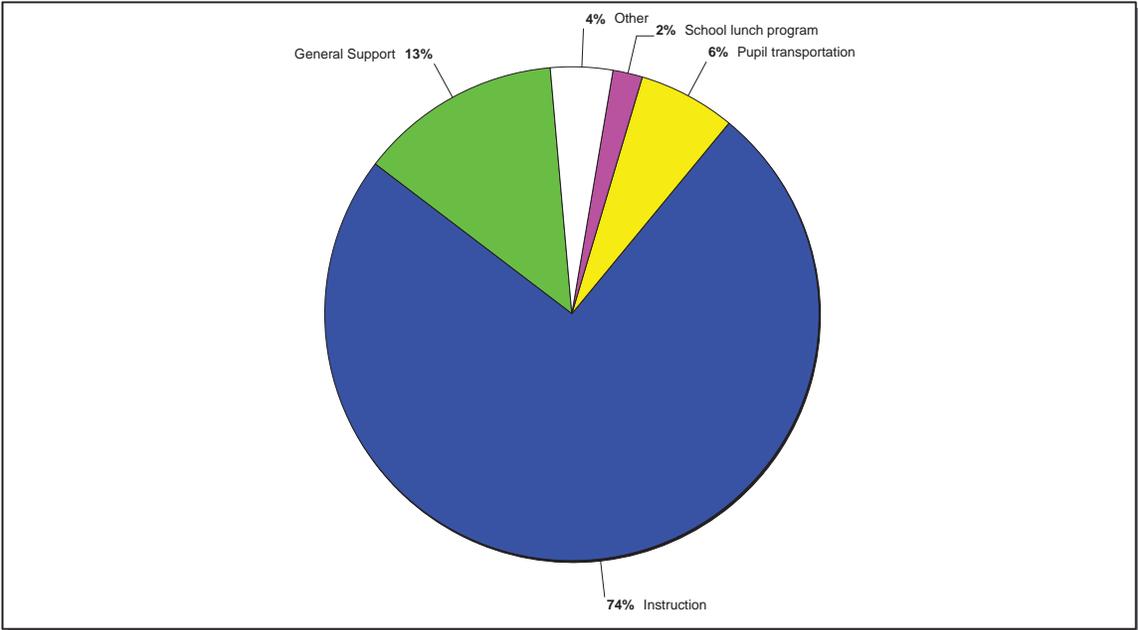
Sources of Revenues for Governmental Activities
Fiscal Year 2015

Table 3



Program Expenses for Governmental Activities
Fiscal Year 2015

Table 4



**NAPLES CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Governmental Activities

In Table 5, we have presented the cost of each of the District's functions and programs, as well as each function's net cost (total cost less revenues generated by the activities). Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 5

	<u>Total Cost of Services</u>		Percentage
	<u>2015</u>	<u>2014</u>	Change %
General support	\$ 2,378,882	\$ 2,374,131	0.2
Instructional	13,082,105	12,963,198	0.9
Pupil transportation	1,120,329	1,163,668	(3.7)
Community services	3,134	186	1,584.9
School lunch program	340,233	363,232	(6.3)
Debt service - interest	<u>711,335</u>	<u>491,518</u>	44.7
Total expenses	<u>\$ 17,636,018</u>	<u>\$ 17,355,933</u>	1.6

	<u>Net Cost of Services</u>		Percentage
	<u>2015</u>	<u>2014</u>	Change %
General support	\$ 2,378,882	\$ 2,374,131	0.2
Instructional	12,352,192	12,246,563	0.9
Pupil transportation	1,120,329	1,163,668	(3.7)
Community services	3,134	186	1,584.9
School lunch program	35,930	83,929	(57.2)
Debt service - interest	<u>711,335</u>	<u>491,518</u>	44.7
Total expenses	<u>\$ 16,601,802</u>	<u>\$ 16,359,995</u>	1.5

- **General Support** - Includes expenses of the Board of Education, district offices, contracted professional services, buildings and grounds maintenance, insurance and BOCES administrative/building expenses.
- **Instruction** - Includes curriculum and staff development, school supervision, regular K-12 programs, special education, BOCES vocational education, summer schools, libraries, computer-assisted education, pupil personnel services (counseling, health, psychological, social work), co-curricular activities and interscholastic athletics.
- **Pupil Transportation** - Includes salaries for drivers, mechanics; expenses for the bus fleet, and garage.
- **Community Services** - Includes expenses connected with annual school district census.
- **School Lunch Program** - Includes the preparation, delivery, and servicing of lunches, snacks, and other incidental meals to students and the school staff.
- **Interest on Long-Term Debt** - Includes the transactions associated with the payment of interest and other related charges to debt for improvements to the District.

**NAPLES CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

THE SCHOOL DISTRICT'S FUNDS

Fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$20,100,607 and \$34,172,423 and expenditures and other financing uses of \$20,197,798 and \$27,920,449 in 2015 and 2014, respectively. The fund balance in the general fund increased by \$929,226 and by \$361,398 in 2015 and 2014, respectively. The school lunch fund reported an increase in fund balance of \$19,464 in 2015 and a decrease in fund balance of \$48,749 in 2014, respectively. The special aid fund fund balance had no change in 2015 and decreased fund balance by \$3,576 in 2014, respectively. The capital projects fund reported a decrease in fund balance of \$1,040,249 and an increase in fund balance of \$5,972,467 in 2015 and 2014, respectively. The debt service fund reported a decrease of \$5,632 and \$29,566 in 2015 and 2014, respectively. Total governmental fund balance decreased by \$97,191 and increased by \$6,251,974 for the 2014-2015 fiscal year and 2013-2014 fiscal year, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2014-2015 general fund's actual revenue was \$18,699,840. That amount is slightly over the original and final budget estimates of \$18,394,900. Revenue budget comparisons are shown on page 42.

The 2014-2015 actual expenditures and other financing uses of the general fund were \$17,770,614, which is below the original budget of \$19,744,900 and below the final budget estimate of \$19,847,257. The \$2,076,643 variance between the final amended budget and the June 30, 2015 actual results was due to conservative estimates of multiple final expenditures prior to year end. Expenditure budget comparisons are shown on page 42.

The general fund's fund balance increased by \$929,226 to \$7,494,854. The District's fund balance is classified in five categories including nonspendable, restricted, committed, assigned and unassigned. For the fiscal year ended June 30, 2015, the District has \$4,586,702 classified as restricted, \$840,473 as assigned and \$780,130 as unassigned. More information regarding the District's specified reserves can be found on pages 25 - 28.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal years 2015 and 2014, the District had \$38,306,561 and \$37,572,995 invested in land, buildings and renovations, buses, and furniture and equipment. Depreciation expense of \$905,826 and \$719,488 has been recorded in 2015 and 2014. The net book value at June 30, 2015 and 2014 was \$29,603,460 and \$29,536,344, respectively.

Table 6 shows the fiscal 2015 and 2014 balances for the major classes of assets:

Table 6

**Capital Assets (Net of Depreciation)
At June 30, 2015 and 2014**

	<u>2015</u>	<u>Restated 2014</u>	Total Percentage Change %
Land	\$ 17,341	\$ 17,341	-
Construction in progress	-	13,849,105	(100.0)
Buildings and improvements	28,566,976	14,699,192	94.3
Furniture and equipment	<u>1,019,143</u>	<u>970,706</u>	5.0
Total	<u>\$ 29,603,460</u>	<u>\$ 29,536,344</u>	0.2

Additional information on the District's capital assets can be found in Notes 1 and 4 on pages 23 and 30, respectively, of this report. In addition, a schedule of project expenditures can be found on page 48.

