

MARION CENTRAL SCHOOL DISTRICT

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2016**

**MARION CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Marion Central School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Correction of Error

As indicated in Note 13, the June 30, 2015 financial statements have been restated subsequent to their issuance to correct an error in accounting for deferred inflows of resources and deferred outflows of resources and to account for old receivables that were written off during the current year. Our opinions are not modified with respect to this matter.

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 12 and 42, schedule of funding progress for other postemployment benefit obligation on page 43, schedule of district's proportionate share of the net pension asset - TRS on page 44, schedule of district's proportionate share of the net pension liability - ERS on page 45, schedule of employer's contribution for TRS on page 46, and schedule of employer's contribution for ERS on page 47 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 Marion 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 financial statements. The other supplementary information 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 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 September 28, 2016, on our consideration of Marion Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marion Central School District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
(Formerly EFP Rotenberg, LLP)
Rochester, New York
September 28, 2016

MARION CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The following is a discussion and analysis of the Marion Central School District (the "District") financial performance for the fiscal year ended June 30, 2016. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is 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 revenues for the 2015-2016 year were \$19,720,602. This amount represents an increase of \$1,047,263 in revenues over the 2014-2015 year of \$18,673,339.

Total District expenses for the 2015-2016 year were \$18,629,231. These expenses were offset by program revenues that included \$350,401 in charges for services and \$1,056,867 in operating grants and contributions. The net cost for governmental activities that was ultimately financed by general revenues was \$17,221,963, which represents an increase of \$1,318,420 from the 2014-2015 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 \$957,558, which is a \$257,820, or 21%, decrease over the 2014-2015 amount of \$1,215,378. During the 2014-2015 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 \$924,598 and \$209,316 as of June 30, 2016 and 2015, respectively. The District has also recorded a net pension asset of \$3,576,961 and \$3,821,502 as of June 30, 2016 and 2015, respectively.

Total District capital assets, net of depreciation decreased by \$652,045 to \$17,269,087 in the 2015-2016 year as compared to \$17,921,132 in the 2014-2015 year. Total long term debt increased by \$1,158,970 to \$17,142,420 in the 2015-2016 year from \$15,983,450 in the 2014-2015 year.

As required by GASB 45, the District records other post employment benefits (OPEB) in 2015-2016. As a result, liabilities on the statement of net position and expenses on the statement of activities were increased by \$1,619,928 for a total liability of \$7,125,882. The liability and expenditures are included only on the District-wide financial statements and are not included on the fund financial statements.

MARION CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion & analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. 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.

The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

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 financial 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.

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 2016?" 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, debt interest, and the school lunch program. The District does not have any business-type activities.

The district-wide financial statements can be found on pages 13 and 14 of this report.

MARION CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Fund Financial Statements

The fund financial statements are on pages 15 through 20 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 2015-2016 year, the District reports two major funds; the general fund and special aid 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 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 reconciliation to district-wide financial statements are reported on pages 15 through 18.

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 19 and 20.

MARION CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE 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, 2016 and 2015

	<u>2016</u>	<u>Restated 2015</u>	<u>%</u>
Assets			
Current assets	\$ 6,805,934	\$ 5,710,247	19.2
Capital assets	17,269,087	17,921,132	(3.6)
Other assets	<u>3,576,961</u>	<u>3,821,502</u>	(6.4)
Total assets	<u>27,651,982</u>	<u>27,452,881</u>	0.7
 Deferred Outflows of Resources	 <u>2,021,590</u>	 <u>1,581,323</u>	 27.8
 Liabilities			
Other liabilities	208,272	302,550	(31.2)
Long-term liabilities	<u>17,942,328</u>	<u>17,030,488</u>	5.4
Total liabilities	<u>18,150,600</u>	<u>17,333,038</u>	4.7
 Deferred Inflows of Resources	 <u>1,352,871</u>	 <u>2,622,436</u>	 (48.4)
 Net Position			
Net investments in capital assets	9,340,054	8,989,481	3.9
Restricted	4,019,828	3,523,062	14.1
Unrestricted	<u>(3,189,781)</u>	<u>(3,433,813)</u>	(7.1)
Total net position	<u>\$10,170,101</u>	<u>\$ 9,078,730</u>	12.0

MARION CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Table 2

Changes in Net Position from Operating Results
For the Years Ended June 30, 2016 and 2015

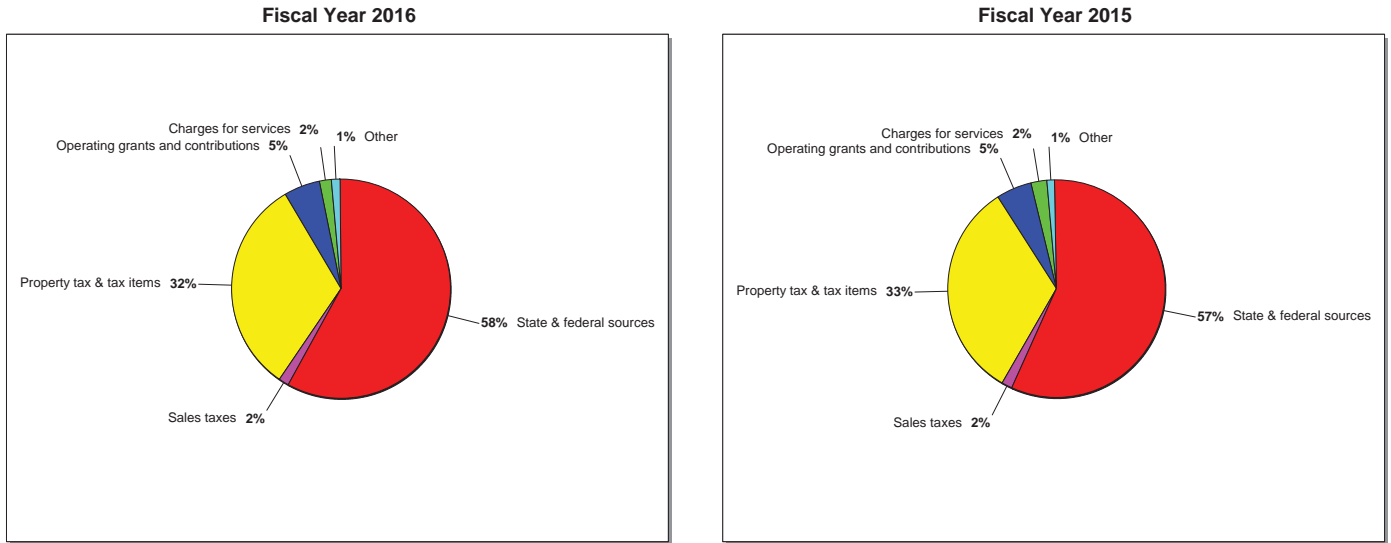
	<u>2016</u>	<u>Restated 2015</u>	<u>%</u>
Revenues			
Program revenues			
Charges for services	\$ 350,401	\$ 460,603	(23.9)
Operating grants and contributions	<u>1,056,867</u>	<u>1,004,318</u>	5.2
Total program revenues	<u>1,407,268</u>	<u>1,464,921</u>	(3.9)
General revenues			
Property taxes and tax items	6,349,940	6,224,701	2.0
Sales taxes	299,150	303,469	(1.4)
State and federal sources	11,407,893	10,467,668	9.0
Other	<u>256,351</u>	<u>212,580</u>	20.6
Total general revenues	<u>18,313,334</u>	<u>17,208,418</u>	6.4
Total revenues	<u>19,720,602</u>	<u>18,673,339</u>	5.6
Program Expenses			
General support	2,414,357	2,458,477	(1.8)
Instruction	13,945,015	12,639,195	10.3
Pupil transportation	1,547,104	1,453,960	6.4
Debt interest	297,706	373,279	(20.2)
Community services	1,518	1,456	4.3
School lunch program	<u>423,531</u>	<u>442,097</u>	(4.2)
Total expenses	<u>18,629,231</u>	<u>17,368,464</u>	7.3
Change in Net Position	<u>\$ 1,091,371</u>	<u>\$ 1,304,875</u>	(16.4)

As reported in the statement of activities on page 14 the cost of all governmental activities was \$18,629,231 and \$17,368,464 for 2016 and 2015, respectively. However, the amount that taxpayers ultimately financed for these activities through the District real property taxes and real property tax items was \$6,349,940 and \$6,224,701 for 2016 and 2015, respectively.

MARION CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

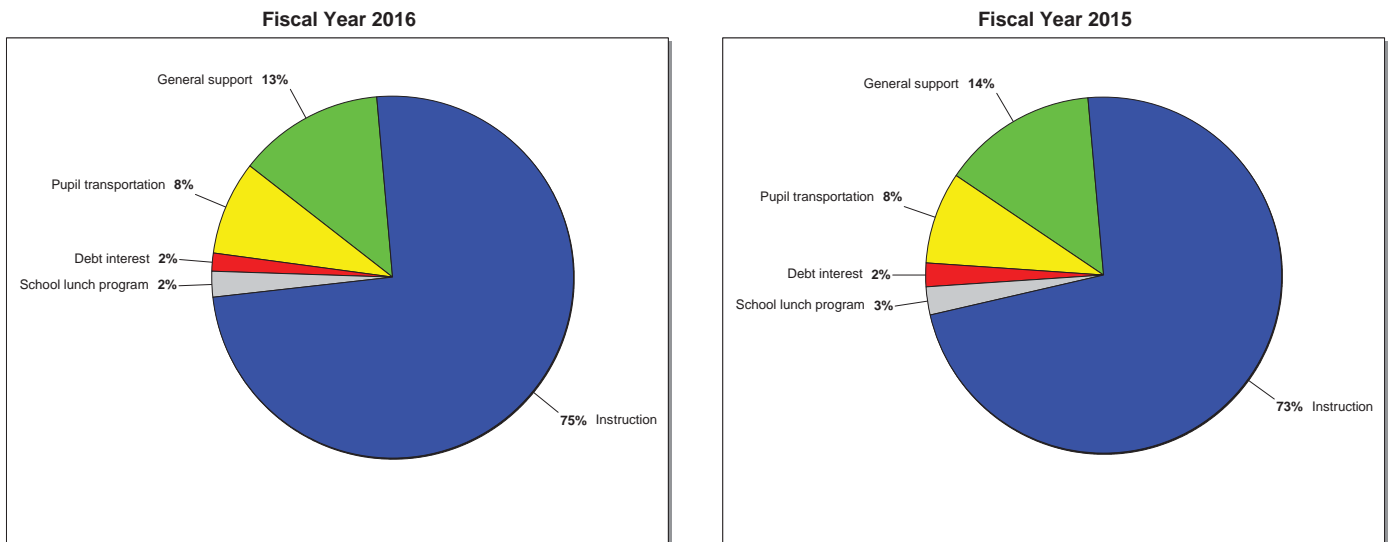
Sources of Revenues For Governmental Activities

Table 3



Program Expenses For Governmental Activities

Table 4



MARION CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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>		
	<u>2016</u>	<u>2015</u>	<u>%</u>
General support	\$ 2,414,357	\$ 2,458,477	(1.8)
Instruction	13,945,015	12,639,195	10.3
Pupil transportation	1,547,104	1,453,960	6.4
Debt interest	297,706	373,279	(20.2)
Community services	1,518	1,456	4.3
School lunch program	<u>423,531</u>	<u>442,097</u>	(4.2)
Total expenses	<u>\$ 18,629,231</u>	<u>\$ 17,368,464</u>	7.3

	<u>Net Cost (Profit) of Services</u>		
	<u>2016</u>	<u>2015</u>	<u>%</u>
General support	\$ 2,414,357	\$ 2,458,477	(1.8)
Instruction	13,072,668	11,711,633	11.6
Pupil transportation	1,547,104	1,449,392	6.7
Debt interest	297,706	373,279	(20.2)
Community services	1,518	1,456	4.3
School lunch program	<u>(111,390)</u>	<u>(90,694)</u>	22.8
Total expenses	<u>\$ 17,221,963</u>	<u>\$ 15,903,543</u>	8.3

- **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 (350,000 miles/year), and garage.
- **Debt Interest** - Includes the transactions associated with the payment of interest and other related charges to debt for improvements to the District.
- **Community Services** - Includes expenses connected with the annual school district census.
- **School Lunch Program** - Includes the preparation, delivery, and servicing of lunches, snacks, and other incidental meals to students and school staff.

MARION CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

THE 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 \$20,922,917 and \$25,648,014 and expenditures and other financing uses of \$19,497,875 and \$25,820,899 in 2016 and 2015, respectively. The fund balance in the general fund increased by \$549,168. The school lunch fund reported an decrease of \$3,699. The capital projects fund reported an increase in fund balance of \$814,387. The debt service fund reported an increase of \$65,186.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2015-2016 general fund's actual revenue was \$18,291,915. That amount is above the original and final budget estimates of \$17,862,690. The \$429,225 variance between the budget and actual was due primarily to conservative estimates of certain state aid revenues prior to year end. Revenue budget comparisons are shown on page 42.

The 2015-2016 actual expenditures and other financing uses of the general fund were \$17,742,747, which is below the original budget of \$17,986,145 and below the final budget estimate of \$18,979,147. The \$1,236,400 variance between the final amended budget and the June 30, 2016 actual results was due to conservative estimates of certain final expenditures related to healthcare benefits. Utilities and fuel usage were also significantly less than expected. Expenditure budget comparisons are shown on page 42.

The general fund's fund balance increased by \$549,168. The fund balance has \$3,833,491 in specified reserves and \$13,162 appropriated for 2016-2017 property taxes. More information regarding the District's specified reserves can be found in Note 1 on pages 27 - 29.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal years 2016 and 2015, the District had \$31,737,694 and \$31,494,644 invested in land, buildings and renovations, buses, and furniture and equipment. Depreciation expense of \$990,298 and \$968,765 has been recorded in 2016 and 2015, respectively. The net book value at June 30, 2016 and 2015 was \$17,269,087 and \$17,921,132, respectively.

Table 6 shows the fiscal 2016 and 2015 balances for the major classes of assets:

Table 6

Capital Assets (Net of Depreciation)
At June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>%</u>
Land	\$ 139,803	\$ 139,803	-
Construction in progress	841,130	571,514	47.2
Buildings and renovations	14,900,184	15,460,586	(3.6)
Buses	543,452	793,016	(31.5)
Furniture and equipment	414,769	473,601	(12.4)
Site improvements	<u>429,749</u>	<u>482,612</u>	(11.0)
Total	<u>\$ 17,269,087</u>	<u>\$ 17,921,132</u>	(3.6)

Additional information on the District's capital assets can be found in Notes 1 and 4 on pages 25 and 31, respectively, of this report. In addition, a schedule of project expenditures can be found on page 52.

MARION CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Long-Term Debt

At June 30, 2016 and 2015, the District had total long-term debt of \$17,142,420 and \$15,983,450, respectively.

Table 7

Outstanding Debt
At June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>%</u>
Compensated absences	\$ 753,225	\$ 869,275	(13.4)
General obligation bonds	8,338,715	9,398,905	(11.3)
Net pension liability	924,598	209,316	341.7
OPEB liability	<u>7,125,882</u>	<u>5,505,954</u>	29.4
Total	<u>\$ 17,142,420</u>	<u>\$ 15,983,450</u>	7.3

The District's bond rating for 2016 and 2015 was A+.

Additional information on the District's long-term debt can be found in Note 5 beginning on page 32 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2015-16 fiscal year was financially strong for Marion Central School District. Large costs such as our utilities and fuel usage were significantly less than expected and allowed for district savings not realized in many years. The district was able to fully meet all operational obligations and appropriately replenish capital reserves after voter authorizations to purchase six new buses and fund building improvements.