**NAPLES CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Long-Term Debt

At June 30, 2015 and 2014, the District had total long-term obligations of \$34,629,696 and \$35,154,243, respectively.

Table 7

**Outstanding Debt
At June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	Total Percentage Change %
Bonds payable	\$23,700,582	\$ 25,613,294	(7.5)
Compensated absences	2,897,836	2,850,277	1.7
Other postemployment benefits liability	7,393,090	6,016,261	22.9
Flex medical reimbursement liability	449,870	422,510	6.5
Net pension liability	<u>188,318</u>	<u>251,901</u>	(25.2)
Total	<u>\$34,629,696</u>	<u>\$ 35,154,243</u>	(1.5)

The District's bond rating for 2015 and 2014 was A2, respectively.

Additional information on the District's long-term debt can be found in Notes 1 and 5 beginning on pages 23 and 31 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District anticipates a slight increase in school aid for the 2015-2016 school year. Due to uncertainty over whether or not this trend will continue in future years, the District continues to position itself to absorb losses in state aid revenues by reducing operational expenses in the 2015-2016 budget. Additionally, the District has appropriated reserves toward the 2015-2016 budget.

Beginning with the 2012-2013 school year, the District's ability to increase its property tax revenues was reduced through enacted "Property Tax Cap Legislation". Increases in the tax levy beyond the lesser of 2%, or the percent change in the CPI for the 12 month period ending December never to be lower than 1%, will need approval by a super majority (60%) of the voters. Lower than average CPI increases will likely have a significant impact on budgeting for the 2016-2017 school year.

The District continues to experience increases in employee benefit costs due to higher health insurance premiums. Also, increased contribution rates for New York State Employees and Teacher's Retirement are anticipated for the next few years. The District anticipates no increase in debt service obligation for the foreseeable future.

Enrollment in the District remains fairly stable. Projections suggest a small dip in the next few years and then a leveling off in enrollment. The District does not anticipate major fluctuations in the near future.

The economic conditions of the District's community are projected to remain stable for the foreseeable future.

**NAPLES CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Naples Central Schools
Attn: Matthew Frahm, Superintendent of Schools
136 North Main Street
Naples, New York 14512

NAPLES CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents - unrestricted	\$ 10,001,727
Taxes receivable	843
Other receivables	1,659
State and federal aid receivables	281,969
Due from other governments	183,476
Inventory	10,668
Cash and cash equivalents - restricted	123,026
Due from external parties	101,133
Net pension asset - proportionate share	4,118,819
Capital assets	
Capital assets - not depreciated	17,341
Capital assets - net	<u>29,586,119</u>
Total assets	<u>44,426,780</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pensions	62,136
Deferred outflows of resources - accrued contractual payments	<u>1,067,280</u>
Total deferred outflows of resources	<u>1,129,416</u>
Liabilities	
Accounts payable	216,712
Accrued liabilities	181,023
Other liabilities	2,279
Due to other governments	79
Accrued interest	27,957
Due to teacher's and employee's retirement system	1,067,280
Long-term liabilities	
Portion due or payable within one year:	
Bonds payable	1,756,380
Compensated absences	39,743
Flex medical reimbursement liability	100,950
Portion due or payable after one year:	
Bonds payable	21,944,202
Compensated absences	2,858,093
Net pension liability - proportionate share	188,318
Other postemployment benefits liability	7,393,090
Flex medical reimbursement liability	<u>348,920</u>
Total liabilities	<u>36,125,026</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pensions	<u>2,127,566</u>
Net Position	
Net investment in capital assets	5,902,878
Restricted for	
Unemployment insurance reserve	40,058
Retirement contribution reserve	1,354,468
Property loss reserve and liability reserve	20,616
Insurance reserve	63,961
Reserve for tax certiorari	255,120
Employee benefit accrued liability reserve	1,452,479
Reserve for debt	1,447,589
Reserve for capital	1,400,000
Reserve for capital - transportation	1,287,549
Unrestricted	<u>(5,921,114)</u>
Total net position	<u>\$ 7,303,604</u>

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

NAPLES CENTRAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u> <u>Revenues and</u> <u>Changes in Net</u> <u>Position</u>
<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>	
Governmental activities				
General support	\$ 2,378,882	\$ -	\$ -	\$ (2,378,882)
Instructional	13,082,105	124,255	605,658	(12,352,192)
Pupil transportation	1,120,329	-	-	(1,120,329)
Community services	3,134	-	-	(3,134)
School lunch program	340,233	123,010	181,293	(35,930)
Debt service - interest	711,335	-	-	(711,335)
Total governmental activities	<u>\$ 17,636,018</u>	<u>\$ 247,265</u>	<u>\$ 786,951</u>	<u>(16,601,802)</u>
General Revenues				
Real property taxes				9,636,948
Real property tax items				1,057,421
State sources				7,247,920
Use of money and property				6,994
Medicaid reimbursements				54,519
Sale of property and compensation for loss				(15,076)
Miscellaneous local sources				169,414
Other revenue - gain on TRS amortization				<u>698,264</u>
Total general revenues				<u>18,856,404</u>
Change in Net Position				<u>2,254,602</u>
Net Position - Beginning - As Originally Stated				3,940,412
Change in Accounting Principle				<u>1,108,590</u>
Net Position - Beginning - As Restated				<u>5,049,002</u>
Net Position - Ending				<u>\$ 7,303,604</u>

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

NAPLES CENTRAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS						
Assets						
Cash and cash equivalents - unrestricted	\$ 8,055,684	\$ 43,766	\$ 103,693	\$ 54,196	\$ 1,744,388	\$ 10,001,727
Taxes receivable	843	-	-	-	-	843
Other receivables	821	838	-	-	-	1,659
Due from other funds	624,182	-	52,783	-	54,196	731,161
State and federal aid receivables	152,361	12,982	116,626	-	-	281,969
Due from other governments	183,476	-	-	-	-	183,476
Inventory	-	10,668	-	-	-	10,668
Cash and cash equivalents - restricted	<u>123,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,026</u>
Total Assets	<u>\$ 9,140,393</u>	<u>\$ 68,254</u>	<u>\$ 273,102</u>	<u>\$ 54,196</u>	<u>\$ 1,798,584</u>	<u>\$ 11,334,529</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 214,128	\$ 1,759	\$ 825	\$ -	\$ -	\$ 216,712
Accrued liabilities	170,654	8,130	2,239	-	-	181,023
Compensated absences payable	39,743	-	-	-	-	39,743
Other liabilities	-	-	2,279	-	-	2,279
Due to other funds	52,784	5,289	267,759	54,196	250,000	630,028
Due to other governments	-	79	-	-	-	79
Flex medical reimbursement liability	100,950	-	-	-	-	100,950
Due to teacher's and employee's retirement system	<u>1,067,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067,280</u>
Total liabilities	<u>1,645,539</u>	<u>15,257</u>	<u>273,102</u>	<u>54,196</u>	<u>250,000</u>	<u>2,238,094</u>
Fund Balances						
Nonspendable						
Inventory	-	10,668	-	-	-	10,668
Restricted						
Unemployment insurance reserve	40,058	-	-	-	-	40,058
Retirement contribution reserve	1,354,468	-	-	-	-	1,354,468
Property loss reserve and liability reserve	20,616	-	-	-	-	20,616
Insurance reserve	63,961	-	-	-	-	63,961
Reserve for tax certiorari	255,120	-	-	-	-	255,120
Employee benefit accrued liability reserve	1,452,479	-	-	-	-	1,452,479
Reserve for debt	-	-	-	-	1,447,589	1,447,589
Reserve for capital	1,400,000	-	-	-	-	1,400,000
Reserve for capital - transportation	1,287,549	-	-	-	-	1,287,549
Assigned						
Reserve for insurance recovery	35,965	-	-	-	-	35,965
Reserve for encumbrances	54,508	-	-	-	-	54,508
Reserve for school lunch fund	-	42,329	-	-	-	42,329
Reserve for debt	-	-	-	-	100,995	100,995
Reserve for subsequent year	750,000	-	-	-	-	750,000
Unassigned	<u>780,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,130</u>
Total fund balances	<u>7,494,854</u>	<u>52,997</u>	<u>-</u>	<u>-</u>	<u>1,548,584</u>	<u>9,096,435</u>
Total Liabilities and Fund Balances	<u>\$ 9,140,393</u>	<u>\$ 68,254</u>	<u>\$ 273,102</u>	<u>\$ 54,196</u>	<u>\$ 1,798,584</u>	<u>\$ 11,334,529</u>

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

NAPLES CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Total Governmental Fund Balances		\$ 9,096,435
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:</p>		
Capital assets - not depreciated		
Land		17,341
Capital assets - net of depreciation		
Buildings and improvements	35,852,078	
Furniture and equipment	<u>2,437,142</u>	
Total depreciable assets	38,289,220	
Less, accumulated depreciation	<u>(8,703,101)</u>	
Total capital assets - net of depreciation		29,586,119
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:</p>		
Bonds payable	(23,700,582)	
Compensated absences - net	(2,858,093)	
Other postemployment benefits liability	(7,393,090)	
Flex medical reimbursement liability - net	(348,920)	
Accrued interest	<u>(27,957)</u>	
Total liabilities		(34,328,642)
<p>Pension related assets, liabilities, deferred inflows and outflows are not financial resources or are not due and payable in the current period and therefore are not reported in the funds. These consist of the following:</p>		
Net pension asset - proportionate share	4,118,819	
Deferred outflows of resources - pensions - pensions	62,136	
Deferred outflows of resources - pensions - accrued contractual payments	1,067,280	
Net pension liability - proportionate share	(188,318)	
Deferred inflows of resources - pensions	<u>(2,127,566)</u>	
Total pension related items		<u>2,932,351</u>
Net Position of Governmental Activities		\$ <u>7,303,604</u>

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

NAPLES CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General Fund	School Lunch Fund	Special Aid Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues						
Real property taxes	\$ 9,636,948	\$ -	\$ -	\$ -	\$ -	\$ 9,636,948
Real property tax items	1,057,421	-	-	-	-	1,057,421
Charges for services	124,255	-	-	-	-	124,255
Use of money and property	5,793	9	-	-	1,192	6,994
Sale of property and compensation for loss	5,686	-	-	-	-	5,686
Miscellaneous local sources	168,642	772	-	-	-	169,414
State sources	7,311,426	7,036	148,347	-	-	7,466,809
Federal sources	-	174,257	393,805	-	-	568,062
Medicaid reimbursements	54,519	-	-	-	-	54,519
Sales - school lunch	-	123,010	-	-	-	123,010
Total revenues	<u>18,364,690</u>	<u>305,084</u>	<u>542,152</u>	<u>-</u>	<u>1,192</u>	<u>19,213,118</u>
Other Financing Sources						
Interfund transfers	335,150	40,000	52,783	-	243,176	671,109
Proceeds of obligations	-	-	-	216,380	-	216,380
Total revenues and other financing sources	<u>18,699,840</u>	<u>345,084</u>	<u>594,935</u>	<u>216,380</u>	<u>244,368</u>	<u>20,100,607</u>
Expenditures						
General support	1,864,050	-	-	474,885	-	2,338,935
Instructional	7,814,391	-	570,151	248,039	-	8,632,581
School lunch program	-	285,803	-	-	-	285,803
Pupil transportation	658,775	-	21,949	205,379	-	886,103
Community services	3,134	-	-	-	-	3,134
Employee benefits	4,501,650	39,817	2,835	-	-	4,544,302
Debt service - principal	2,119,084	-	-	-	-	2,119,084
Debt service - interest	716,747	-	-	-	-	716,747
Total expenditures	<u>17,677,831</u>	<u>325,620</u>	<u>594,935</u>	<u>928,303</u>	<u>-</u>	<u>19,526,689</u>
Other Financing Uses						
Interfund transfers	92,783	-	-	328,326	250,000	671,109
Total expenditures and other financing uses	<u>17,770,614</u>	<u>325,620</u>	<u>594,935</u>	<u>1,256,629</u>	<u>250,000</u>	<u>20,197,798</u>
Change in Fund Balance	929,226	19,464	-	(1,040,249)	(5,632)	(97,191)
Fund Balances - Beginning	<u>6,565,628</u>	<u>33,533</u>	<u>-</u>	<u>1,040,249</u>	<u>1,554,216</u>	<u>9,193,626</u>
Fund Balances - Ending	<u>\$ 7,494,854</u>	<u>\$ 52,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,548,584</u>	<u>\$ 9,096,435</u>

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

NAPLES CENTRAL SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (97,191)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are the following:

Capital outlay	993,704	
Depreciation expense	<u>(905,826)</u>	
Excess of capital outlay over depreciation		87,878

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current period, these amounts are the following:

Bond repayments - principal		2,119,084
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts are the following:

Compensated absences		(41,186)
OPEB liability		(1,376,829)
Flex medical reimbursement liability		(29,185)
Deferred inflows - pensions		698,264
Deferred outflows - pensions		(5,366)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

(216,380)

Changes in the proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:

Employees' retirement system		63,583
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Some items reported as expenditures in governmental funds are required to be deferred in the statements of net position. In the current period those amounts are:

Accrued contributions to TRS		993,977
Accrued contributions to ERS		73,303

Other differences

Accrued interest	1,137	
Amortization - deferred refunding proceeds	(5,733)	
Amortization of bond premium	10,008	
Disposition of assets	<u>(20,762)</u>	
Total other differences		<u>(15,350)</u>

Change in Net Position of Governmental Activities **\$ 2,254,602**

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

NAPLES CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private- Purpose Trust	Agency Funds
Assets		
Cash and cash equivalents - restricted	\$ <u>205,509</u>	\$ <u>253,479</u>
Total assets	\$ <u>205,509</u>	\$ <u>253,479</u>
Liabilities		
Due to other funds	\$ -	\$ 101,133
Extraclassroom balances	-	99,592
Other liabilities	-	<u>52,754</u>
Total liabilities	<u>-</u>	\$ <u>253,479</u>
Net Position		
Nonspendable - Held in trust for scholarships	<u>205,509</u>	
Total net assets	\$ <u>205,509</u>	

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

NAPLES CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	Private- Purpose Trust
Additions	
Gifts and donations	\$ 9,100
Interest and earnings	<u>54</u>
Total additions	<u>9,154</u>
Deductions	
Scholarships and awards	<u>15,323</u>
Change in Net Assets	(6,169)
Net Position - Beginning	<u>211,678</u>
Net Position - Ending	<u>\$ 205,509</u>

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

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The financial statements of Naples Central School District, (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units (hereinafter referred to as generally accepted accounting principals ("GAAP")). The Government Accounting Standards Board ("GASB") is the accepted standard setting body for establishing government accounting and financial reporting principles. The following is a summary of significant accounting policies and reporting practices of the District.