Current expenditure side issues of focus are the ongoing increases in healthcare and peripheral Affordable Care Act compliance. The district has worked heavily with the regional consortium on group strategies to keep these costs as restrained as possible moving forward. Additionally, the district engaged its two primary collective bargaining units to restructure employee compensation to better control healthcare benefits.

The district is also entering into a new focus of personalized learning which will give our students equal access to an array of digital tools. While technology infrastructure is usually expensive, most of these costs have been offset by New York's Smart Schools Bond Act or by purchasing strategically through BOCES to generate additional aid revenue.

Another cost containment effort has been our solar project that reached completion in the summer of 2016. This project required no capital outlay investment from the district and will yield substantial electric savings for the school's buildings for many years to come.

The revenue half of school finance continues to be an area of interest. Since Marion CSD is so heavily dependent on state aid, the precarious nature of that revenue source remains an annual complication. This correlates to an also restricted ability to source local revenue in the form of the NYS local levy limit formula that mandates a supermajority of voter support to increase locally derived monies in the event of less than expected state aid. These remain significant challenges to navigating school finance and require thoughtful risk assessment in budgeting practice.

Moving into 2016-17, the Gap Elimination Adjustment was finally eliminated from the state's aid packaging, which allowed for the district's smallest local levy increase in years. As aforementioned, the colloquial "Tax Cap" will continue to be an impediment to ensuring the ability to supplement state aid revenue volatility so revenue projections remain conservative in our five-year financial planning.

Ultimately the district is in the strongest financial state now since the global recession began. Due to careful consideration of all appropriations, the district has weathered the dual challenge of the Tax Cap and Gap Elimination Adjustment. The district continues to approach cost forecasting meticulously, always seeking new cost-effective strategies, so that the organization's financial health remains sound moving into the future.

**MARION CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

CONTACTING THE 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:

Marion Central School District
Business Office
4034 Warner Road
Marion, NY 14505

MARION CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash	\$ 5,594,318
Other receivables	24,134
State and federal aid receivables	746,913
Due from other governments	416,978
Inventory	23,591
Capital assets	
Capital assets - not depreciated	980,933
Capital assets - net of depreciation	16,288,154
Net pension asset - proportionate share	<u>3,576,961</u>
Total assets	<u>27,651,982</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pensions	1,611,908
Deferred refunding proceeds - net	<u>409,682</u>
Total deferred outflows of resources	<u>2,021,590</u>
Liabilities	
Accounts payable	190,126
Accrued liabilities	11,156
Due to other governments	252
Other liabilities	1,200
Due to external parties	5,538
Long-term liabilities	
Portion due or payable within one year	
Bonds payable	1,070,000
Compensated absences	75,323
Due to retirement system	799,908
Portion due or payable after one year	
Bonds payable	7,268,715
Compensated absences	677,902
Net pension liability - proportionate share	924,598
OPEB liability	<u>7,125,882</u>
Total liabilities	<u>18,150,600</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pensions	<u>1,352,871</u>
Net Position	
Net investment in capital assets	9,340,054
Restricted for	
Retirement contribution	609,290
Employee benefit accrued liability	543,592
Unemployment insurance	80,343
Capital - bus purchase	1,000,682
Capital	1,599,584
Debt - bus garage	186,337
Unrestricted	<u>(3,189,781)</u>
Total net position	<u>\$ 10,170,101</u>

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

MARION CENTRAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u> <u>Revenues and</u> <u>Changes in Net</u> <u>Position</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	\$ 2,414,357	\$ -	\$ -	\$ (2,414,357)
Instruction	13,945,015	72,271	800,076	(13,072,668)
Pupil transportation	1,547,104	-	-	(1,547,104)
Debt interest	297,706	-	-	(297,706)
Community services	1,518	-	-	(1,518)
School lunch program	423,531	278,130	256,791	111,390
Total governmental activities	<u>\$ 18,629,231</u>	<u>\$ 350,401</u>	<u>\$ 1,056,867</u>	<u>(17,221,963)</u>
General Revenues				
Real property taxes				4,739,119
Real property tax items				1,610,821
Non property tax items				299,150
Use of money and property				34,164
Sale of property				7,563
Miscellaneous local sources				214,624
State sources				11,334,241
Medicaid reimbursement				<u>73,652</u>
Total general revenues				<u>18,313,334</u>
Change in Net Position				<u>1,091,371</u>
Net Position - Beginning - As Previously Stated				9,936,133
Prior Period Adjustment				<u>(857,403)</u>
Net Position - Beginning - As Restated				<u>9,078,730</u>
Net Position - Ending				<u>\$ 10,170,101</u>

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

MARION CENTRAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

		<u>Special Revenue Fund</u>		
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets				
Cash	\$ 4,300,719	\$ 140,930	\$ 1,152,669	\$ 5,594,318
Other receivables	-	10,678	13,456	24,134
Due from other funds	379,524	-	32	379,556
State and federal aid receivables	496,575	236,736	13,602	746,913
Due from other governments	416,978	-	-	416,978
Inventory	-	-	23,591	23,591
Total Assets	\$ 5,593,796	\$ 388,344	\$ 1,203,350	\$ 7,185,490
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 188,435	\$ 240	\$ 1,451	\$ 190,126
Accrued liabilities	11,060	-	96	11,156
Due to other funds	5,538	330,314	49,242	385,094
Due to other governments	-	-	252	252
Other liabilities	1,200	57,790	1,275	60,265
Due to retirement system	799,908	-	-	799,908
Total liabilities	<u>1,006,141</u>	<u>388,344</u>	<u>52,316</u>	<u>1,446,801</u>
Fund Balances				
Nonspendable				
Inventory	-	-	23,591	23,591
Restricted				
Reserve for retirement contribution	609,290	-	-	609,290
Reserve for employee benefit accrued liability	543,592	-	-	543,592
Reserve for unemployment insurance	80,343	-	-	80,343
Reserve for capital - bus purchase	1,000,682	-	-	1,000,682
Reserve for capital	1,599,584	-	-	1,599,584
Reserve for debt	-	-	186,337	186,337
Assigned				
Reserve for subsequent year	13,162	-	-	13,162
Reserve for school lunch	-	-	7,837	7,837
Reserve for capital projects	-	-	436,372	436,372
Reserve for encumbrances	3,007	-	496,897	499,904
Unassigned	<u>737,995</u>	<u>-</u>	<u>-</u>	<u>737,995</u>
Total fund balances	<u>4,587,655</u>	<u>-</u>	<u>1,151,034</u>	<u>5,738,689</u>
Total Liabilities and Fund Balances	\$ 5,593,796	\$ 388,344	\$ 1,203,350	\$ 7,185,490

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

MARION CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

Total governmental fund balances	\$	5,738,689
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:

Capital assets not depreciated		
Land	139,803	
Construction in progress	<u>841,130</u>	
Total capital assets not depreciated		980,933
Capital assets, net of depreciation		
Buildings and renovations	24,081,512	
Buses	2,106,670	
Furniture and equipment	3,110,007	
Site improvements	<u>1,458,572</u>	
Total depreciable assets	30,756,761	
Less - accumulated depreciation	<u>(14,468,607)</u>	
Total capital assets - net of depreciation		16,288,154

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:

Bonds payable	(8,338,715)	
Compensated absences	(753,225)	
OPEB liability	<u>(7,125,882)</u>	
Total liabilities		(16,217,822)

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:

Net pension asset - proportionate share	3,576,961	
Deferred outflows of resources - pensions	1,611,908	
Net pension liability - proportionate share	(924,598)	
Deferred inflows of resources - pensions	<u>(1,352,871)</u>	
Total pension related items		2,911,400

Other differences

Deferred refunding proceeds - net		409,682
Other liabilities		<u>59,065</u>

Net position of governmental activities	\$	<u>10,170,101</u>
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The accompanying notes are an integral part of these financial statements.

MARION CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Real property taxes	\$ 4,739,119	\$ -	\$ -	\$ 4,739,119
Real property tax items	1,610,821	-	-	1,610,821
Non property tax items	299,150	-	-	299,150
Intergovernmental charges	72,271	-	147,133	219,404
Use of money and property	33,983	-	181	34,164
Sale of property	7,563	-	-	7,563
Miscellaneous local sources	141,789	72,822	653	215,264
State sources	11,313,567	421,033	76,085	11,810,685
Medicaid reimbursement	73,652	-	-	73,652
Federal sources	-	319,978	205,472	525,450
Surplus food	-	-	42,920	42,920
Sales - school lunch	-	-	130,997	130,997
Total revenues	<u>18,291,915</u>	<u>813,833</u>	<u>603,441</u>	<u>19,709,189</u>
Other Financing Source				
Interfund transfers	-	67,376	1,146,352	1,213,728
Total revenues and other financing source	<u>18,291,915</u>	<u>881,209</u>	<u>1,749,793</u>	<u>20,922,917</u>
Expenditures				
General support	1,910,853	-	501,210	2,412,063
Instruction	8,483,983	760,175	-	9,244,158
Pupil transportation	787,663	121,034	-	908,697
Community services	1,518	-	-	1,518
Employee benefits	4,109,696	-	124,525	4,234,221
Debt principal	1,035,000	-	-	1,035,000
Debt interest	265,324	-	-	265,324
Cost of sales	-	-	183,166	183,166
Total expenditures	<u>16,594,037</u>	<u>881,209</u>	<u>808,901</u>	<u>18,284,147</u>
Other Financing Use				
Interfund transfers	<u>1,148,710</u>	<u>-</u>	<u>65,018</u>	<u>1,213,728</u>
Total expenditures and other financing use	<u>17,742,747</u>	<u>881,209</u>	<u>873,919</u>	<u>19,497,875</u>
Change in Fund Balance	<u>549,168</u>	<u>-</u>	<u>875,874</u>	<u>1,425,042</u>
Fund Balances - Beginning - as Originally Reported	4,247,817	-	275,160	4,522,977
Prior Period Adjustment	<u>(209,330)</u>	<u>-</u>	<u>-</u>	<u>(209,330)</u>
Fund Balances - Beginning - as Restated	<u>4,038,487</u>	<u>-</u>	<u>275,160</u>	<u>4,313,647</u>
Fund Balances - Ending	<u>\$ 4,587,655</u>	<u>\$ -</u>	<u>\$ 1,151,034</u>	<u>\$ 5,738,689</u>

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

MARION 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, 2016

Net change in fund balances - total governmental funds		\$ 1,425,042
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays and pupil transportation 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	338,893	
Depreciation expense	<u>(990,298)</u>	
Excess of capital outlay over depreciation		(651,405)
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:		
Debt repayments		1,035,000
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		116,050
OPEB liability		(1,619,928)
Deferred outflows of resources - pensions		(261,387)
Deferred inflows of resources - pensions		1,269,565
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		(715,282)
Teachers' Retirement System		(244,541)
Some items reported as expenditures in governmental funds are required to be deferred in the statement of net position. In the current period those amounts are:		
Accrued contributions to TRS		688,121
Accrued contributions to ERS		71,105
Other differences		
Change in other liabilities	12,053	
Amortization of deferred refunding proceeds	(57,572)	
Amortization of bond premiums	25,190	
Disposition of assets	<u>(640)</u>	
Total other differences		<u>(20,969)</u>
Change in net position of governmental activities		\$ <u>1,091,371</u>

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

MARION CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private-Purpose Trust	Agency Funds
ASSETS		
Cash - unrestricted	\$ 61,152	\$ 241,931
Cash - restricted	-	92,884
Due from other funds	-	5,538
Total assets	<u>\$ 61,152</u>	<u>\$ 340,353</u>
LIABILITIES		
Agency liabilities	\$ -	\$ 247,469
Extraclassroom activity balances	-	92,884
Total liabilities	<u>-</u>	<u>\$ 340,353</u>
NET POSITION		
Held in trust for scholarships	<u>\$ 61,152</u>	

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

MARION CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	Private-Purpose Trust
ADDITIONS	
Gifts and donations	\$ 25,752
Interest and earnings	<u>29</u>
Total additions	25,781
DEDUCTIONS	
Scholarships and awards	<u>29,935</u>
Change in Net Position	(4,154)
Net Position - Beginning	<u>65,306</u>
Net Position - Ending	<u>\$ 61,152</u>

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

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The financial statements of the Marion Central School District, State of New York (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. Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom 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 extraclassroom activity funds can be obtained 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 Wayne County Finger Lakes 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 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.

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

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

2. Fund Financial Statements

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

The District reports the following funds:

a) Major Governmental

- 1) General Fund** - This is the District's primary operating funds. 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.
- 2) Special Aid Fund** - The special aid fund is a special revenue fund that accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. This fund also accounts for the activity of the District's fuel facility.

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

- c) Non-Major Governmental** - The other funds which are not considered major are aggregated and reported as an other governmental fund and are as follows:

- 1) School Lunch Fund** - The school lunch fund is a special revenue fund that accounts for transactions of the District's lunch, breakfast and milk programs.
- 2) Capital Projects Fund** - This fund is used to account for the financial resources used for the construction, incidental and contingency costs related to projects of the District and buses.

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

- 3) **Debt Service Fund** - This fund is used to account for and report the accumulation of resources that are restricted, committed, or assigned to expenditure for the payment of principal and interest on long-term debt.

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 and sales taxes are 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 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. Future Changes in Accounting Standards

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."*

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

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

GASB has issued Statement No. 78 - *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans."* Effective for periods beginning after December 15, 2015.

GASB has issued Statement No. 80 - *"Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14."* Effective for periods beginning after June 15, 2016.

GASB has issued Statement No. 81 - *"Irrevocable Split-Interest Agreements."* Effective for periods beginning after December 15, 2016.

GASB has issued Statement No. 82 - *"Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73."* Effective for periods beginning after June 15, 2016

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. 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 the 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.

F. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 17, 2015. Taxes were collected during the period September and October, 2015.

Uncollected real property taxes are subsequently enforced by the County of Wayne in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1st.

G. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

H. Due from/to Other Governments

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

I. 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 inventorable 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.

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

J. 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.

K. Capital Assets

Capital assets purchased or acquired are represented at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) for the District are \$1,000 on all classes of assets. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

	<u>Estimated Useful Life</u>
Buildings and renovations	20 - 50 Years
Buses	8 Years
Furniture and equipment	5 - 20 Years
Site improvements	15 - 20 Years

L. Long-Term Obligations

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.

M. Accounting and Financial Reporting for Pensions

The District complies with 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 the statements.

N. Vested Employee Benefits

The District employees are provided benefits as follows:

1. **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. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment of unused accumulated sick leave, based on contractual provisions.
2. **Retirement** - The District provides retirement benefits for substantially all its regular full-time teachers and employees, and its part-time teachers or employees who elect to participate, through contributions to the New York State Teachers' Retirement System (TRS), and the New York State and Local Retirement System (ERS), respectively. The Systems provide various plans and options, some of which require employee contributions. The Systems compute the cost of retirement

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

benefits based on their respective fiscal years: TRS - July 1st to June 30th, and ERS - April 1st to March 31st.

3. **Compensated Absences** - Accumulated unpaid vacation and compensated absence pay is recorded in the District-wide statements as a noncurrent liability that will be funded from future resources or budgets. Payment of vacation and compensated absences recorded in the District-wide statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and compensatory absences when such payment becomes due.
4. **Post Employment Benefits** - In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the school district and its employee groups. 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. Currently 182 retirees meet those eligibility requirements. The District pays 50% to 90% of non-teachers and up to 90% of teachers cost of premiums to an insurance company which provides health care insurance. The retired employee pays for their portion of the premiums directly each month. See further detail in Note 9.