A. Reporting Entity

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *Defining The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus*. 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 and other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

1. Extra Classroom Activity Funds

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

B. Joint Venture

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

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

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

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

C. Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. District-Wide Statements

The statement of net position and the statement of activities present information about 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) grant.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients for 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expensed for those areas.

2. Fund Financial Statements

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

a. Major Governmental

- i. General Fund** - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund. The general fund is always reported as a major fund.
- ii. School Lunch Fund** - This fund accounts for transactions of the District's lunch, breakfast and milk programs.
- iii. Special Aid Fund** - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes.
- iv. Capital Projects Fund** - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- v. Debt Service Fund** - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

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

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

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

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

D. Measurement Focus and Basis of Accounting

1. Accrual

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

2. Modified Accrual

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

3. Use of 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.

4. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value.

5. Accounts Receivable

Accounts receivable are state at net realizable value. No allowance for uncollectible accounts has been provided due to the fact that management believes that such allowance would not be material.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

6. Due To/From Other Governments

The District reports amounts due from other governments, which consisted of funds claimed but not received from various state, federal and other governmental agencies.

7. Inventories and Prepaid Items

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. Prepaid items represent payments made by the District for which benefits extend beyond year-end.

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

8. Due To/From Other Funds

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

9. Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	20-40 Years
Furniture and equipment	\$ 5,000	5-20 Years

10. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the 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 within one year or due within more than one year in the statement of net position.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

11. Accounting and Financial Reporting for Pensions

In fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date*. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the District to report as an asset and/or liability its portion of the collective pension asset and/or liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the District contributions to the pension systems subsequent to the measurement date. See Note 8 for the financial statement impact of implementation of the Statements.

12. Vested Employee Benefits

The District employees are provided benefits as follows:

- a. **Vacation and Sick Leave** - The 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. 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. In the governmental fund financial 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.
- b. **Compensated Absences** - Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end. In the fund 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.
- c. **Retirement** - The District provides retirement benefits for substantially all its regular full-time teachers and employees, and its part-time teachers and employees who elect to participate, through contributions to the New York State Teachers' Retirement System (TRS), and New York State and Local Retirement System (ERS), respectively. The systems provide various plans and options, some of which require employee contributions. The retirement systems compute the cost of retirement benefits based on their respective fiscal years: TRS - July 1st to June 30th, and ERS - April 1st to March 31st.
- d. **Post Employment Benefits** - In addition to providing pension benefits, the District provides health insurance coverage and survivor. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund, in the year paid. See Note 9 for additional information.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

13. Budgetary Procedures and Budgetary Accounting

The District administration prepares a proposed budget for approval by the Board of Education for the general fund. The voters of the District approved the proposed appropriation budget for the general fund on May 20, 2014.

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.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The special revenue funds have not been included in the budget and actual comparison because they do not have legally authorized (appropriated) budgets.

14. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense / expenditure) until then. The government has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide statement of net position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualify for reporting in the category. The item is related to pensions reported in the district-wide statement of net position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense.

15. Restricted Resources

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

16. Fund Balance and Net Position

In the district wide-wide financial statements there are five classification of net position:

- **Nonspendable Fund Balance** - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.
- **Restricted Fund Balance** - amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

- **Committed Fund Balance** - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint. For the purposes of the District, the highest level of decision making authority resides with the Board of Education.
- **Assigned Fund Balance** - amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the Board of Education delegates the authority.
- **Unassigned Fund Balance** - amounts that are available for any purpose.

For the classification of governmental fund balances, the District considers an expenditure to be made from the budgetary appropriations first when more than one classification is available. The District established and modifies fund balance commitments by a passage of a resolution in meetings of the Board of Education. Assigned fund balance is established by the District through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service or for other purposes). The District's Purchasing Agent is responsible for all the purchasing activities of the District and encumbrances at year end, which are considered assigned funds and therefore, the purchasing agent is designated as having the authority to assign amounts intended to be used for specific purposes. The Board of Education approves the adoption and amendment of the budget and has the authority of final review of all assignments of fund balance.

The District has implemented a policy in accordance with Real Property Tax Law §1318 which limits the amount of unexpended surplus funds a school district can retain to no more than 4% of next year's budgetary appropriations. Funds properly retained under other sections of law are excluded from the 4% limitation. Under GASB Statement No. 54 classifications, the 4% limitation is interpreted to be the total of committed, assigned, and unassigned classifications, minus the appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction and encumbrances included in committed and assigned fund balance.

The following is a summary of the District's fund balance classifications and categories within those classifications. Restricted and assigned fund balance categories are available to the District. Any capital gains or interest earned on restricted or assigned fund resources becomes part of the respective restricted or assigned fund balance category. While a separate bank account is not necessary for each restricted or assigned fund, a separate identity for each reserve fund must be maintained.

A. Nonspendable

1. **Reserve for Inventory** - Reserve for Inventory is used to restrict that portion of fund balance, which is not available for appropriation. These reserves are accounted for in the school lunch fund. The balance at June 30, 2015 is \$10,668.

B. Restricted

1. **Unemployment Insurance Reserve** - Unemployment Insurance Reserve (GML §6-m) 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 District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund. The balance at June 30, 2015 is \$40,058.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

2. Retirement Contribution Reserve - Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing contributions to the New York State and local employee's retirement system. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the reserve must be provided to the Board. The balance at June 30, 2015 is \$1,354,468.

3. Property Loss Reserve and Liability Reserve - Property Loss Reserve and Liability Reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund 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. The balance at June 30, 2015 is \$20,616.

4. Insurance Reserve - Insurance 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 (for example, for unemployment compensation insurance). The 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% 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. The balance at June 30, 2015 is \$63,961.

5. Tax Certiorari Reserve - Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund. The balance at June 30, 2015 is \$255,120.

5. Employee Benefit Accrued Liability Reserve - Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund. The balance at June 30, 2015 is \$1,452,479.

6. Debt Reserve - Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the debt service fund. The balance at June 30, 2015 is \$1,447,589.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

7. Capital Reserve - Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure 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 §3651 of the Education Law. These reserves are accounted for in the general fund. The balance at June 30, 2015 in the capital reserve is \$1,400,000 and in the capital - transportation reserve is \$1,287,549.

C. Assigned

1. Reserve for Insurance Recovery - The Reserve for Insurance Recoveries is used at the end of the fiscal year to account for unexpended proceeds of insurance recoveries. They will be held there pending action by the Board on their disposition. This reserve will not be used if the insurance recovery is expended in the same fiscal year in which it was received. This reserve is accounted for in the general fund. The balance at June 30, 2015 is \$35,965.

2. Reserve for Encumbrances - Reserve for encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts or other commitments for the expenditures of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general, District-wide capital improvement project and non-major funds. Encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred. The balance at June 30, 2015 is \$54,508.

3. Reserve for School Lunch Fund - Reserve for school lunch fund represents the remaining assigned portion of fund balance in the school lunch fund. The reserve is accounted for in the school lunch fund. The balance at June 30, 2015 is \$42,329.

4. Reserve for Debt - Reserve for debt represents the remaining assigned portion of fund balance in the debt service fund. The reserve is accounted for in the debt service fund. The balance at June 30, 2015 is \$100,995.

5. Reserve for Subsequent Year - Reserve for subsequent year represents the estimated fund balance that is appropriated into the adopted budget. The balance at June 30, 2015 is \$750,000.

17. Future Changes in Accounting Standards

The GASB has issued Statement No. 72, "*Fair Value Measurement and Application*," effective for periods beginning after June 15, 2015.