O. 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 19, 2015.

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. There were \$990,000 in supplemental appropriations during the 2015-2016 fiscal year.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The budget and actual comparison for the Special Revenue Funds (if any) reflects budgeted and actual amounts only for funds with legally authorized (appropriated) budgets.

P. 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 three 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. The third represents deferred charges on debt refundings.

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

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

proportion of the collective net pension asset or liability 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.

Q. 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.

R. 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.

S. Fund Balance

The District complies with GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". This Statement improves the usefulness and clarity of fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints place on the purposes for which resources can be used:

- **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
- **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 most restrictive 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 be 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.

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

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. The balance at June 30, 2016 is \$23,591.

B. Restricted

1. 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, 2016 is \$609,290.

2. Employee Benefit Accrued Liability Reserve - Reserve for Employee Benefit Accrued Liability (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, 2016 is \$543,592.

3. 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, 2016 is \$80,343.

4. 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. The reserve is accounted for in the general fund and is recorded in two separate reserve accounts; capital reserve and bus purchase reserve. The combined balance at June 30, 2016 for the general capital reserve is \$2,600,266.

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

4. Reserve For Debt Service - 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, 2016 is \$186,337.

C. Assigned

1. Reserve for Subsequent Year - Reserve for subsequent year represents the estimated fund balance that is appropriated into the adopted budget. The reserve is accounted for in the general fund. The balance at June 30, 2016 is \$13,162.

2. Reserve for School Lunch - Reserve for school lunch 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, 2016 is \$7,837.

3. Reserve for Encumbrances - Reserve for subsequent year represents the estimated fund balance that is appropriated into the adopted budget. The reserve is accounted for in the general fund and capital projects fund. The balance at June 30, 2016 is \$499,904.

4. Reserve for Capital Projects - Reserve for capital projects represents the remaining assigned portion of fund balance in the capital projects fund. The reserve is accounted for in the capital projects fund. The balance at June 30, 2016 is \$436,372.

Note 2. Cash

A. 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. 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.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the Federal government.

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. They consisted of:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ <u>5,990,285</u>	\$ <u>6,371,734</u>
Collateralized amounts		\$ 5,871,734
Covered by FDIC insurance		<u>500,000</u>
Total deposits		\$ <u>6,371,734</u>

Deposits - All deposits including certificates of deposit are carried at cost plus interest.

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

B. Scholarship Funds

The District administers endowment funds, which are restricted by the donor for the purpose of scholarships. The following summarizes the activity for the scholarships in the Trust and Agency restricted cash accounts for the year ended June 30, 2016:

	<u>Beginning Balance</u>		<u>Interest</u>		<u>Donations</u>		<u>Awards</u>	<u>Ending Balance</u>
Barry Ameele Memorial	\$ 2,345	\$	1	\$	-	\$	250	\$ 2,096
John and Judy DeGelleke Memorial	22,920		9		-		1,875	21,054
Jeff DeLyser Memorial	8,325		4		1,000		-	9,329
Sandra Esposito Memorial	497		-		-		100	397
Helen Fleegel Memorial	1,370		1		-		500	871
Merritt Means Memorial	21		-		130		-	151
Edna Murphy Memorial	188		-		-		50	138
Anette Redmond Memorial	1,248		1		1,000		250	1,999
Andrew Stevens Memorial	484		-		-		200	284
The Fisk Family Memorial	79		-		-		-	79
Kelli Jo Young Memorial	302		-		-		250	52
Chester Curtis Memorial	679		-		121		800	-
Shirley Miller Spring Memorial	4,142		2		-		300	3,844
Carnival Account Memorial	1		-		3,923		3,754	170
Graduation Award Acct. Memorial	7		-		150		-	157
Visual Arts Achievement Memorial	8		-		142		150	-
General Scholarship	8,447		3		1,625		9,067	1,008
Randall Carlton Miller Memorial	2,596		1		878		1,000	2,475
Mark R. Hoefen Memorial	207		-		-		200	7
Paul Daniel Phelps Memorial	6,994		3		953		1,000	6,950
Matthew and Joanna Williams Memorial	2,714		1		-		500	2,215
MCS Alumni Memorial	1,657		1		2,365		1,500	2,523
John A. Shoales Scholarship	-		1		5,000		-	5,001
Marion Knight Scholarship	75		1		8,465		8,189	352
Total	<u>\$ 65,306</u>	<u>\$</u>	<u>29</u>	<u>\$</u>	<u>25,752</u>	<u>\$</u>	<u>29,935</u>	<u>\$ 61,152</u>

Note 3. Participation in BOCES

During the year, the District was billed \$3,161,840 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$808,585. Financial statements for the BOCES are available from the BOCES administrative office.

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 4. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Depreciated				
Land	\$ 139,803	\$ -	\$ -	\$ 139,803
Construction in progress	<u>571,514</u>	<u>269,616</u>	<u>-</u>	<u>841,130</u>
Total capital assets not depreciated	<u>711,317</u>	<u>269,616</u>	<u>-</u>	<u>980,933</u>
Capital Assets Depreciated				
Buildings and renovations	24,081,512	-	-	24,081,512
Buses	2,175,591	-	(68,921)	2,106,670
Furniture and equipment	3,067,652	69,277	(26,922)	3,110,007
Site improvements	<u>1,458,572</u>	<u>-</u>	<u>-</u>	<u>1,458,572</u>
Total capital assets depreciated	<u>30,783,327</u>	<u>69,277</u>	<u>(95,843)</u>	<u>30,756,761</u>
Less - Accumulated Depreciation				
Buildings and renovations	8,620,926	560,402	-	9,181,328
Buses	1,382,575	249,564	(68,921)	1,563,218
Furniture and equipment	2,594,051	127,469	(26,282)	2,695,238
Site improvements	<u>975,960</u>	<u>52,863</u>	<u>-</u>	<u>1,028,823</u>
Total accumulated depreciation	<u>13,573,512</u>	<u>990,298</u>	<u>(95,203)</u>	<u>14,468,607</u>
Total capital assets depreciated - net	<u>17,209,815</u>	<u>(921,021)</u>	<u>(640)</u>	<u>16,288,154</u>
Governmental Activities Capital Asset - Net	<u>\$ 17,921,132</u>	<u>\$ (651,405)</u>	<u>\$ (640)</u>	<u>\$ 17,269,087</u>

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

Governmental Activities	
General support	\$ 4,984
Instruction	726,980
Pupil transportation	249,564
School lunch program	<u>8,770</u>
Total depreciation expense	<u>\$ 990,298</u>

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 5. Indebtedness

A. Long-Term Debt

Serial Bonds

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

The District had the following serial bonds outstanding as of June 30, 2016:

<u>Purpose</u>	<u>Due Date / Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Serial Bond - \$11.595M Renovation Project	06/22; 3.88% 06/25; 2.00%	\$ 755,000	\$ -	\$ 755,000	\$ -
Serial Bond - Excel Project	- 4.75%	1,610,000	-	140,000	1,470,000
Serial Bond - \$1.920M Refinance	06/29; 2.00% - 4.50%	1,360,000	-	80,000	1,280,000
Serial Bond - \$5.47M Refinance	06/22; 1.50% - 4.00%	5,450,000	-	60,000	5,390,000
Plus, premium on refinancing		<u>223,905</u>	<u>-</u>	<u>25,190</u>	<u>198,715</u>
Total serial bonds		<u>\$ 9,398,905</u>	<u>\$ -</u>	<u>\$ 1,060,190</u>	<u>\$ 8,338,715</u>

Interest on long-term debt for the year amounted to \$297,706.