GASB has issued Statement No. 73, "*Accounting and Financial Report for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*." Effective for fiscal years beginning after June 15, 2015.

GASB has issued Statement No. 74, "*Financial Report for Postemployment Benefit Plans Other Than Pension Plans*," effective for periods beginning after June 15, 2016.

GASB has issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*," effective for periods beginning after June 15, 2017. 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*."

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

GASB has issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective for periods beginning after June 15, 2015.

GASB has issued Statement No. 77, "Tax Abatement Disclosures," effective for periods beginning after December 15, 2015.

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

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 6, 2014. Taxes are collected during the period September 1 through October 31, 2014. Uncollected real property taxes are subsequently enforced by the Counties of Livingston, Ontario, Steuben and Yates. The Counties pay an amount representing uncollected real property taxes transmitted to the Counties for enforcement to the District no later than the following April 1st.

Note 2. Cash and Investments

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

Collateral is required for 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. Deposits and investments at year-end were entirely covered by Federal Deposit Insurance or by collateral held by the District's custodial bank in the District's name. These deposits consisted of:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ <u>10,583,741</u>	\$ <u>10,764,100</u>
Collateralized amounts		\$ 10,014,100
Covered by FDIC insurance		<u>750,000</u>
Total deposits		\$ <u>10,764,100</u>

Note 3. Participation in BOCES

During the year, the District was billed \$1,909,289 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$362,618. Financial statements for the Ontario, Seneca, Yates, Cayuga and Wayne Counties BOCES are available from the BOCES administrative office at 131 Drumlin Court, Newark, New York 14513-1863.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities					
Capital Assets Not Depreciated					
Land	\$ 17,341	\$ -	\$ -	\$ -	\$ 17,341
Construction in progress	<u>13,849,105</u>	<u>-</u>	<u>-</u>	<u>(13,849,105)</u>	<u>-</u>
Total capital assets not depreciated	<u>13,866,446</u>	<u>-</u>	<u>-</u>	<u>(13,849,105)</u>	<u>17,341</u>
Capital Assets Depreciated					
Buildings and improvements	21,356,808	722,921	(76,756)	13,849,105	35,852,078
Furniture and equipment	<u>2,349,741</u>	<u>270,783</u>	<u>(183,382)</u>	<u>-</u>	<u>2,437,142</u>
Total capital assets depreciated	<u>23,706,549</u>	<u>993,704</u>	<u>(260,138)</u>	<u>13,849,105</u>	<u>38,289,220</u>
Less, Accumulated Depreciation					
Buildings and improvements	6,657,616	690,810	(63,324)	-	7,285,102
Furniture and equipment	<u>1,379,035</u>	<u>215,016</u>	<u>(176,052)</u>	<u>-</u>	<u>1,417,999</u>
Total accumulated depreciation	<u>8,036,651</u>	<u>905,826</u>	<u>(239,376)</u>	<u>-</u>	<u>8,703,101</u>
 Total capital assets depreciated - net	 <u>15,669,898</u>	 <u>87,878</u>	 <u>(20,762)</u>	 <u>13,849,105</u>	 <u>29,586,119</u>
 Governmental Activities Capital Assets - Net	 <u>\$29,536,344</u>	 <u>\$ 87,878</u>	 <u>\$ (20,762)</u>	 <u>\$ -</u>	 <u>\$ 29,603,460</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government support	\$ 12,765
Instruction	700,157
Pupil transportation	190,971
School lunch	<u>1,933</u>
Total depreciation expense	<u>\$ 905,826</u>

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 5. Indebtedness

A. Long-Term Debt

Serial Bonds/Statutory Installment Bonds

The District borrows money in order to acquire land, high cost equipment, construct buildings and perform improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the District-wide financial statements (statement of net position).

The District had the following serial bonds outstanding as of June 30, 2015:

<u>Purpose</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Serial Bonds, Refunding 2003	06/2015	1.50-3.60%	\$ 400,000	\$ -	\$ 400,000	\$ -
Serial Bonds, Series 2009	06/2024	2.50-4.00%	4,210,000	-	365,000	3,845,000
Serial Bonds, Series 2013	06/2029	2.00-3.50%	4,825,000	-	280,000	4,545,000
Serial Bonds, Series 2014	06/2029	2.00-3.00%	15,569,135	-	874,135	14,695,000
Statutory Installment Bonds, 2010	06/2015	2.15-2.30%	50,000	-	50,000	-
Statutory Installment Bonds, 2011	06/2016	1.20-2.40%	100,000	-	50,000	50,000
Statutory Installment Bonds, 2012	06/2017	1.98%	160,000	-	50,000	110,000
Statutory Installment Bonds, 2013	06/2018	1.75-2.00%	214,949	-	49,949	165,000
Statutory Installment Bonds, 2014	06/2019	1.75-1.85%	-	216,380	-	216,380
Plus, premium on serial bond			<u>84,210</u>	<u>-</u>	<u>10,008</u>	<u>74,202</u>
Total bonds			<u>\$25,613,294</u>	<u>\$ 216,380</u>	<u>\$ 2,129,092</u>	<u>\$23,700,582</u>

Interest Expense

Interest on long-term debt for the year amounted to:

Interest paid	\$ 716,747
Less: interest accrued in the prior year	(29,094)
Less: amortization of premium on serial bond	(10,008)
Add: interest accrued in the current year	27,957
Add: amortization of deferred refunding and issuance costs	<u>5,733</u>
Total interest expense	<u>\$ 711,335</u>

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

B. Changes in Long-Term Obligations

The changes in the District's long-term obligations during the year ended June 30, 2015 are summarized as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds payable	\$ 25,613,294	\$ 216,380	\$ 2,129,092	\$ 23,700,582
Compensated absences	2,850,277	47,559	-	2,897,836
Other postemployment benefits liability	6,016,261	1,376,829	-	7,393,090
Flex medical reimbursement liability	422,510	27,360	-	449,870
Net pension liability	<u>251,901</u>	<u>-</u>	<u>63,583</u>	<u>188,318</u>
Total	<u>\$ 35,154,243</u>	<u>\$ 1,668,128</u>	<u>\$ 2,192,675</u>	<u>\$ 34,629,696</u>
Due in one year				\$ 1,897,073
Due in more than one year				<u>32,732,623</u>
Total				<u>\$ 34,629,696</u>

C. Maturity

The following is the amortization schedule for the long-term liability resulting from bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2016	\$ 1,756,380	\$ 674,671	\$ 21,870,000
2017	1,745,000	632,902	20,125,000
2018	1,740,000	589,036	18,385,000
2019	1,735,000	543,931	16,650,000
2020	1,735,000	497,513	14,915,000
2021 - 2025	8,800,000	1,700,115	6,115,000
2026 - 2029	<u>6,115,000</u>	<u>463,888</u>	-
Total	<u>\$ 23,626,380</u>	<u>\$ 5,102,056</u>	

On May 22, 2003, the District issued \$5,005,000 in general obligation bonds, with interest rates ranging between 1.50% and 3.60%. The District issued the bonds to advance refund the \$4,475,000 of outstanding various general obligation bonds. The District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$4,475,000 in bonds are considered defeased and the liability has been removed from the financial statements. At June 30, 2015, the balance of the defeased debt was paid in full.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 6. Interfund Balances and Activity

Interfund receivables and payables at June 30, 2015 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 624,182	\$ 52,784
School lunch fund	-	5,289
Special aid fund	52,783	267,759
Capital projects fund	-	54,196
Debt service fund	<u>54,196</u>	<u>250,000</u>
Subtotal	731,161	630,028
Agency funds	-	<u>101,133</u>
Total	<u>\$ 731,161</u>	<u>\$ 731,161</u>

Interfund receivables and payables, other than between governmental activities are eliminated on the statement of net position. Intergovernmental receivables between governmental and fiduciary activities are listed as due from external parties.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

Note 7. Interfund Transfers

Interfund transfers for the year ending June 30, 2015 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 335,150	\$ 92,783
School lunch fund	40,000	-
Special aid fund	52,783	-
Capital projects fund	-	328,326
Debt service fund	<u>243,176</u>	<u>250,000</u>
Total	<u>\$ 671,109</u>	<u>\$ 671,109</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) move residual cash from closed projects to debt service to be used for debt payments at a later date.