B. Changes in Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated absences	869,275	-	116,050	753,225	75,323
General obligation bonds	9,398,905	-	1,060,190	8,338,715	1,070,000
Net pension liability - proportionate share	209,316	715,282	-	924,598	-
OPEB liability	<u>5,505,954</u>	<u>1,619,928</u>	<u>-</u>	<u>7,125,882</u>	<u>-</u>
Total	<u>\$ 15,983,450</u>	<u>\$ 2,335,210</u>	<u>\$ 1,176,240</u>	<u>\$ 17,142,420</u>	<u>\$ 1,145,323</u>

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

C. Maturity

The following is a summary of maturing debt service requirements of general obligation bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2016 - 2017	\$ 1,070,000	\$ 227,211	\$ 7,070,000
2017 - 2018	1,105,000	203,986	5,965,000
2018 - 2019	1,145,000	169,124	4,820,000
2019 - 2020	1,160,000	141,249	3,660,000
2020 - 2021	1,195,000	114,124	2,465,000
2021 - 2026	2,110,000	236,043	355,000
2026 - 2029	<u>355,000</u>	<u>32,625</u>	<u>-</u>
Total	<u>\$ 8,140,000</u>	<u>\$ 1,124,362</u>	

Note 6. Interfund Balances and Activity

Interfund receivables and payables at June 30, 2016 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 379,524	\$ 5,538
Special aid fund	-	330,314
Capital project funds	-	32
School lunch fund	-	49,210
Debt service fund	<u>32</u>	<u>-</u>
Subtotal	379,556	385,094
Trust and agency fund	<u>5,538</u>	<u>-</u>
Total	<u>\$ 385,094</u>	<u>\$ 385,094</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

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.

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 7. Interfund Transfers

Interfund transfers for the year end at June 30, 2016 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 1,148,710
Special aid fund	67,376	-
Debt service fund	65,018	-
Capital project funds	<u>1,081,334</u>	<u>65,018</u>
Total	<u>\$ 1,213,728</u>	<u>\$ 1,213,728</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.

The purpose of interfund transfers within the District is to consolidate funding from multiple funds into others for several reasons, such as purchases of fixed assets or the completion of a project that is to benefit multiple funds.

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.

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.

MARION CENTRAL SCHOOL DISTRICT
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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>
2016	\$ 260,255	\$ 697,303	\$ 957,558
2015	\$ 332,593	\$ 882,785	\$ 1,215,378
2014	\$ 248,817	\$ 596,597	\$ 845,414

The total unpaid liability for NYSERS and NYSTRS was \$799,908.

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, 2016. The TRS total pension liability was determined by actuarial valuations as of June 30, 2014 and rolled forward to the measurement date of June 30, 2015. The proportion allocation method utilized by TRS was the percentage of each employers fiscal year 2016 contribution to the total contributions to the plan.

The District's share of the pension liability of the TRS Plan represents 0.034438% of the total net pension liability. The District has recorded a net pension asset of \$3,576,961 as of June 30, 2016. The District has recorded its proportionate share of pension plan income of \$237,050 as of June 30, 2016.

Actuarial Assumptions

Significant actuarial assumptions used in the 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 are 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	6.5 %
International equities	7.7
Real estate	4.6
Alternative investments	9.9
Domestic fixed income securities	2.1
Global fixed income securities	1.9
Mortgages	3.4
Short-term	1.2

MARION CENTRAL SCHOOL DISTRICT
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Discount Rate

The discount rate used to measure the TRS total pension liability as of June 30, 2016 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, 2015 using the discount rate of 8.0%, 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 (7.0%), or 1% point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount (8.0%)	1% Increase (9.0%)
Marion Central School District's proportionate share of the TRS Net Pension Asset (Liability)	\$ (243,995)	\$ 3,576,961	\$ 6,835,433

At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to the TRS pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 99,133
Net difference between projected and actual investment earnings on pension plan investments	-	1,130,696
Changes in proportion and differences between employer contributions and proportionate share of contributions	488	4,100
Employer contributions subsequent to the measurement date	688,121	-
Total	<u>\$ 688,609</u>	<u>\$ 1,233,929</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 will be recognized in pension expense as follows:

For the fiscal year ended:

	TRS
2016	\$ (456,544)
2017	\$ (456,544)
2018	\$ (456,544)
2019	\$ 187,550
2020	\$ (12,847)
Thereafter	\$ (38,512)

MARION 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:

	<u>TRS</u>
Valuation date	6/30/2014
Employers' total pension liability	\$ 99,332,103,743
Plan net position	<u>109,718,916,659</u>
Employers' net pension liability (asset)	<u>\$ (10,386,812,916)</u>
Ratio of plan net position to the employers' total pension liability	110.46 %

Employees' Retirement System (ERS)

The District recognized its proportion of the ERS net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense as of June 30, 2016. The ERS total pension liability was determined by actuarial valuations as of April 1, 2015 and rolled forward to the measurement date of March 31, 2016. The proportion allocation method utilized by ERS was the percentage of each employers fiscal year 2016 contribution to the total contributions to the plan.

The District's share of the pension liability of the ERS Plan represents 0.0057606% of the total net pension liability. The District has recorded a net pension liability of \$924,598 of June 30, 2016. The District has recorded its proportionate share of pension plan expenses of \$342,546 as of June 30, 2016.

Actuarial Assumptions

Significant actuarial assumptions used in the April 1, 2015 ERS valuation were as follows:

Rate of return on investments	7.0% compounded annually, net of investment expenses
Salary scale	3.8% average
Inflation	2.5%
Decrement table	Society of Actuaries Scale MP-2014 April 1, 2010 - March 31, 2015 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 April 1, 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

MARION CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Discount Rate

The discount rate used to measure the ERS total pension liability as of June 30, 2016 was 7.0%. 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 ERS plan, calculated as of the measurement date of March 31, 2016 using the discount rate of 7.0% 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 (6.0%), or 1% point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Marion Central School District's proportionate share of the ERS Net Pension Liability (Asset)	\$ 2,084,901	\$ 924,598	\$ (55,809)

At June 30, 2016 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	\$ 4,672	\$ 109,596
Changes in assumptions	246,562	-
Net difference between projected and actual investment earnings on pension plan investments	548,522	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	52,438	9,346
Employer contributions subsequent to the measurement date	71,105	-
Total	<u>\$ 923,299</u>	<u>\$ 118,942</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 will be recognized in pension expense as follows:

For the fiscal year ended:

	ERS
2017	\$ 187,279
2018	\$ 187,279
2019	\$ 187,279
2020	\$ 171,415
2021	\$ -

MARION 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 March 31, 2016 were as follows:

	ERS
Valuation date	4/1/2015
Employers' total pension liability	\$ 172,303,544,000
Plan net position	<u>(156,253,265,000)</u>
Employers' net pension liability	<u>\$ 16,050,279,000</u>
Ratio of plan net position to the employers' total pension liability	90.7 %

Note 9. Post Employment Healthcare Plan

GASB 45 - The District is required to report a liability for other postemployment benefits as part of the total compensation offered to attract and retain the services of qualified employees. This requirement under GASB 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" was implemented and recorded by the District which resulted in the liability explained below. This liability and related expenditure is only included on the District-wide financial statements and is not included on the fund financial statements. This implementation of recognizing this obligation was done prospectively.

Plan Description - The District administers the Marion 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 and dental 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 June 30, 2016, the most recent actuarial valuation date, the Other Post Employment Benefits ("OPEB") plan was unfunded, resulting in an unfunded accrued liability for the District of \$33,858,512. 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	\$ 2,843,036
Interest on net OPEB obligation	220,238
Adjustment to annual required contribution	<u>(318,410)</u>
Annual OPEB cost (expense)	2,744,864
Contributions made	<u>(1,124,936)</u>
Increase in OPEB obligation - net	1,619,928
Net OPEB obligation - beginning	<u>5,505,954</u>
Net OPEB obligation - ending	<u>\$ 7,125,882</u>

MARION 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 for 2016 and the preceding two years 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>
6/30/2016	\$ 2,744,864	41.0%	\$ 7,125,882
6/30/2015	\$ 1,229,964	61.2%	\$ 5,505,954
6/30/2014	\$ 1,229,964	58.8%	\$ 5,028,192

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, 2016, the District incurred premiums or contribution expenditures totaling \$97,118.

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, 2015, revealed that the Plan is fully funded.

MARION 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. The balance of the Fund at June 30, 2016 was \$80,343 and is recorded in the general fund as an unemployment insurance reserve. In addition, as of June 30, 2016, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

Note 11. Contingencies and Commitments

The District is not aware of any pending litigation as of the balance sheet date.

Note 12. 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 13. Restatement of Net Position and Prior Period Adjustment

The District restated deferred inflows and outflows and net position to correct an error in the previous year amounts. The effect of the restatement is to increase the deferred inflows and outflows by \$648,209 and \$136, respectively, and decrease the net position for the year ended June 30, 2015 by \$648,073.

Governmental fund balance and net position have been restated to reflect a prior period adjustment related to old receivables that were written off in the current year. This resulted in a decrease of \$209,330 in accounts receivable and a decrease of the same amount in fund balance and net position.

MARION CENTRAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Real property taxes	\$ 4,739,117	\$ 4,739,117	\$ 4,739,119	\$ 2
Real property tax items	1,596,338	1,596,338	1,610,821	14,483
Non property tax items	300,000	300,000	299,150	(850)
Charges for service	83,500	83,500	72,271	(11,229)
Use of money and property	22,000	22,000	33,983	11,983
Sale of property and compensation for loss	-	-	7,563	7,563
Miscellaneous local sources	75,000	75,000	141,789	66,789
State sources	11,018,735	11,018,735	11,313,567	294,832
Federal sources	<u>20,000</u>	<u>20,000</u>	<u>73,652</u>	<u>53,652</u>
Total revenues	17,854,690	17,854,690	18,291,915	437,225
Other Financing Source				
Interfund transfers	<u>8,000</u>	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
Total revenues and other financing source	<u>17,862,690</u>	<u>17,862,690</u>	<u>18,291,915</u>	<u>429,225</u>
Expenditures				
General support	2,050,070	2,098,213	1,910,853	187,360
Instruction	9,249,265	9,202,974	8,483,983	718,991
Pupil transportation	882,480	883,480	787,663	95,817
Community services	2,500	2,650	1,518	1,132
Employee benefits	4,356,500	4,334,124	4,109,696	224,428
Debt principal	1,035,000	1,035,000	1,035,000	-
Debt interest	<u>265,330</u>	<u>265,330</u>	<u>265,324</u>	<u>6</u>
Total expenditures	17,841,145	17,821,771	16,594,037	1,227,734
Other Financing Use				
Interfund transfers	<u>145,000</u>	<u>1,157,376</u>	<u>1,148,710</u>	<u>8,666</u>
Total expenditures and other financing use	<u>17,986,145</u>	<u>18,979,147</u>	<u>17,742,747</u>	<u>1,236,400</u>
Change in Fund Balance	<u>(123,455)</u>	<u>(1,116,457)</u>	<u>549,168</u>	<u>1,665,625</u>
Fund Balances - Beginning - as Originally Reported	4,247,817	4,247,817	4,247,817	4,247,817
Prior Period Adjustment	<u>(209,330)</u>	<u>(209,330)</u>	<u>(209,330)</u>	<u>(209,330)</u>
Fund Balances - Beginning - as Restated	<u>4,038,487</u>	<u>4,038,487</u>	<u>4,038,487</u>	<u>4,038,487</u>
Fund Balances - Ending	<u>\$ 3,915,032</u>	<u>\$ 2,922,030</u>	<u>\$ 4,587,655</u>	<u>\$ 5,704,112</u>

See accompanying notes to required supplementary information.

MARION CENTRAL SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefits Obligation
For The Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
6/30/2016	\$ -	\$ 33,858,512	\$ 33,858,512	- %	\$ 7,313,658	462.9 %
6/30/2014	\$ -	\$ 16,082,666	\$ 16,082,666	- %	\$ 7,282,065	220.9 %
6/30/2014	\$ -	\$ 16,082,666	\$ 16,082,666	- %	\$ 7,189,215	223.7 %

See accompanying notes to required supplementary information.

MARION CENTRAL SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Asset - TRS
For The Year Ended June 30, 2016

	<u>2016</u>		<u>2015</u>		<u>2014</u>
The District's proportion of the net pension asset	0.034438 %		0.034306 %		0.034400 %
The District's proportionate share of the net pension assets	\$ 3,576,961		\$ 3,821,502		\$ 3,821,502
The District's covered employee payroll	5,348,262		5,172,983		5,067,567
The District's proportionate share of the net pension asset as a percentage of covered employee payroll	66.88 %		73.87 %		75.41 %
Plan fiduciary net position as a percentage of the total pension asset	110.46 %		111.48 %		100.70 %

See accompanying notes to required supplementary information.

MARION CENTRAL SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Liability - ERS
For The Year Ended June 30, 2016

	<u>2016</u>		<u>2015</u>		<u>2014</u>
The District's proportion of the net pension liability	0.0057606 %		0.006196 %		0.006196 %
The District's proportionate share of the net pension liability	\$ 924,598		\$ 209,316		\$ 279,989
The District's covered employee payroll	1,719,798		1,807,741		1,786,038
The District's proportionate share of the net pension liability as a percentage of covered employee payroll	53.76 %		11.58 %		15.68 %
Plan fiduciary net position as a percentage of the total pension liability	90.70 %		97.90 %		97.20 %

See accompanying notes to required supplementary information.

MARION CENTRAL SCHOOL DISTRICT
Schedule of Employer's Contributions for TRS
For The Year Ended June 30, 2016

	<u>2016</u>	<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>
Contractually required contribution	\$ 697,303	\$ 882,785	\$ 596,597	\$ 565,146	\$ 472,159	\$ 348,074	\$ 440,664	\$ 514,908	\$ 499,141	\$ 464,086
Contribution in relation to the contractually required contribution	<u>697,303</u>	<u>882,785</u>	<u>596,597</u>	<u>565,146</u>	<u>472,159</u>	<u>348,074</u>	<u>440,664</u>	<u>514,908</u>	<u>499,141</u>	<u>464,086</u>
Contribution deficiency (excess)	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -
Contribution as a percentage of covered employee payroll	13.04 %	17.07 %	11.77 %	11.22 %	9.31 %	6.35 %	7.85 %	8.92 %	8.46 %	8.00 %

See accompanying notes to required supplementary information.

MARION CENTRAL SCHOOL DISTRICT
Schedule of Employer's Contributions for ERS
For The Year Ended June 30, 2016

	<u>2016</u>	<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>
Contractually required contribution	\$ 260,255	\$ 332,593	\$ 248,817	\$ 238,313	\$ 243,696	\$ 168,361	\$ 95,444	\$ 107,242	\$ 120,724	\$ 132,756
Contribution in relation to the contractually required contribution	<u>260,255</u>	<u>332,593</u>	<u>248,817</u>	<u>238,313</u>	<u>243,696</u>	<u>168,361</u>	<u>95,444</u>	<u>107,242</u>	<u>120,724</u>	<u>132,756</u>
Contribution deficiency (excess)	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -
Contribution as a percentage of covered employee payroll	15.13 %	18.40 %	13.93 %	13.34 %	12.23 %	8.45 %	4.68 %	5.16 %	5.95 %	6.63 %

See accompanying notes to required supplementary information.

MARION CENTRAL SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2016

Note 1. Budgetary Comparison Schedule and Budgetary Basis Reporting

An operating budget for the general fund is adopted prior to the beginning of each year on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required by New York State Municipal Law and it must be approved by the Board of Education and the voters of the District. Budget amendments require approval by the Board of Education. The budgetary comparison schedule has been prepared on the legal level of budgetary control. Therefore, the District's budgetary comparison schedule presents expenditures by department, with separate identification of personnel object codes, where applicable. The District prepares and reports its budgetary information in accordance with accounting principles generally accepted in the United States of America.

Note 2. Schedule of Funding Progress for Other Postemployment Benefit Obligations

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information for the other postemployment benefit obligation, latest actuarial valuation and actuarial assumptions and methods can be found in the notes to the financial statements.

Note 3. Schedule of County's Proportionate Share of the Net Pension Asset (Liability) and Schedule of Employer's Contributions

The information presented in these required supplementary schedules was determined as part of the audit of the New York State Employees' Retirement System Plan (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). Additional information for the pension schedules can be found in the notes to the financial statements.

MARION CENTRAL SCHOOL DISTRICT
Combining Balance Sheet
Other Governmental Funds
June 30, 2016

	Special Revenue Fund		Capital Projects Fund	Debt Service Fund	Total Other Governmental Funds
ASSETS	School Lunch Fund				
Assets					
Cash	\$ 33,063	\$ 933,301	\$ 186,305	\$ 1,152,669	
Other receivables - net	13,456	-	-	13,456	
Due from other funds	-	-	32	32	
State and federal aid receivables	13,602	-	-	13,602	
Inventory	<u>23,591</u>	<u>-</u>	<u>-</u>	<u>23,591</u>	
Total Assets	<u>\$ 83,712</u>	<u>\$ 933,301</u>	<u>\$ 186,337</u>	<u>\$ 1,203,350</u>	
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,451	\$ -	\$ -	\$ 1,451	
Accrued liabilities	96	-	-	96	
Due to other funds	49,210	32	-	49,242	
Due to other governments	252	-	-	252	
Other liabilities	<u>1,275</u>	<u>-</u>	<u>-</u>	<u>1,275</u>	
Total liabilities	<u>52,284</u>	<u>32</u>	<u>-</u>	<u>52,316</u>	
Fund Balances					
Nonspendable					
Inventory	23,591	-	-	23,591	
Restricted					
Reserve for debt	-	-	186,337	186,337	
Assigned					
Reserve for school lunch	7,837	-	-	7,837	
Reserve for capital projects	-	436,372	-	436,372	
Reserve for encumbrances	<u>-</u>	<u>496,897</u>	<u>-</u>	<u>496,897</u>	
Total fund balances	<u>31,428</u>	<u>933,269</u>	<u>186,337</u>	<u>1,151,034</u>	
Total Liabilities and Fund Balances	<u>\$ 83,712</u>	<u>\$ 933,301</u>	<u>\$ 186,337</u>	<u>\$ 1,203,350</u>	

MARION CENTRAL SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Fund			
	School Lunch Fund	Capital Projects Fund	Debt Service Fund	Total Other Governmental Funds
Revenues				
Intergovernmental charges	\$ 147,133	\$ -	\$ -	\$ 147,133
Use of money and property	13	-	168	181
Miscellaneous	653	-	-	653
State sources	8,399	67,686	-	76,085
Federal sources	205,472	-	-	205,472
Surplus food	42,920	-	-	42,920
Sales - school lunch	130,997	-	-	130,997
Total revenues	535,587	67,686	168	603,441
Other Financing Source				
Interfund transfers	-	1,081,334	65,018	1,146,352
Total revenues and other financing source	535,587	1,149,020	65,186	1,749,793
Expenditures				
General support	231,595	269,615	-	501,210
Employee benefits	124,525	-	-	124,525
Cost of sales	183,166	-	-	183,166
Total expenditures	539,286	269,615	-	808,901
Other Financing Use				
Interfund transfers	-	65,018	-	65,018
Total expenditures and other financing use	539,286	334,633	-	873,919
Change in Fund Balance	(3,699)	814,387	65,186	875,874
Fund Balances - Beginning	35,127	118,882	121,151	275,160
Fund Balances - Ending	\$ 31,428	\$ 933,269	\$ 186,337	\$ 1,151,034

MARION CENTRAL SCHOOL DISTRICT
Schedule of Change from Original Budget to Final Budget
General Fund
For the Year Ended June 30, 2016

Original budget	\$ 17,986,145
Add: Prior year's encumbrances	3,002
Add: Budget revisions	<u>990,000</u>
Final budget	<u>\$ 18,979,147</u>

Schedule of Real Property Tax Limit
General Fund
For the Year Ended June 30, 2016

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget Maximum allowed (4% of 2016-17's budget)	\$ 18,449,770
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Committed fund balance	-
Assigned fund balance	16,169
Unassigned fund balance	<u>737,995</u>
Total unrestricted fund balance	<u>\$ 754,164</u>
Less:	
Appropriated fund balance	13,162
Encumbrances included in committed and assigned fund balance	<u>3,007</u>
Total adjustments	<u>\$ 16,169</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 737,995</u>
Actual percentage	4.00 %

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

MARION CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures
Capital Projects Fund
For the Year Ended June 30, 2016

PROJECT TITLE	Original Budget	Amended Budget	Prior Years	Expenditures		Total	Balance	Obligations	Methods of Financing		Total	Fund Balance
				Current Year					Transfers - Net	Local Sources		
Bus Purchases and Reserves	\$ 1,349,864	\$ 3,774,354	\$ 3,774,354	\$ _____	\$ 3,774,354	\$ _____	\$ 2,586,120	\$ 1,188,234	\$ _____	\$ 3,774,354	\$ _____	
\$11.595 Million												
School Renovations												
Construction costs	8,923,000	9,859,422	10,003,437	-	10,003,437	(144,015)	8,923,000	1,080,437	-	10,003,437	-	
Incidental costs	2,659,402	2,032,961	1,856,841	-	1,856,841	176,120	2,659,402	(802,561)	-	1,856,841	-	
Contingency costs	12,598	-	-	-	-	-	12,598	(12,598)	-	-	-	
Total	11,595,000	11,892,383	11,860,278	-	11,860,278	32,105	11,595,000	265,278	-	11,860,278	-	
Excel Project												
Construction costs	1,850,525	1,850,525	1,496,821	170,843	1,667,664	182,861	100,000	2,100,000	68,186	2,268,186	600,522	
Incidental costs	449,475	449,475	104,814	-	104,814	344,661	-	-	-	-	(104,814)	
Contingency costs	-	-	-	-	-	-	-	-	-	-	-	
Total	2,300,000	2,300,000	1,601,635	170,843	1,772,478	527,522	100,000	2,100,000	68,186	2,268,186	495,708	
Rigging	100,000	100,000	95,000	834	95,834	4,166	-	100,000	-	100,000	4,166	
Bus Reserve	440,000	440,000	-	-	-	440,000	-	431,334	-	431,334	431,334	
Capital Outlay - Asbestos Abatement												
	100,000	100,000	-	97,939	97,939	2,061	-	100,000	-	100,000	2,061	
Total	\$ 15,884,864	\$ 18,606,737	\$ 17,331,267	\$ 269,616	\$ 17,600,883	\$ 1,005,854	\$ 14,281,120	\$ 4,184,846	\$ 68,186	\$ 18,534,152	\$ 933,269	

MARION CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
For the Year Ended June 30, 2016

Capital assets - net	\$ <u>17,269,087</u>
Add -	
Deferred refunding proceeds - net	<u>409,682</u>
Deduct -	
Short-term portion of bonds payable	1,070,000
Long-term portion of bonds payable	<u>7,268,715</u>
	<u>8,338,715</u>
Net investment in capital assets	\$ <u>9,340,054</u>

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

To the Board of Education
Marion Central School District
Marion, 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 Marion Central School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Marion Central School District's basic financial statements and have issued our report thereon dated September 28, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
(Formerly EFP Rotenberg, LLP)
Rochester, New York
September 28, 2016