Note 8. Pension Plans

A. General Information

The District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). 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.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

B. Plan Descriptions

Teachers' Retirement System (TRS)

NYSTRS 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. NYSTRS 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 NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Employees' Retirement System (ERS)

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

C. Funding Policies

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For NYSERS, 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. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>ERS</u>		<u>TRS</u>		<u>Total</u>
2015	\$ 299,580	\$	887,547	\$	1,187,127
2014	\$ 289,489	\$	648,819	\$	938,308
2013	\$ 320,619	\$	648,525	\$	969,144

The total unpaid liability for NYSERS and NYSTRS was \$1,067,280.

D. GASB Statement No. 68

The District adopted GASB No. 68 and GASB No. 71 as of June 30, 2015. GASB No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumption that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement requires the employers liability to plan employees for defined benefit plans (net pension liability) be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, prior to implementing GASB Statements No. 68, employers participating in a cost-sharing plan recognized annual pension expense equal to their contractually required contribution to the plan. Upon the adoption of GASB Statement No. 68, employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation method.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Teachers' Retirement System (TRS)

The District recognized its proportion of the TRS net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense as of June 30, 2015. The TRS total pension liability was determined by actuarial valuations as of June 30, 2013 and rolled forward to the measurement date of June 30, 2014. The proportion allocation method utilized by TRS was the percentage of each employers fiscal year 2015 contribution to the total contributions to the plan.

The District's share of the pension liability of the TRS Plan represents 0.036975% of the total net pension liability. The District has recorded a net pension asset of \$4,118,819 as of June 30, 2015 and 2014, respectively. The District has recorded its gain from amortization of related deferred inflows of resources of \$698,264 as of June 30, 2015.

Actuarial Assumptions

Significant actuarial assumptions used in the June 30, 2014 TRS valuation were as follows:

Rate of return on investments	8% compounded annually, net of pension investment expense, including inflation
Salary increases	Rates of increase differ based on age and gender and a projected between 4.01% - 10.91%
Inflation	3%
Decrement tables	Society of Actuaries Scale AA July 1, 2005 - June 30, 2010 System's Experience

Expected rate of return on investments

The long-term expected rate of return on the TRS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan 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 the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in plan's target asset allocation as of the June 30, 2014 actuarial valuation are summarized in the following table:

<u>Asset Type</u>	<u>Long Term Expected Real Rate</u>
Domestic equities	7.3 %
International equities	8.5
Real estate	5.0
Alternative investments	11.0
Domestic fixed income securities	1.5
Global fixed income securities	1.4
Mortgages	3.4
Short-term	0.8

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Discount Rate

The discount rate used to measure the TRS total pension liability as of June 30, 2015 was 8.0%. The projection of cash flows used to determine the discount rate assumed 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 on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and non-active plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate assumption

The following presents the District's proportionate share of the net pension liability of the TRS plan, calculated as of the measurement date of June 30, 2014 using the discount rate of 8.00%, per annum (the "current rate"). The table shows what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (7.00%), or 1% point higher (9.00%) than the current rate:

	1% Decrease <u>(7.0%)</u>	Current Discount <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
Naples Central School District's proportionate share of the TRS Net Pension Liability (Asset)	\$ (88,849)	\$ (4,118,819)	\$ (7,552,915)

At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to the TRS pension from the following sources:

	TRS	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 45,337
Net difference between projected and actual investment earnings on pension plan investments	-	2,082,229
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,934</u>	<u>-</u>
Total	<u>\$ 1,934</u>	<u>\$ 2,127,566</u>

The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on plan investments, are amortized into pension expense over a 5 year closed period, which reflects the weighted average remaining service life of all plan members, beginning the year in which the deferred amount occurs. The annual difference the projected and actual earnings on plan investments is amortized over a five-year closed period beginning the year in which the difference occurs. The cumulative amounts of deferred outflows of resources and deferred inflows of resources reported will be recognized in pension expense as follows:

For the fiscal year ended:

	TRS
2016	\$ (698,264)
2017	\$ (698,264)
2018	\$ (698,264)
2019	\$ (6,705)
2020	\$ (24,137)

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of June 30, 2015 were as follows:

	TRS
Valuation date	6/30/2013
Employers' total pension liability	\$ 97,015,706,000
Plan net position	<u>108,155,083,000</u>
Employers' net pension liability (asset)	<u>\$ (11,139,377,000)</u>
 Ratio of plan net position to the employers' total pension liability	 111.48 %

Employees' Retirement System (ERS)

The District recognized its proportion of the ERS net pension liability, deferred outflows of resources, and pension expense as of June 30, 2015. The ERS total pension liability was determined by actuarial valuations as of April 1, 2014 and rolled forward to the measurement date of March 31, 2015. The proportion allocation method utilized by ERS was the percentage of each employers fiscal year 2015 contribution to the total contributions to the plan.

The District's share of the pension liability of the ERS Plan represents 0.005574% of the total net pension liability. The District has recorded a net pension liability of \$188,318 and \$251,901 as of June 30, 2015 and 2014, respectively. The District has recorded its proportionate share of pension plan expenses of \$58,217 as of June 30, 2015.

Actuarial Assumptions

Significant actuarial assumptions used in the March 31, 2015 ERS valuation were as follows:

Rate of return on investments	7.5% compounded annually, net of investment expenses
Salary scale	4.9% average
Inflation	2.7%
Decrement table	Society of Actuaries Scale MP-2014 April 1, 2005 - March 31, 2010, System's Experience

Expected rate of return on investments

The long-term expected rate of return on the ERS 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in Plan's target asset allocation as of the March 31, 2015 actuarial valuation are summarized in the following table:

<u>Asset Type</u>	<u>Long Term Expected Real Rate</u>
Domestic equity	7.3 %
International equity	8.6
Private equity	11.0
Real estate	8.3
Absolute return strategies	6.8
Opportunistic portfolio	8.6
Real assets	8.7
Bonds and mortgages	4.0
Cash	2.3
Inflation-indexed bonds	4.0

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Discount Rate

The discount rate used to measure the ERS total pension liability as of June 30, 2015 was 7.5%. The projection of cash flows used to determine the discount rate assumed 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 on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and non-active plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate assumption

The following presents the District's proportionate share of the net pension liability of the ERS plan, calculated as of the measurement date of March 31, 2015 using the discount rate of 7.5% per annum (the "current rate"). The table shows what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.5%), or 1% point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Naples Central School District's proportionate share of the ERS Net Pension Liability (Asset)	\$ 1,255,221	\$ 188,318	\$ (712,412)

At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to the ERS pension from the following sources:

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,028	\$ -
Net difference between projected and actual investment earnings on pension plan investments	32,708	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>21,466</u>	<u>-</u>
Total	<u>\$ 60,202</u>	<u>\$ -</u>

The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on plan investments, are amortized into pension expense over a 5 year closed period, which reflects the weighted average remaining service life of all plan members, beginning the year in which the deferred amount occurs. The annual difference between the projected and actual earnings on plan investments is amortized over a five-year closed period beginning the year in which the difference occurs. The cumulative amounts of deferred outflows of resources and deferred inflows of resources reported will be recognized in pension expense as follows:

For the fiscal year ended:

	ERS
2016	\$ 15,051
2017	\$ 15,051
2018	\$ 15,051
2019	\$ 15,051
2020	\$ -

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of June 30, 2015 were as follows:

	ERS
Valuation date	4/1/2014
Employers' total pension liability	\$ 164,591,504,000
Plan net position	<u>(161,213,259,000)</u>
Employers' net pension liability	<u>\$ 3,378,245,000</u>
Ratio of plan net position to the employers' total pension liability	97.9 %

Note 9. Post Employment Healthcare Plan

Plan Description - The District administers the Naples Central School District Retiree Medical Plan (the "Plan") as a single-employer defined benefit other postemployment benefit plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements.

Funding Policy - The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

Actuarial Methods and Assumptions - The accrual basis of accounting is used. The fair market value of assets is determined by the market value of assets paid by a willing buyer to a willing seller. The schedule of funding progress presents multiyear trend information that is useful in determining whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

As of July 1, 2014 the most recent interim actuarial valuation date, the Other Post Employment Benefits ("OPEB") plan was unfunded, resulting in an unfunded accrued liability for the District of \$17,679,665. The assumed discount rate is 4.00% compounded annually.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,877,760
Interest on net OPEB obligation	240,650
Adjustment to annual required contribution	<u>(347,921)</u>
Annual OPEB cost (expense)	1,770,489
Contributions made	<u>(393,660)</u>
Increase in OPEB obligation - net	1,376,829
Net OPEB obligation - beginning	<u>6,016,261</u>
Net OPEB obligation - ending	<u>\$ 7,393,090</u>

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 1,770,489	22.2%	\$ 7,393,090
6/30/2014	\$ 1,303,267	23.7%	\$ 6,016,261
6/30/2013	\$ 1,252,539	21.7%	\$ 5,021,994

Note 10. Risk Management

A. General Information

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

B. Workers' Compensation

The District incurs costs related to the Wayne-Finger Lakes Area School Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services, of Ontario, Seneca, Yates, Cayuga and Wayne Counties and its component districts. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the Ontario, Seneca, Yates, Cayuga and Wayne Counties BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of thirteen districts. If a surplus of participants' assessments exist after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amounts against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance to limit its exposure for claims paid. 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 cost 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 expenses in the periods in which they are made. During the year ended June 30, 2015, the Naples Central School District incurred premiums or contribution expenditures totaling \$64,831.

The Plan is audited on an annual basis and the Plan's financial statements are available at the BOCES administrative offices. The most recent audit available, for the year ended June 30, 2014, revealed that the Plan is fully funded.

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

C. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the Fund for benefits paid from the Fund to former employees. The District has established a self insurance fund to pay these claims. There were no claims and judgment expenditures of this program for the 2014-2015 fiscal year. The balance of the fund at June 30, 2015 was \$40,058 and is recorded in the general fund as an unemployment insurance reserve. In addition, as of June 30, 2015, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

Note 11. Federal and State Funded Programs

The District participates in a number of Federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 12. Restatement of Net Position

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

Net position beginning of year - as previously stated	\$ 3,940,412
GASB Statement No. 68 implementation	
Beginning system asset - TRS	4,118,819
Beginning system liability - ERS	(251,901)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	68,137
Beginning deferred inflow of resources for contributions subsequent to the measurement date	<u>(2,826,465)</u>
Net position beginning of year - as restated	<u>\$ 5,049,002</u>

NAPLES CENTRAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Real property tax	\$10,577,807	\$10,577,807	\$ 9,636,948	\$ (940,859)
Real property tax items	107,900	107,900	1,057,421	949,521
Charges for services	68,100	68,100	124,255	56,155
Use of money and property	16,646	16,646	5,793	(10,853)
Sale of property and compensation for gain	500	500	5,686	5,186
Miscellaneous local sources	18,500	18,500	168,642	150,142
State sources	7,334,447	7,334,447	7,311,426	(23,021)
Medical reimbursements	<u>21,000</u>	<u>21,000</u>	<u>54,519</u>	<u>33,519</u>
Total revenues	18,144,900	18,144,900	18,364,690	219,790
Other Financing Sources				
Interfund transfers	<u>250,000</u>	<u>250,000</u>	<u>335,150</u>	<u>85,150</u>
Total revenues and other financing sources	<u>18,394,900</u>	<u>18,394,900</u>	<u>18,699,840</u>	<u>304,940</u>
Expenditures				
General support	1,936,935	2,084,882	1,864,050	220,832
Instruction	8,312,562	8,632,431	7,814,391	818,040
Pupil transportation	850,130	871,569	658,775	212,794
Community services	7,096	7,982	3,134	4,848
Employee benefits	5,598,446	5,112,379	4,501,650	610,729
Debt principal	2,024,084	2,119,084	2,119,084	-
Debt interest	<u>951,147</u>	<u>926,147</u>	<u>716,747</u>	<u>209,400</u>
Total expenditures	19,680,400	19,754,474	17,677,831	2,076,643
Other Financing Uses				
Interfund transfers	<u>64,500</u>	<u>92,783</u>	<u>92,783</u>	<u>-</u>
Total expenditures and other financing uses	<u>19,744,900</u>	<u>19,847,257</u>	<u>17,770,614</u>	<u>2,076,643</u>
Change in Fund Balance	(1,350,000)	(1,452,357)	929,226	2,381,583
Fund Balances - Beginning	<u>6,565,628</u>	<u>6,565,628</u>	<u>6,565,628</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 5,215,628</u>	<u>\$ 5,113,271</u>	<u>\$ 7,494,854</u>	<u>\$ 2,381,583</u>

NAPLES CENTRAL SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefits Obligation
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
7/1/2014	\$ -	\$ 17,679,665	\$ 17,679,665	- %	\$ 7,511,725	235.4 %
7/1/2013	\$ -	\$ 14,360,246	\$ 14,360,246	- %	\$ 7,530,977	190.7 %
7/1/2012	\$ -	\$ 13,554,770	\$ 13,554,770	- %	\$ 7,402,155	183.1 %

NAPLES CENTRAL SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Asset - TRS
For The Year Ended June 30, 2015

	<u>2015</u>	<u>2014</u>
The District's proportion of the net pension asset	0.036975 %	0.036975 %
The District's proportionate share of the net pension assets	4,118,819	4,118,819
The District's covered employee payroll	5,461,828	5,479,890
The District's proportionate share of the net pension asset as a percentage of covered employee payroll	75.41 %	75.16 %
Plan fiduciary net position as a percentage of the total pension asset	111.48 %	100.70 %

NAPLES CENTRAL SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Liability - ERS
For The Year Ended June 30, 2015

	<u>2015</u>	<u>2014</u>
The District's proportion of the net pension liability	0.005574 %	0.005574 %
The District's proportionate share of the net pension liability	188,318	251,901
The District's covered employee payroll	1,648,596	1,585,216
The District's proportionate share of the net pension liability as a percentage of covered employee payroll	11.42 %	15.89 %
Plan fiduciary net position as a percentage of the total pension liability	97.90 %	97.20 %

**NAPLES CENTRAL SCHOOL DISTRICT
Schedule of Employers Contributions for TRS
For The Year Ended June 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 887,547	\$ 648,819	\$ 648,525	\$ 500,509	\$ 426,691	\$ 434,737	\$ 444,913	\$ 516,053	\$ 499,783	\$ 445,942
Contribution in relation to the contractually required contribution	<u>887,547</u>	<u>648,819</u>	<u>648,525</u>	<u>500,509</u>	<u>426,691</u>	<u>434,737</u>	<u>444,913</u>	<u>516,053</u>	<u>499,783</u>	<u>445,942</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Contribution as a percentage of covered employee payroll	16.25 %	11.84 %	11.11 %	8.62 %	6.19 %	7.63 %	8.73 %	8.60 %	7.97 %	5.63 %

**NAPLES CENTRAL SCHOOL DISTRICT
Schedule of Employers Contributions for ERS
For The Year Ended June 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 299,580	\$ 289,489	\$ 320,619	\$ 252,754	\$ 181,042	\$ 142,058	\$ 138,687	\$ 109,045	\$ 137,915	\$ 121,683
Contribution in relation to the contractually required contribution	<u>299,580</u>	<u>289,489</u>	<u>320,619</u>	<u>252,754</u>	<u>181,042</u>	<u>142,058</u>	<u>138,687</u>	<u>109,045</u>	<u>137,915</u>	<u>121,683</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Contribution as a percentage of covered employee payroll	18.17 %	18.26 %	19.10 %	15.89 %	11.09 %	8.71 %	8.98 %	Unavailable	Unavailable	Unavailable

NAPLES CENTRAL SCHOOL DISTRICT
Schedule of Changes from Original Budget to Final Budget
General Fund
For the Year Ended June 30, 2015

Original budget	\$ 19,744,900
Add: Prior year's encumbrances	102,357
Add: Budget revisions	<u> -</u>
Final budget	<u>\$ 19,847,257</u>

NAPLES CENTRAL SCHOOL DISTRICT
Schedule of Real Property Tax Limit
General Fund
For the Year Ended June 30, 2015

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015-16 voter-approved expenditure budget Maximum allowed (4% of 2015-16's budget)		\$ 19,569,425
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Committed fund balance	-	
Assigned fund balance	840,473	
Unassigned fund balance	<u>780,130</u>	
Total unrestricted fund balance	<u>\$ 1,620,603</u>	
Less:		
Appropriated fund balance	750,000	
Insurance recovery reserve	35,965	
Encumbrances included in committed and assigned fund balance	<u>54,508</u>	
Total adjustments	<u>\$ 840,473</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 780,130</u>
Actual percentage		3.99 %

*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.

NAPLES CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures
Capital Projects Fund
For the Year Ended June 30, 2015

PROJECT TITLE	<u>Expenditures</u>					<u>Methods of Financing</u>					<u>Fund Balance</u>
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Unexpended Balance</u>	<u>Obligations</u>	<u>State Aid</u>	<u>Interfund Transfers</u>	<u>Total</u>	
2004-2005 Buses	\$ 180,000	\$ 180,000	\$ 167,345	\$ -	\$ 167,345	\$ 12,655	\$ 180,000	\$ -	\$ (12,655)	\$ 167,345	\$ -
2005-2006 Buses	180,000	180,000	165,512	-	165,512	14,488	180,000	-	(14,488)	165,512	-
2007-2008 Buses	171,689	171,689	164,616	-	164,616	7,073	188,869	-	(24,253)	164,616	-
2008-2009 Buses	192,917	192,917	180,516	-	180,516	12,401	193,109	-	(12,593)	180,516	-
2012-2013 Buses	207,944	207,944	207,943	-	207,943	1	207,944	-	(1)	207,943	-
2014-2015 Buses	216,380	205,380	-	205,379	205,379	1	216,380	-	(11,001)	205,379	-
Other Capital Projects	-	-	151,355	-	151,355	(151,355)	279,321	-	(127,966)	151,355	-
Naples Phase 2	21,710,000	21,710,000	20,891,673	721,269	21,612,942	97,058	21,113,200	-	499,742	21,612,942	-
Naples Phase 1A	1,335,334	1,335,334	1,326,854	-	1,326,854	8,480	1,325,293	-	1,561	1,326,854	-
Abatement Project	213,000	213,000	126,198	1,655	127,853	85,147	-	-	127,853	127,853	-
	<u>\$ 24,407,264</u>	<u>\$ 24,396,264</u>	<u>\$ 23,382,012</u>	<u>\$ 928,303</u>	<u>\$ 24,310,315</u>	<u>\$ 85,949</u>	<u>\$ 23,884,116</u>	<u>\$ -</u>	<u>\$ 426,199</u>	<u>\$ 24,310,315</u>	<u>\$ -</u>

NAPLES CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2015

Capital Assets - Net	\$ <u>29,603,460</u>
Deduct	
Short-term portion of bonds payable	1,756,380
Long-term portion of bonds payable	<u>21,944,202</u>
Subtotal	<u>23,700,582</u>
Net Investment in Capital Assets	\$ <u>5,902,878</u>

NAPLES CENTRAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass through programs from			
New York State Department of Education			
Childhood Nutrition Cluster:			
National School Breakfast Program	10.553		\$ 34,866
National School Lunch Program	10.555		<u>120,737</u>
Total Child Nutrition Cluster			<u>155,603</u>
Total passed through to NYS Department of Education			<u>155,603</u>
Non-cash Assistance - Pass through programs from			
New York State Department of General Services			
National School Lunch - Commodities	10.555		<u>18,654</u>
Total U.S. Department of Agriculture			<u>174,257</u>
U.S. Department of Education			
Pass through program from			
New York State Department of Education			
Special Education Cluster			
IDEA Part B - Section 611	84.027		190,749
IDEA Part B - Section 619	84.173		<u>4,984</u>
Total Special Education Cluster			<u>195,733</u>
Other pass through programs			
Title I - ESEA Basic Grant	84.010		147,139
Title IIA - Improving Teacher Quality	84.367		<u>50,933</u>
Total other pass through programs			<u>198,072</u>
Total U.S. Department of Education			<u>393,805</u>
Total Expenditures of Federal Awards			<u>\$ 568,062</u>

NAPLES CENTRAL SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Note 2. Subrecipients

No amounts were provided to subrecipients.

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
Naples Central School District
Naples, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Naples Central School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Naples Central School District's basic financial statements and have issued our report thereon dated October 8, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Naples 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 Naples Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Naples 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control 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 weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Naples Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
October 8, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Naples Central School District's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Naples Central School District's major federal programs for the year ended June 30, 2015. Naples Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Naples Central School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable of financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Naples Central School District compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Naples Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Naples Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Naples Central School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Naples Central School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
October 8, 2015

NAPLES CENTRAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- 1. Material weaknesses identified? Yes No
- 2. Significant deficiencies identified that are not considered to be material weaknesses? Yes No
- 3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- 4. Material weaknesses identified? Yes No
- 5. Significant deficiencies identified that are not considered to be material weaknesses? Yes No

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

- 6. Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

7. Major programs audited were:

Program Title

Federal CFDA Number

Child Nutrition Cluster	
United States Department of Agriculture - National School Lunch Program	10.555
United States Department of Agriculture - National School Breakfast Program	10.553
United States Department of Agriculture - National School Lunch Program - Commodities	10.555

8. Dollar threshold to determine type A and type B programs: \$300,000

- 9. Auditee qualified as low-risk auditee? Yes No

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

**NAPLES CENTRAL SCHOOL DISTRICT
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2015**

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

PRIOR YEAR FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE