

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK

AUDIT REPORT FOR THE FISCAL YEAR ENDED
JUNE 30, 2016
INCLUDING REPORTS ON FEDERAL AWARDS
AND EXTRACLASROOM ACTIVITY FUNDS

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
JUNE 30, 2016
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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Liberty Central School District
Liberty, New York 12754

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty 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.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits funding progress, budgetary comparison information, the District's proportionate share of the net pension asset/liability and the District's pension contributions on pages 4 through 14 and 55 through 59 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 Liberty Central School District's basic financial statements. The supplemental schedules on pages 60 through 63 are required by the New York State Education Department and are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The supplemental schedules on pages 60 through 63 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules on pages 60 through 63 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2016, on our consideration of the Liberty Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Liberty Central School District's internal control over financial reporting and compliance.



Montgomery, New York
September 21, 2016

LIBERTY CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis

Introductory Section

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

Overview of the Financial Statements

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

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

LIBERTY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Figure A-1 Major Features of the District-Wide and Fund Financial Statements		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

LIBERTY CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

District-Wide Financial 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.

The two district-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are shown as *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- 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 District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **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.

LIBERTY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Financial Analysis of the District as a Whole

The District's net position at June 30, 2016 is \$16,826,020. This is a \$1,874,268 decrease from last year's restated net position of \$18,700,288. The following table provides a summary of the District's net position:

Summary of Net Position

	School District Activities		
	June 30, 2016	June 30, 2015	% Change
Current Assets	\$ 17,515,658	\$ 17,028,944	2.86%
Pension Asset	9,694,034	10,458,060	-7.31%
Capital Assets, Net	39,752,755	41,212,089	-3.54%
Deferred Outflows	3,716,249	2,715,852	36.84%
Total Assets	70,678,696	71,414,945	-1.03%
Current Liabilities	5,616,716	6,184,101	-9.17%
Pension Liability	1,794,958	404,852	343.36%
Long-Term Debt Outstanding	42,826,780	38,892,496	10.12%
Deferred Inflows	3,614,222	7,233,208	n/a
Total Liabilities	53,852,676	52,714,657	2.16%
Net Position:			
Net Investment in Capital Assets	19,594,566	18,732,469	4.60%
Restricted	9,894,318	9,015,479	9.75%
Unrestricted	(12,662,864)	(9,047,660)	39.96%
Total Net Position	\$ 16,826,020	\$ 18,700,288	-10.02%

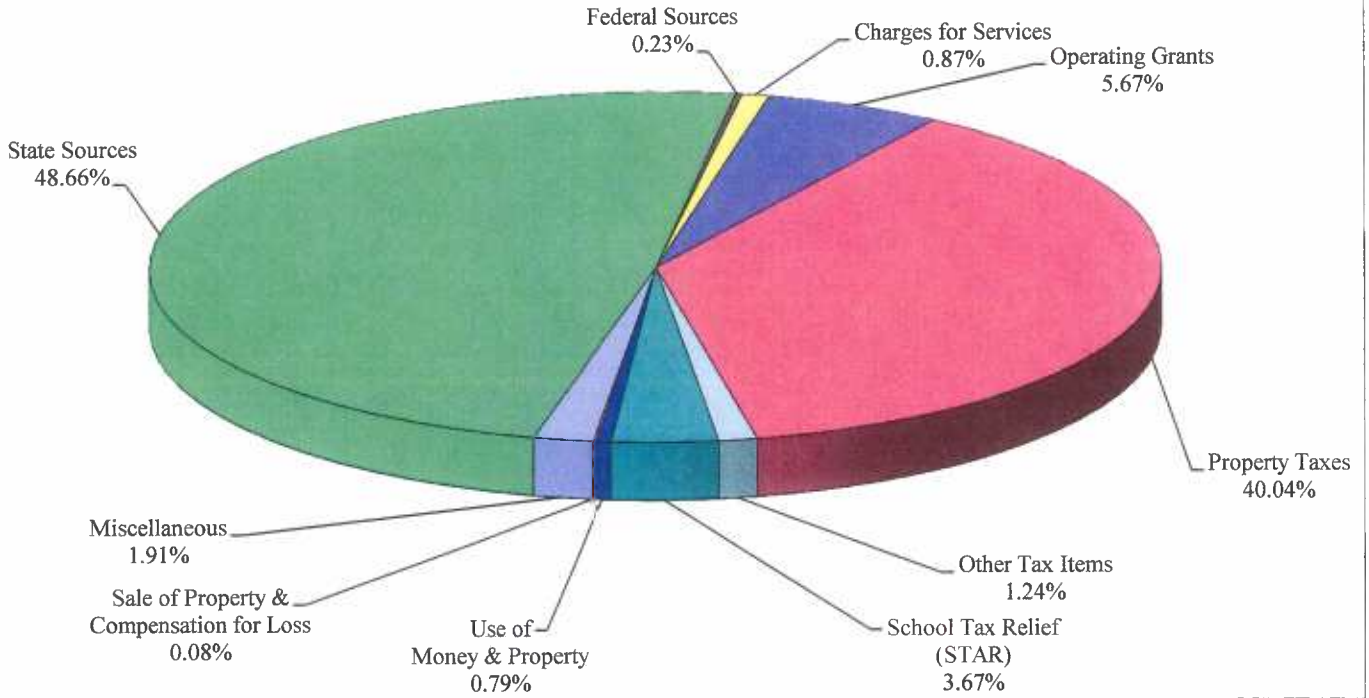
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the year ended June 30, 2016:

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION

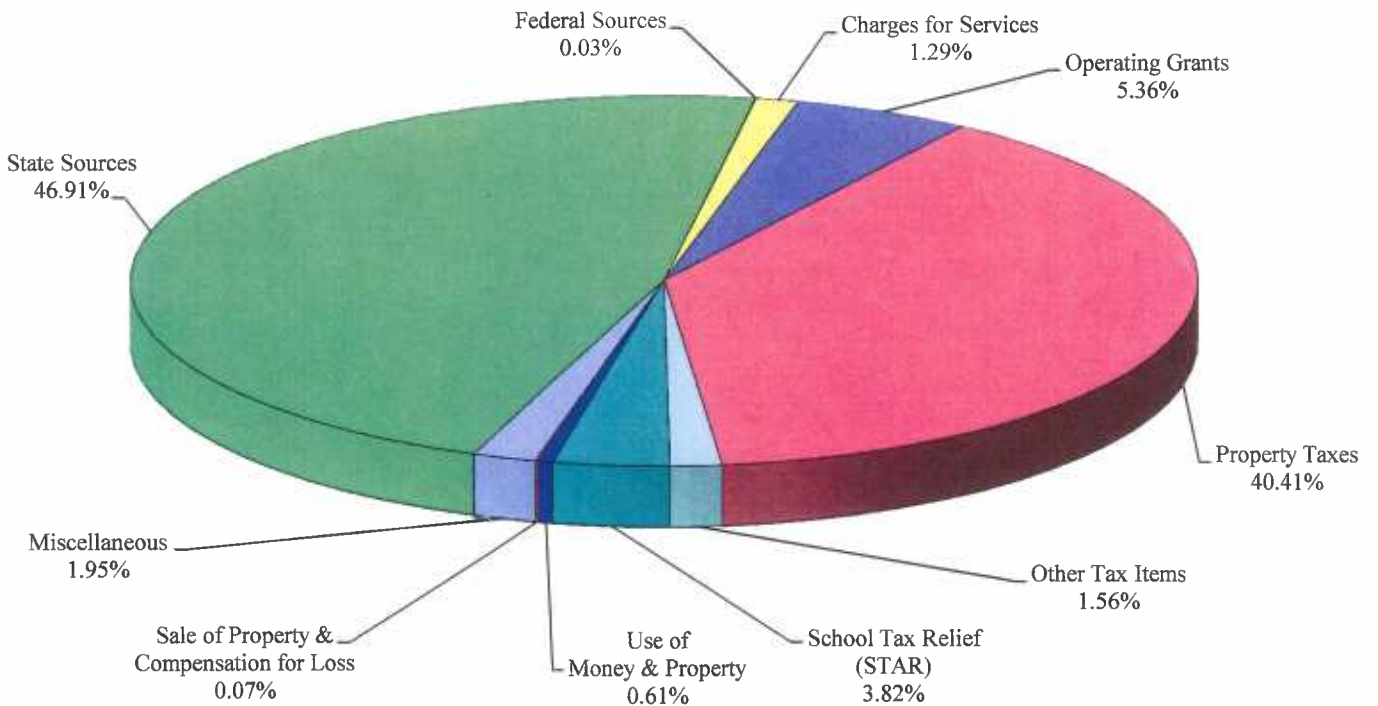
	<u>JUNE 30, 2016</u>	<u>%</u>	<u>JUNE 30, 2015</u>	<u>%</u>	<u>\$ Change</u>	<u>% Change</u>
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 406,114	0.87%	\$ 580,741	1.29%	\$ (174,627)	-30.07%
Operating Grants	2,658,416	5.67%	2,417,851	5.36%	240,565	9.95%
GENERAL REVENUES:						
Property Taxes	17,566,701	37.45%	17,530,923	38.84%	35,778	0.20%
Other Tax Items	579,755	1.24%	704,687	1.56%	(124,932)	-17.73%
School Tax Relief (STAR)	1,600,122	3.41%	1,586,444	3.51%	13,678	0.86%
Use of Money & Property	226,484	0.48%	216,073	0.48%	10,411	4.82%
Sale of Property & Compensation for Loss	36,243	0.08%	32,420	0.07%	3,823	11.79%
Miscellaneous	896,954	1.91%	881,303	1.95%	15,651	1.78%
State Sources	22,815,928	48.66%	21,174,825	46.91%	1,641,103	7.75%
Federal Sources	105,592	0.23%	13,599	0.03%	91,993	676.47%
TOTAL REVENUES	<u>46,892,309</u>	<u>100.00%</u>	<u>45,138,866</u>	<u>100.00%</u>	<u>1,753,443</u>	<u>3.88%</u>
<u>EXPENSES</u>						
General Support	4,489,983	9.21%	4,516,552	9.65%	(26,569)	-0.59%
Instruction	24,030,822	49.27%	22,923,554	48.97%	1,107,268	4.83%
Pupil Transportation	2,689,478	5.52%	2,483,957	5.31%	205,521	8.27%
Community Services	23,580	0.05%	25,000	0.05%	(1,420)	-5.68%
Employee Benefits	13,760,736	28.22%	13,084,836	27.95%	675,900	5.17%
Debt Service Interest	385,802	0.79%	430,471	0.92%	(44,669)	-10.38%
Depreciation	2,345,689	4.81%	2,352,486	5.03%	(6,797)	-0.29%
School Lunch Program	1,040,487	2.13%	990,364	2.12%	50,123	5.06%
TOTAL EXPENSES	<u>48,766,577</u>	<u>100.00%</u>	<u>46,807,220</u>	<u>100.00%</u>	<u>1,959,357</u>	<u>4.19%</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ (1,874,268)</u>		<u>\$ (1,668,354)</u>		<u>\$ (205,914)</u>	

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK

**SOURCES OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

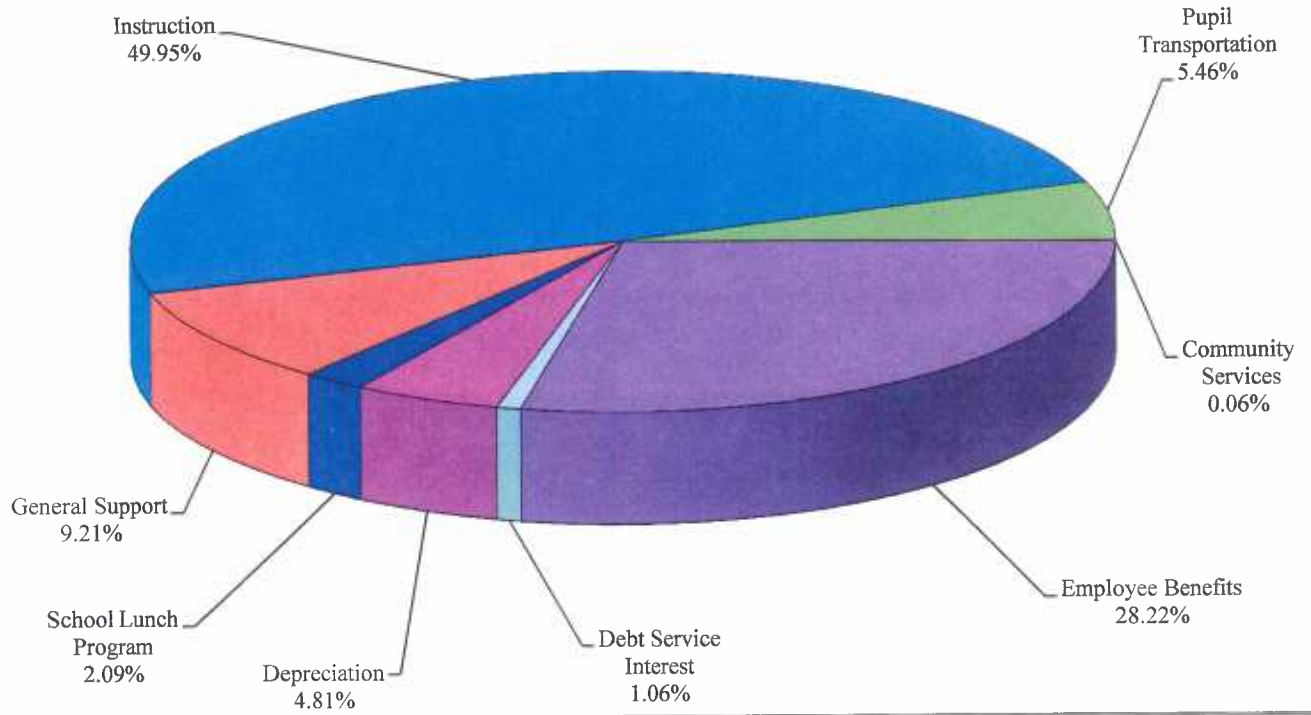


**SOURCES OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

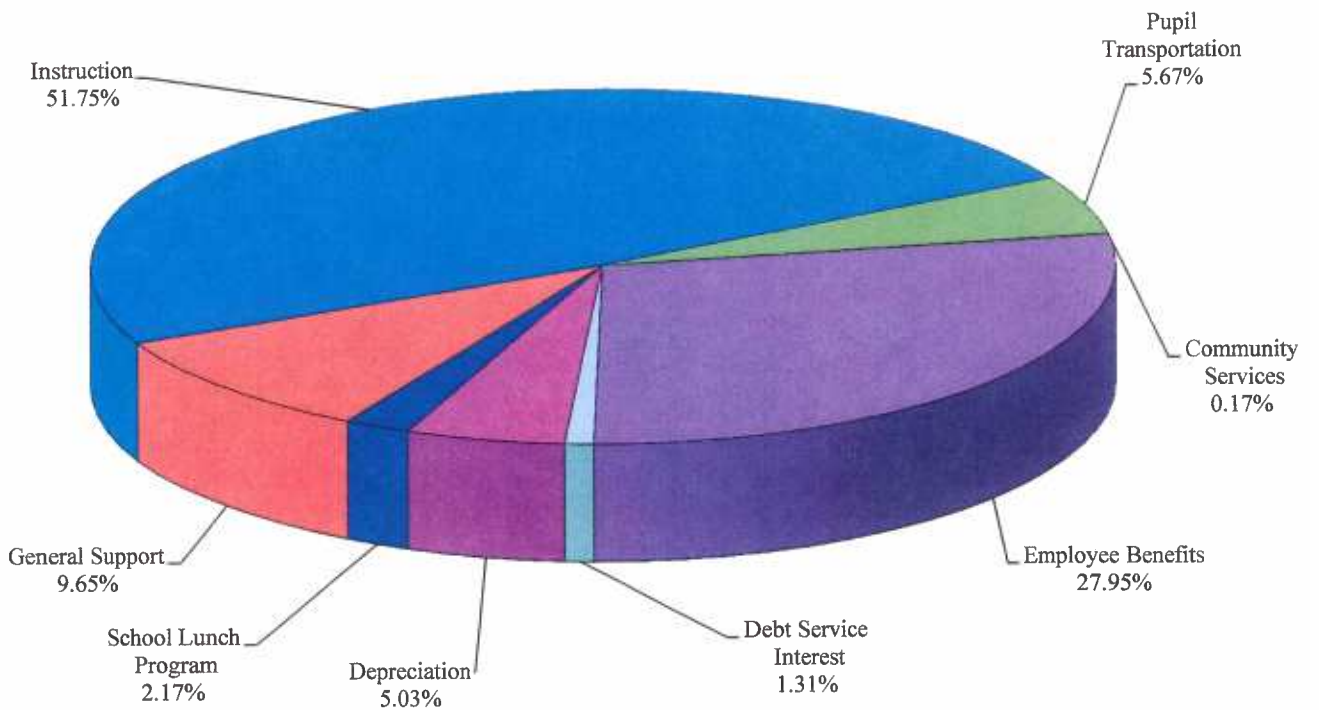


LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK

EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2016



EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

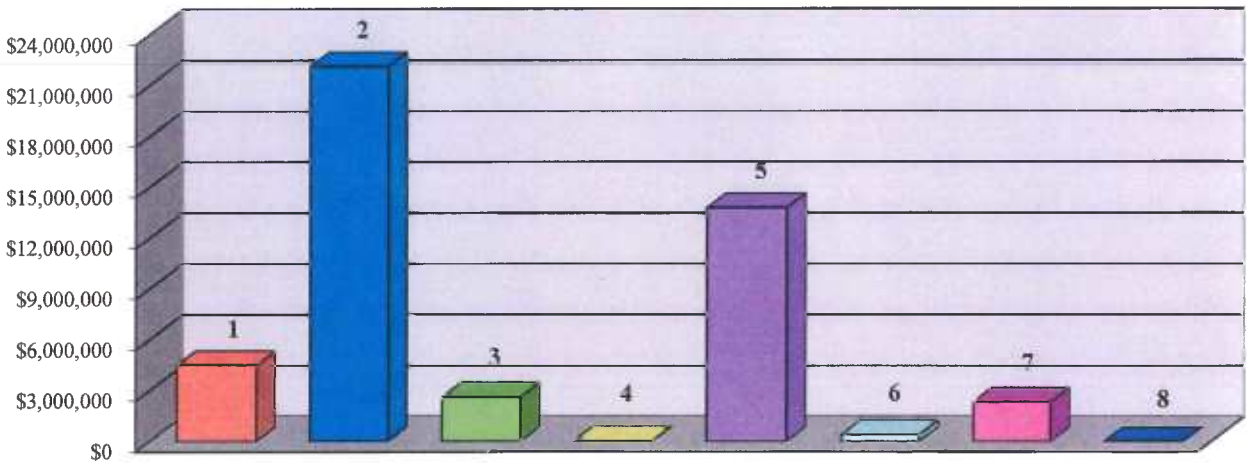


LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
STATEMENT OF ACTIVITIES
NET COSTS

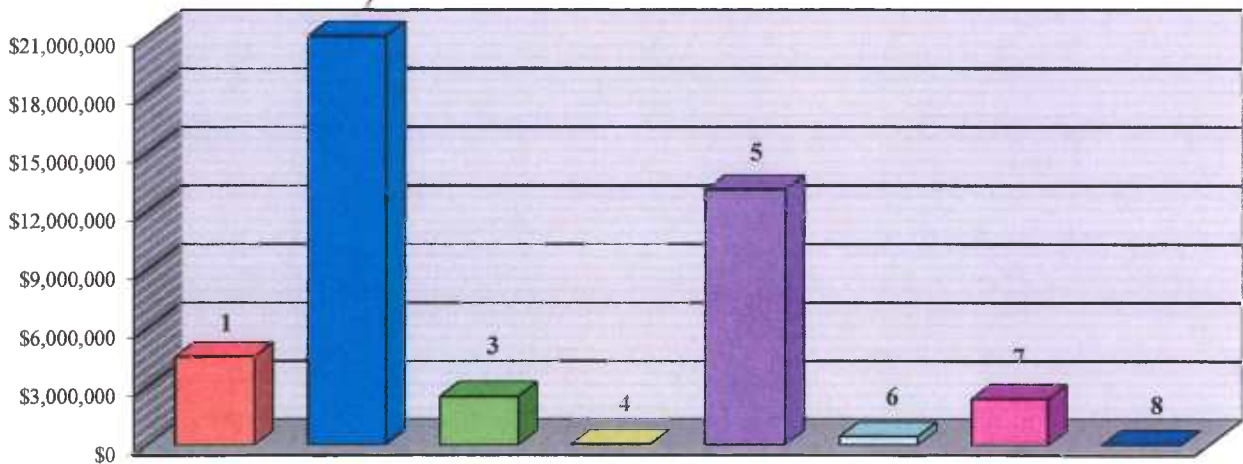
The following information is provided to disclose the net cost of governmental activities:

		TOTAL COST OF SERVICES 2015-2016	NET COST OF SERVICES 2015-2016	TOTAL COST OF SERVICES 2014-2015	NET COST OF SERVICES 2014-2015
General Support	1	\$ 4,489,983	\$ 4,489,983	\$ 4,516,552	\$ 4,516,552
Instruction	2	24,030,822	22,081,514	22,923,554	20,960,254
Pupil Transportation	3	2,689,478	2,620,841	2,483,957	2,483,957
Community Services	4	23,580	23,580	25,000	25,000
Employee Benefits	5	13,760,736	13,760,736	13,084,836	13,084,836
Debt Service – Interest	6	385,802	385,802	430,471	430,471
Depreciation	7	2,345,689	2,345,689	2,352,486	2,352,486
School Lunch Program	8	1,040,487	(6,098)	990,364	(44,928)
		<u>\$ 48,766,577</u>	<u>\$ 45,702,047</u>	<u>\$ 46,807,220</u>	<u>\$ 43,808,628</u>

NET COSTS 2015-2016



NET COSTS 2014-2015



LIBERTY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Financial Analysis of the District's Funds

As discussed, the District's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the District consist of the General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund and Capital Projects Fund. The total fund balances allocated between nonspendable, restricted, assigned, and unassigned fund balance for each of these funds is as follows:

	June 30, 2016				
	Nonspendable	Restricted	Assigned	Unassigned	Total
General	\$ 354,715	\$ 7,996,494	\$ 1,641,174	2,236,425	\$ 12,228,808
Special Aid	0	0	0	(111,553)	(111,553)
School Lunch	50,603	0	0	(48,848)	1,755
Capital Projects	0	1,858,797	0	0	1,858,797
Debt Service	0	39,027	0	0	39,027
	<u>\$ 405,318</u>	<u>\$ 9,894,318</u>	<u>\$ 1,641,174</u>	<u>\$ 2,076,024</u>	<u>\$ 14,016,834</u>

	June 30, 2015				
	Nonspendable	Restricted	Assigned	Unassigned	Total
General	\$ 340,832	\$ 8,959,053	\$ 1,828,416	\$ 1,719,268	12,847,569
Special Aid	0	611	0	0	611
School Lunch	44,445	16,966	0	0	61,411
Capital Projects	0	0	0	(1,787)	(1,787)
Debt Service	0	38,849	0	0	38,849
	<u>\$ 385,277</u>	<u>\$ 9,015,479</u>	<u>\$ 1,828,416</u>	<u>\$ 1,717,481</u>	<u>\$ 12,946,653</u>

General Fund Budgetary Highlights

The original budget for the General Fund was revised by \$2,567,601 during the 2015-2016 fiscal year. The supplemental appropriations consisted of transfers to the capital fund for the voter approved High School Renovation and Reconstruction Project.

In the General Fund for the fiscal year ended June 30, 2016, actual revenues were greater than revised budgeted revenues by \$248,248 (.5%). Revenue sources significantly in excess of budget were miscellaneous revenues, primarily refunds of prior years' BOCES expenditures and non-resident tuition. Actual expenditures and encumbrances were less than the revised budgeted expenditures by \$678,622 (1.5%). The District also utilized effective oversight and close monitoring to manage appropriations.

As of June 30, 2016, the District had not appropriated fund balance or reserves to reduce the tax levy for fiscal year 2016-2017.

Factors that continue to affect the budget process are as follows:

- New York State Aid revenues may be impacted due to state wide budget constraints.
- Employee benefits continue to rise significantly and teachers and employees retirement may as well.
- Changes in legislation regarding school finance and educational standards.

The current economic conditions require significant focus to manage spending and maximize revenues.

LIBERTY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Management believes that the budget adopted for 2016-2017 is reasonably adaptable to any adverse changes that may arise based on the above factors.

New York State Legislature contains legislation, Chapter 97 of the Laws of 2011 that established a “property tax cap” on the amount that a school district’s property tax levy can increase each year. This legislation specifies that property taxes levied by a school district generally cannot increase by more than two percent, or the rate of inflation, whichever is less. The law does allow school districts to levy an additional amount for certain excludable expenditures. School districts can adopt a tax levy that exceeds the statutory limit, if the budget that is presented to the public is approved by sixty percent of the votes cast.

Other Fund Highlights

The Special Aid Fund ended the year with a fund balance of (\$111,553), which represents a \$112,164 decrease from its fund balance at June 30, 2015. This is primarily due to un-reimbursable summer special education costs.

The School Lunch Program Fund ended the year with a fund balance of \$1,755. The expenditures exceeded revenues by \$59,656, primarily as a result of a change in reimbursement due to the District’s Community Eligibility Provision.

The Capital Projects Fund ended the year with a fund balance of \$1,858,797 . The expenditures were the result of preliminary work associated with the voter approved \$9,597,050 High School Renovation and Reconstruction Project.

Debt Service Fund ended the year with a fund balance of \$39,027. This fund balance will be appropriated in future years to offset principal and interest payments on the District’s outstanding debt obligations.

Capital Asset and Debt Administration

Capital Assets

The District’s investment in capital assets, net of accumulated depreciation as of June 30, 2016 was \$39,752,755. The total decrease in this net investment was 3.54%, due to an excess of depreciation expense over capital asset acquisitions for the District as a whole (see schedule below). The District’s investment in capital assets, net of accumulated depreciation as of June 30, 2015, was \$41,212,089. The District expended \$886,354 to acquire and construct capital assets during the fiscal year ended June 30, 2016, and depreciation expense for the fiscal year was \$2,345,689.

CAPITAL ASSETS
Net of Accumulated Depreciation

	<u>School District Activities</u>		<u>% Change</u>
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	
<u>Non-Depreciable Assets:</u>			
Land	\$ 38,000	\$ 38,000	0.00%
<u>Depreciable Assets:</u>			
Land Improvements	138,413	153,459	-9.80%
Building and Improvements	38,477,793	40,767,045	-5.62%
Furniture and Equipment	289,745	251,798	15.07%
Vehicles	0	0	N/A
TOTALS	<u>\$ 39,752,755</u>	<u>\$ 41,212,089</u>	-3.54%

LIBERTY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Long-Term Debt

At the end of the fiscal year, the District had total bonded debt outstanding of \$19,815,000. This amount is backed by the full faith and credit of the Liberty Central School District with debt service fully funded by voter approved property taxes. Activity in bonded debt outstanding during the fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
Serial Bond – 9/15/2009	\$ 2,190,000	\$ 0	\$ 245,000	\$ 1,945,000
Serial Bond – 4/26/2010	11,780,000	0	1,135,000	10,645,000
Serial Bond – 12/22/2010	6,860,000	0	585,000	6,275,000
Serial Bond – 10/31/2012	415,000	0	100,000	315,000
Serial Bond – 10/31/2012	825,000	0	190,000	635,000
Total Bonded Debt Outstanding	<u>\$ 22,070,000</u>	<u>\$ 0</u>	<u>\$ 2,255,000</u>	<u>\$ 19,815,000</u>

The balances reflected above do not include the balance of unamortized premiums related to the bond refunded in 2012. The unamortized bond premiums are, however, included in the bonds payable figures shown on Schedule #1.

Bond Ratings

S & P Global Ratings (“Standard & Poor’s”) has assigned a rating of “A+” to outstanding uninsured bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from S & P Global Ratings (“Standard & Poor’s”). There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of Standard & Poor’s circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

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 Lorine Lamerand, Business Manager at the District’s business offices at 115 Buckley Street, Liberty, New York 12754.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

ASSETS

Unrestricted Cash	\$ 4,736,912
Restricted Cash	9,855,291
State & Federal Aid Receivable	1,222,714
Due from Other Governments	907,302
Due from Fiduciary Funds	82,140
Other Receivables, Net	305,981
Prepaid Expenditures	371,579
Inventories	33,739
Net Pension Asset, Proportionate Share (TRS)	9,694,034
Capital Assets, Net	<u>39,752,755</u>
TOTAL ASSETS	<u>66,962,447</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Plans (ERS & TRS)	<u>3,716,249</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>70,678,696</u>

LIABILITIES

Accounts Payable	943,359
Accrued Liabilities	176,256
Due to Other Governments	826
Due to Teachers' Retirement System	2,001,964
Due to Employees' Retirement System	129,198
Long-term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable (includes Unamortized Premiums of \$31,259)	2,321,259
Installment Purchase Debt	39,974
Due and Payable In More Than One Year:	
Bonds Payable (includes Unamortized Premiums of \$49,495)	17,574,495
Installment Purchase Debt	222,461
Compensated Absences	1,465,872
Other Postemployment Benefits	23,563,952
Net Pension Liability, Proportionate Share (ERS)	<u>1,794,958</u>
TOTAL LIABILITIES	<u>50,238,454</u>

DEFERRED INFLOWS OF RESOURCES

Pension Plans (ERS & TRS)	<u>3,614,222</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,614,222</u>

TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES **53,852,676**

NET POSITION

Net Investment in Capital Assets	19,594,566
Restricted (See Note 1)	9,894,318
Unrestricted	<u>(12,662,864)</u>
TOTAL NET POSITION	<u>\$ 16,826,020</u>

See notes to financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE & CHANGES IN NET POSITION</u>	
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>		<u>OPERATING GRANTS</u>
<u>FUNCTIONS & PROGRAMS</u>				
General Support	\$ (7,839,152)	\$ 0	\$ 0	\$ (7,839,152)
Instruction	(36,426,562)	299,307	1,650,001	(34,477,254)
Pupil Transportation	(2,722,127)	0	68,637	(2,653,490)
Community Services	(23,580)	0	0	(23,580)
Debt Service – Interest	(385,802)	0	0	(385,802)
School Lunch Program	(1,369,354)	106,807	939,778	(322,769)
	<u>(48,766,577)</u>	<u>406,114</u>	<u>2,658,416</u>	<u>(45,702,047)</u>
<u>TOTAL FUNCTIONS & PROGRAMS</u>				
<u>GENERAL REVENUES</u>				
Real Property Taxes				17,566,701
Other Tax Items				2,179,877
Use of Money & Property				226,484
Sale of Property & Compensation for Loss				36,243
Miscellaneous				896,954
State Sources				22,815,928
Federal Sources				105,592
				<u>43,827,779</u>
<u>TOTAL GENERAL REVENUES</u>				
<u>CHANGE IN NET POSITION</u>				(1,874,268)
<u>NET POSITION, BEGINNING OF YEAR (AS RESTATED)</u>				<u>18,700,288</u>
<u>NET POSITION, END OF YEAR</u>				<u>\$ 16,826,020</u>

See notes to financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>GENERAL</u>	<u>SPECIAL AID</u>	<u>SCHOOL LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>						
Unrestricted Cash	4,655,948	\$ 56,425	\$ 24,362	\$ 177	\$ 0	\$ 4,736,912
Restricted Cash	7,996,494	0	0	1,858,797	0	9,855,291
State & Federal Aid Receivable	608,836	548,378	65,500	0	0	1,222,714
Due from Other Governments	907,302	0	0	0	0	907,302
Due from Other Funds	829,467	0	0	0	39,027	868,494
Due from Fiduciary Funds	79,790	0	2,350	0	0	82,140
Other Receivables, Net	303,162	0	2,819	0	0	305,981
Prepaid Expenditures	354,715	0	16,864	0	0	371,579
Inventories	0	0	33,739	0	0	33,739
TOTAL ASSETS	\$ 15,735,714	\$ 604,803	\$ 145,634	\$ 1,858,974	\$ 39,027	\$ 18,384,152
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable	925,560	11,813	5,986	0	0	943,359
Accrued Liabilities	111,393	0	8,599	0	0	119,992
Due to Other Governments	336	0	490	0	0	826
Due to Other Funds	38,850	700,663	128,804	177	0	868,494
Due to Teachers' Retirement System	2,001,964	0	0	0	0	2,001,964
Due to Employees' Retirement System	129,198	0	0	0	0	129,198
Unearned Revenues	0	3,880	0	0	0	3,880
TOTAL LIABILITIES	3,207,301	716,356	143,879	177	0	4,067,713
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Revenues	299,605	0	0	0	0	299,605
TOTAL DEFERRED INFLOWS OF RESOURCES	299,605	0	0	0	0	299,605
<u>FUND BALANCES</u>						
Fund Balance:						
Nonspendable	354,715	0	50,603	0	0	405,318
Restricted	7,996,494	0	0	1,858,797	39,027	9,894,318
Assigned	1,641,174	0	0	0	0	1,641,174
Unassigned	2,236,425	(111,553)	(48,848)	0	0	2,076,024
TOTAL FUND BALANCES	12,228,808	(111,553)	1,755	1,858,797	39,027	14,016,834
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	\$ 15,735,714	\$ 604,803	\$ 145,634	\$ 1,858,974	\$ 39,027	\$ 18,384,152

See notes to financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

<u>ASSETS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	<u>LONG-TERM ASSETS & LIABILITIES</u>	<u>RECLASSIFICATIONS & ELIMINATIONS</u>	<u>STATEMENT OF NET POSITION</u>
Unrestricted Cash	\$ 4,736,912	\$ 0	\$ 0	\$ 4,736,912
Restricted Cash	9,855,291	0	0	9,855,291
State & Federal Aid Receivable	1,222,714	0	0	1,222,714
Due from Other Governments	907,302	0	0	907,302
Due from Other Funds	868,494	0	(868,494)	0
Due from Fiduciary Funds	82,140	0	0	82,140
Other Receivables, Net	305,981	0	0	305,981
Prepaid Expenditures	371,579	0	0	371,579
Inventories	33,739	0	0	33,739
Net Pension Asset, Proportionate Share (TRS)	0	9,694,034	0	9,694,034
Capital Assets, Net	0	39,752,755	0	39,752,755
TOTAL ASSETS	\$ 18,384,152	\$ 49,446,789	\$ (868,494)	\$ 66,962,447
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Plans (ERS & TRS)	0	3,716,249	0	3,716,249
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 18,384,152	\$ 53,163,038	\$ (868,494)	\$ 70,678,696
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES / NET POSITION</u>				
<u>LIABILITIES</u>				
Accounts Payable	943,359	0	0	943,359
Accrued Liabilities	119,992	56,264	0	176,256
Due to Other Governments	826	0	0	826
Due to Other Funds	868,494	0	(868,494)	0
Due to Teachers' Retirement System	2,001,964	0	0	2,001,964
Due to Employees' Retirement System	129,198	0	0	129,198
Compensated Absences	0	1,465,872	0	1,465,872
Bonds Payable	0	19,895,754	0	19,895,754
Installment Purchase Debt	0	262,435	0	262,435
Other Postemployment Benefits	0	23,563,952	0	23,563,952
Unearned Revenues	3,880	0	0	3,880
Net Pension Liability, Proportionate Share (ERS)	0	1,794,958	0	1,794,958
Judgements and Claims	0	0	0	0
TOTAL LIABILITIES	4,067,713	47,039,235	(868,494)	50,238,454
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Plans (ERS & TRS)	0	3,614,222	0	3,614,222
Unavailable Revenues	299,605	(299,605)	0	0
TOTAL DEFERRED INFLOWS OF RESOURCES	299,605	3,314,617	0	3,614,222
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,367,318	50,353,852	(868,494)	53,852,676
FUND BALANCES / NET POSITION	14,016,834	2,809,186	0	16,826,020
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES / NET POSITION	\$ 18,384,152	\$ 53,163,038	\$ (868,494)	\$ 70,678,696

See notes to financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Real Property Taxes	\$ 17,566,701	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,566,701
Other Tax Items	2,179,877	0	0	0	0	2,179,877
Charges for Services	281,847	0	106,807	0	0	388,654
Use of Money & Property	226,306	0	0	0	178	226,484
Sale of Property & Compensation for Loss	27,055	0	9,188	0	0	36,243
Miscellaneous	892,583	0	4,371	0	0	896,954
State Sources	22,972,345	524,765	51,035	0	0	23,548,145
Federal Sources	105,592	1,037,456	888,743	0	0	2,031,791
TOTAL REVENUES	<u>44,252,306</u>	<u>1,562,221</u>	<u>1,060,144</u>	<u>0</u>	<u>178</u>	<u>46,874,849</u>
<u>EXPENDITURES</u>						
General Support	4,547,943	0	0	0	0	4,547,943
Instruction	22,494,587	1,420,292	0	0	0	23,914,879
Pupil Transportation	2,603,683	85,796	0	0	0	2,689,479
Community Services	23,580	0	0	0	0	23,580
Employee Benefits	9,580,180	233,297	227,303	0	0	10,040,780
Debt Service:						
Principal	2,290,171	0	0	0	0	2,290,171
Interest	423,322	0	0	0	0	423,322
Cost of Sales	0	0	1,067,497	0	0	1,067,497
Capital Outlay	0	0	0	807,017	0	807,017
TOTAL EXPENDITURES	<u>41,963,466</u>	<u>1,739,385</u>	<u>1,294,800</u>	<u>807,017</u>	<u>0</u>	<u>45,804,668</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>2,288,840</u>	<u>(177,164)</u>	<u>(234,656)</u>	<u>(807,017)</u>	<u>178</u>	<u>1,070,181</u>
<u>OTHER SOURCES & USES</u>						
Operating Transfers In	0	65,000	175,000	2,667,601	0	2,907,601
Operating Transfers Out	(2,907,601)	0	0	0	0	(2,907,601)
TOTAL OTHER SOURCES & USES	<u>(2,907,601)</u>	<u>65,000</u>	<u>175,000</u>	<u>2,667,601</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	<u>(618,761)</u>	<u>(112,164)</u>	<u>(59,656)</u>	<u>1,860,584</u>	<u>178</u>	<u>1,070,181</u>
FUND BALANCES, BEGINNING OF YEAR	<u>12,847,569</u>	<u>611</u>	<u>61,411</u>	<u>(1,787)</u>	<u>38,849</u>	<u>12,946,653</u>
FUND BALANCES, END OF YEAR	<u>\$ 12,228,808</u>	<u>\$ (111,553)</u>	<u>\$ 1,755</u>	<u>\$ 1,858,797</u>	<u>\$ 39,027</u>	<u>\$ 14,016,834</u>

See notes to financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
<u>REVENUES</u>						
Real Property Taxes	\$ 17,566,701	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,566,701
Other Tax Items	2,179,877	0	0	0	0	2,179,877
Charges for Services	388,654	17,460	0	0	0	406,114
Use of Money & Property	226,484	0	0	0	0	226,484
Sale of Property & Compensation for Loss	36,243	0	0	0	0	36,243
Miscellaneous	896,954	0	0	0	0	896,954
State Sources	23,548,145	0	0	0	0	23,548,145
Federal Sources	2,031,791	0	0	0	0	2,031,791
TOTAL REVENUES	<u>46,874,849</u>	<u>17,460</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,892,309</u>
<u>EXPENDITURES</u>						
General Support	4,547,943	(1,664)	2,069,587	0	1,223,286	7,839,152
Instruction	23,914,879	115,942	268,643	0	12,127,098	36,426,562
Pupil Transportation	2,689,479	0	934	0	31,714	2,722,127
Community Services	23,580	0	0	0	0	23,580
Employee Benefits	10,040,780	3,719,957	0	0	(13,760,737)	0
Debt Service:						
Principal	2,290,171	0	0	(2,290,171)	0	0
Interest	423,322	(6,261)	0	(31,259)	0	385,802
Cost of Sales	1,067,497	(3,970)	6,525	0	299,302	1,369,354
Capital Outlay	807,017	0	(886,354)	0	79,337	0
TOTAL EXPENDITURES	<u>45,804,668</u>	<u>3,824,004</u>	<u>1,459,335</u>	<u>(2,321,430)</u>	<u>0</u>	<u>48,766,577</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>1,070,181</u>	<u>(3,806,544)</u>	<u>(1,459,335)</u>	<u>2,321,430</u>	<u>0</u>	<u>(1,874,268)</u>
<u>OTHER SOURCES & USES</u>						
Operating Transfers In	2,907,601	0	0	0	(2,907,601)	0
Operating Transfers (Out)	(2,907,601)	0	0	0	2,907,601	0
TOTAL OTHER SOURCES & USES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE FOR THE YEAR	<u>\$ 1,070,181</u>	<u>\$ (3,806,544)</u>	<u>\$ (1,459,335)</u>	<u>\$ 2,321,430</u>	<u>\$ 0</u>	<u>\$ (1,874,268)</u>

See notes to financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>PRIVATE PURPOSE TRUSTS</u>	<u>AGENCY</u>
<u>ASSETS</u>		
Cash	\$ 623	\$ 168,266
Other Receivables	0	0
TOTAL ASSETS	\$ 623	\$ 168,266
 <u>LIABILITIES & NET POSITION</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 82,140
Extraclassroom Activity Balances	0	85,933
Other Liabilities	0	193
TOTAL LIABILITIES	0	\$ 168,266
 <u>NET POSITION</u>		
Reserved for Endowment, Scholarship and Gift Funds	623	
TOTAL LIABILITIES & NET POSITION	\$ 623	

See notes to financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 0
Investment Earnings	<u>0</u>
TOTAL ADDITIONS	0
<u>DEDUCTIONS</u>	
Scholarships & Awards	0
Other Expenses	<u>0</u>
TOTAL DEDUCTIONS	<u>0</u>
CHANGE IN NET POSITION	0
NET POSITION, BEGINNING OF YEAR	<u>623</u>
NET POSITION, END OF YEAR	<u><u>\$ 623</u></u>

See notes to financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of the Liberty Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Where comparative amounts are presented, certain reclassifications may have been made to the prior year amounts so that they would be in conformity with the current year's presentation. Significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The Liberty Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the 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 have been included in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

B. Joint Venture

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

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

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

During the year ended June 30, 2016, the Liberty Central School District was billed \$6,705,588. for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,963,238. Financial statements for BOCES are available from the BOCES administrative office at 52 Ferndale Loomis Road, Liberty, NY 12754.

C. Basis of Presentation

1. District-Wide Statements

The Statement of Net Position and the Statement of Activities and Changes in Net Position 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 nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

C. Basis of Presentation (Continued)

2. Fund Statements

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

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the school lunch operations. The school lunch operation is supported by federal and state grants and charges participants for its services.

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary funds:

Fiduciary Fund: 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. There are two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

D. Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

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

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1st and became a lien on August 26, 2015. Taxes were collected during the period September 1, 2015 through November 2, 2015.

Uncollected real property taxes are subsequently enforced by Sullivan County. 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 1.

F. Restricted Resources

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

G. Interfund Transactions

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

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

G. Interfund Transactions (Continued)

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

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

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. Estimates

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

I. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

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

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of United States and its agencies and obligations of the State and its municipalities and Districts.

J. 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.

K. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first - in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

K. Inventories and Prepaid Items (Continued)

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

L. Other Assets/Restricted Assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the fund statements these same costs are netted against bond proceeds and recognized in the period of issuance.

M. Capital Assets

Capital assets are reported at cost for acquisitions. For assets acquired prior to June 30, 2002, estimated historical costs based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land Improvements	\$ 5,000	Straight Line	50 years
Buildings and Improvements	5,000	Straight Line	50 years
Furniture and Equipment	5,000	Straight Line	5 – 20 years
Vehicles	5,000	Straight Line	5 – 20 years

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is deferred charges on refunding reported in the government – wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

N. Deferred Outflows and Inflows of Resources (Continued)

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. Lastly is the District's contribution to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district – wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

O. Unavailable/Unearned Revenue

Unavailable revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned/unavailable revenues is removed and revenues are recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Unavailable revenues recorded in governmental funds are typically adjusted and not included in the district-wide statements.

P. Vested Employee Benefits

1. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical/personal time.

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

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

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

P. Vested Employee Benefits (Continued)

1. Compensated Absences (Continued)

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

2. Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q. Short-Term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

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

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

R. Accrued Liabilities and Long-Term Obligations

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

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

S. Equity Classifications

1. District-wide Statements

In the district-wide statements there are three classes of net position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

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

2. Fund Statements

In the governmental fund statements, there are five classifications of fund balance:

Nonspendable: Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance in the General Fund includes prepaid items of \$354,715 and in the School Lunch Fund includes prepaid items of \$16,864 and inventory of \$33,739.

Restricted: Constraints have been imposed on the use of these amounts either (a) externally by creditors, grantors, contributors or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

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. This reserve is accounted for in the General Fund.

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.

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 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.

Property Loss Reserve and Liability Reserve

Property Loss Reserve and Liability Reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts, with a population greater than 125,000. These reserves are accounted for in the General Fund.

Tax Certiorari Reserve

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

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the General Fund.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balance at June 30, 2016 consisted of:

General Fund:	
Capital Reserve	\$ 3,450,780
Unemployment Insurance Reserve	133,651
Property Loss and Liability Reserve	148,592
Tax Certiorari Reserve	1,131,810
Employee Benefit Accrued Liability Reserve	1,468,137
Retirement Contribution Reserve	1,663,524
Capital Fund	1,858,797
Debt Service Fund	39,027
Total Restricted Fund Balance	<u>\$ 9,894,318</u>

Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The District did not classify any of its fund balances as committed as of June 30, 2016.

Assigned: Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose. By reporting particular amounts that are not restricted or committed in the governmental funds other than the General Fund, the District has assigned those amounts to the purposes of the respective funds. Assigned fund balance in the General Fund includes \$1,641,174 assigned for specific purposes through the issuance of purchase orders that encumbered the budget for the year ended June 30, 2016.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

This assignment is made when purchase orders are approved by the Purchasing Agent who is designated each year by the Board of Education at its annual reorganizational meeting pursuant to the District’s purchasing policy. Assigned fund balance in the General Fund also includes \$0 assigned to be used to reduce the tax levy for the year ending June 30, 2017. This assignment is made when the tax levy is set by the Board of Education pursuant to the District’s annual budget policy.

Encumbrances	\$	1,641,174
Appropriated to Reduce Subsequent Year's Tax Levy		0
Total Assigned Fund Balance	\$	1,641,174

Unassigned: Includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

Order of Use of Fund Balance:

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Limitation on Unexpended Surplus Funds:

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

T. New Accounting Standards

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

- GASB Statement 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.
- GASB Statement 73, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective for the year ending June 30, 2016.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

T. New Accounting Standards (Continued)

- GASB Statement 76, GASB has issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.
- GASB Statement 79, *Certain External Investment Pools and Pool Participants*, effective for the year ending June 30, 2016.

GASB has issued Statement 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented Statement 72 as required.

GASB has issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement also amends Statement 67, *financial Reporting for Pension Plans*. The District has implemented Statement 73 as required.

GASB has issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. The District has implemented Statement 76 as required.

GASB has issued Statement 79, *Certain External Investment Pools and Pool Participants*, which addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The District has implemented Statement 79, as required.

U. Future Changes in Accounting Standards

GASB has issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

U. Future Changes in Accounting Standards(Continued)

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement 77, *Tax Abatement Disclosures*, which improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

GASB has issued Statement 78, *Pensions Provided through Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

GASB has issued Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

GASB has issued Statement 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

GASB has issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses certain issues that have been raised with respect to Statements No. 67, 68, and 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2017 financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

1. The costs of building and acquiring capital assets (land, buildings, and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives. The balances at June 30, 2016 were as follows:

Original Cost of Capital Assets	\$ 61,388,290
Accumulated Depreciation	<u>(21,635,535)</u>
	<u>\$ 39,752,755</u>

2. Interest is accrued in the Statement of Net Position, regardless of when it is due. This liability does not appear on the Balance Sheet because interest is expensed when it is due, and thus requires the use of current financial resources. This liability at June 30, 2016 was as follows:

Accrued Interest Payable	<u>\$ 56,264</u>
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3. Long-term liabilities are reported in the Statement of Net Position, but not in the Balance Sheet, because they are not due and payable in the current period. The balances at June 30, 2016 were as follows:

Bonds Payable	\$ 19,895,754
Installment Purchase Debt	262,435
Compensated Absences	1,465,872
Other Postemployment Benefits	<u>23,563,952</u>
	<u>\$ 45,188,013</u>

4. Unavailable Revenues are reported in the governmental funds Balance Sheet, but not in the Statement of Net Position, because they may not be collected and available in the current period. The balance at June 30, 2016 was as follows:

Unavailable Revenues	<u>\$ 299,605</u>
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LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities: (Continued)

5. In the Statement of Net Position, a liability is recognized for the District's proportionate share of the net pension liability attributable to each defined benefit pension plan in which the District participates. A net pension liability is measured as the proportionate share of the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service (proportionate share of total pension liability), net of the proportionate share of that pension plan's fiduciary net position. If a pension plan's fiduciary net position exceeds its total pension liability, the District's proportionate share of the pension plan's net pension asset is recognized. Also, deferred outflows and inflows of resources related to pensions primarily resulting from contributions subsequent to the measurement date and changes in the components of the net pension liability or asset are recorded. However, none of these amounts are included on the Balance Sheet as they are only recognized to the extent the pension liability is normally expected to be liquidated with expendable available financial resources. These balances at June 30, 2016 were as follows:

Net Pension Asset, Proportionate Share (TRS)	\$	9,694,034
Deferred Outflows of Resources - Pension		3,716,249
Net Pension Liability, Proportionate Share (ERS)		(1,794,958)
Deferred Inflows of Resources - Pension		(3,614,222)
		\$ 8,001,103

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

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

1. Long-Term Revenue Differences

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

2. Capital Related Differences

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

3. Long-Term Debt Transaction Differences

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

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities and Changes in Net Position (Continued):

Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities and Changes in Net Position

Total Revenues and Other Funding Sources

Total revenues and other funding sources reported in Governmental Funds (Schedule 5)	\$ 49,782,450
Because some revenue will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenues in the governmental funds. However, they are considered to be earned in the Statement of Activities and Changes in Net Position. This is the amount by which unavailable revenues this year exceeded unavailable revenues last year.	17,460
Operating transfers from other funds are recognized as other funding sources in the governmental fund statements, but are eliminated in the Statement of Activities and Changes in Net Position.	<u>(2,907,601)</u>
Total revenues in the Statement of Activities and Changes in Net Position (Schedule 2)	<u>\$ 46,892,309</u>

Total Expenditures & Other Uses/Expenses

Total expenditures and other uses reported in Governmental Funds (Schedule 5)	\$ 48,712,269
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$886,354 were less than depreciation of \$2,345,689 in the current year.	1,459,335
In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which compensated absences earned exceeded the amount used during the year.	110,308

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities and Changes in Net Position (Continued):

Total Expenditures & Other Uses/Expenses (Continued)

In the Statement of Activities, the expense for other post-employment benefits are measured based on the actuarially determined annual required contribution (ARC) of the District. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which the ARC exceeded the amount of financial resources used during the year.	6,185,208
Interest payable is recognized as an accrued liability in the entity wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable last year exceeded the interest payable this year.	(6,261)
Premiums and discounts on long-term debt issuances, bond issuance costs, and deferred amounts from debt refundings are recognized in the fiscal year in which the transactions occur in the governmental fund statements. These amounts are amortized in the Statement of Activities and Changes in Net Position. This is the amount that was amortized during the fiscal year.	(31,259)
Repayment of bond and installment debt principal is an expenditure in the governmental funds, but reduces liabilities in the Statement of Net Position, and does not affect the Statement of Activities and Changes in Net Position.	(2,290,171)
(Increases) decreases in 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 (TRS of \$2,557,392 and ERS of \$(92,141)).	(2,465,251)
Operating transfers to other funds are recognized as other uses of funds in the governmental fund statements, but are eliminated in the Statement of Activities and Changes in Net Position.	<u>(2,907,601)</u>
Total expenses in the Statement of Activities and Changes in Net Position (Schedule 2)	<u><u>\$ 48,766,577</u></u>

NOTE 3. STEWARDSHIP AND COMPLIANCE.

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

- The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3. STEWARDSHIP AND COMPLIANCE. (Continued)

A. Budgets (Continued)

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that 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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These 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. During the fiscal year, supplemental appropriations of \$2,567,601 were made through Board authorized appropriations as follows:

Transfer to Capital Fund for Voter Approved High School Renovations	\$ 2,567,601
	\$ 2,567,601

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. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

C. Deficit Fund Balance

The Special Aid Fund shows an unassigned fund balance deficit of \$(111,553). This deficit is a result of unreimbursable summer special education costs.

NOTE 4. CASH – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, FOREIGN CURRENCY RISKS AND INVESTMENT POOL.

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

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance year-end, collateralized as follows:

Uncollateralized	\$ 0
Insured	\$ 1,343,897
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 13,595,760

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. CASH – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, FOREIGN CURRENCY RISKS AND INVESTMENT POOL.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$9,855,291 within the governmental funds.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

The following amounts are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund	\$ 12,726,312	\$ 12,652,442
Special Aid Fund	59,464	56,425
School Lunch Fund	29,666	24,362
Capital Projects Fund	1,858,975	1,858,974
Fiduciary Funds	265,240	168,889
	<u>\$ 14,939,657</u>	<u>\$ 14,761,092</u>

NOTE 5. CAPITAL ASSETS.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 38,000	\$ 0	\$ 0	\$ 38,000
Construction in Progress	1,787	807,017	0	808,804
Total Nondepreciable Assets	<u>39,787</u>	<u>807,017</u>	<u>0</u>	<u>846,804</u>
Capital assets that are depreciated:				
Land Improvements	568,716	0	0	568,716
Buildings & Improvements	56,954,224	0	0	56,954,224
Furniture & Equipment	2,667,401	79,337	0	2,746,738
Vehicles	271,808	0	0	271,808
Total Depreciable Assets	<u>60,462,149</u>	<u>79,337</u>	<u>0</u>	<u>60,541,486</u>
Less: Accumulated Depreciation	<u>(19,289,846)</u>	<u>(2,345,689)</u>	<u>0</u>	<u>(21,635,535)</u>
Capital Assets, Net	<u>\$ 41,212,090</u>	<u>\$ (1,459,335)</u>	<u>\$ 0</u>	<u>\$ 39,752,755</u>

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5. CAPITAL ASSETS. (Continued)

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 2,069,587
Instruction	268,643
Transportation	934
Cost of Sales	<u>6,525</u>
Total Depreciation	<u>\$ 2,345,689</u>

NOTE 6. LONG-TERM DEBT.

Long-term liability balances and activity for the year ended June 30, 2016 are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid/ Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and Notes Payable:					
Bonds Payable*	\$22,182,013	\$ 0	\$2,286,259	\$19,895,754	\$ 2,321,259
Installment Purchase Debt	<u>297,606</u>	<u>0</u>	<u>35,171</u>	<u>262,435</u>	<u>39,974</u>
Total Bonds and Notes Payable	<u>22,479,619</u>	<u>0</u>	<u>2,321,430</u>	<u>20,158,189</u>	<u>2,361,233</u>
Other Liabilities:					
Compensated Absences	1,355,562	110,308	0	1,465,870	0
Other Postemployment Benefits	<u>17,378,744</u>	<u>7,584,962</u>	<u>1,399,754</u>	<u>23,563,952</u>	<u>0</u>
Total Other Liabilities	<u>18,734,306</u>	<u>7,695,270</u>	<u>1,399,754</u>	<u>25,029,822</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$41,213,925</u>	<u>\$ 7,695,270</u>	<u>\$3,721,184</u>	<u>\$45,188,011</u>	<u>\$ 2,361,233</u>

*At June 30, 2016, Bonds Payable includes unamortized premiums of \$80,754. This amount is being amortized over the life of the debt issuance to which it relates.

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

Activity for compensated absences is shown at net due to the impracticality of determining these amounts separately.

Existing serial bond and installment purchase obligations are as follows:

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. LONG-TERM DEBT. (Continued)

Description of Issue	Issue Date	Final Maturity	Interest Rate	Balance
Serial Bonds	09/15/09	06/15/24	0.500%	\$ 1,945,000
Serial Bonds	04/26/10	06/15/25	0.800%	10,645,000
Serial Bonds	12/22/10	12/01/24	Various	6,275,000
Serial Bonds	10/31/12	02/01/19	3.0000%	315,000
Serial Bonds	10/31/12	08/01/18	Various	635,000
				<u>\$ 19,815,000</u>
Energy Performance Contract	12/21/05	12/15/21	13.656%	262,435
				<u>\$ 20,077,435</u>

The following is a summary of maturing debt service requirements:

For the Year Ended June 30,	Bonds Payable		Other Debt	
	Principal	Interest	Principal	Interest
2017	\$ 2,290,000	\$ 340,610	\$ 39,974	\$ 35,838
2018	2,330,000	297,231	45,433	30,379
2019	2,385,000	252,348	51,637	24,175
2020	2,080,000	211,340	58,688	17,124
2021	2,120,000	177,934	66,703	9,109
2022 – 2026	8,610,000	342,100	0	0
TOTAL	<u>\$ 19,815,000</u>	<u>1,621,563</u>	<u>\$ 262,435</u>	<u>\$ 116,625</u>

The following is a summary of obligations of government activities under capital leases (also included in the above summary of debt service requirements):

For the Year Ended June 30,	Total
2017	\$ 75,812
2018	75,812
2019	75,812
2020	75,812
2021	75,812
Total Minimum Lease Payments	379,060
Less: Amount Representing Interest	<u>(116,625)</u>
Present Value of Minimum Lease Payments	<u>\$ 262,435</u>

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$1,520,000 of bonds outstanding are considered defeased.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. LONG-TERM DEBT. (Continued)

Interest on long-term debt for the year was composed of:

Interest paid	423,322
Less: Interest accrued in the prior year	(62,525)
Less: Amortization of premium and deferred amount	(31,259)
Plus: Interest accrued in the current year	56,264
Total interest expense	\$ 385,802

NOTE 7. PENSION PLANS.

Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

Plan Description & Benefits Provided

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

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

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS. (Continued)

Contributions

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

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

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2015 – 2016	\$ 1,910,102	\$ 453,241
2014 – 2015	2,452,930	542,002
2013 – 2014	2,250,172	620,687

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

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

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

At March 31, 2016, the District's proportion of the NYSERS net pension asset/(liability) was .0111831%, which was a decrease of .00008%.

At June 30, 2015, the District's proportion of the NYSTRS net pension asset/(liability) was .093330%, which was a decrease of .000554% from its proportion measured as of June 30, 2014.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS. (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$475,136 and \$(637,229) for ERS and TRS, respectively. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 9,070	\$ -	\$ 9,070
Changes of Assumptions	478,661	-	478,661
Net difference between projected and actual earnings on pension plan investments	1,064,868	-	1,064,868
Changes in proportion and difference between the District's contributions and proportionate share of contributions	-	32,488	32,488
District's contributions subsequent to the measurement date	<u>129,198</u>	<u>2,001,964</u>	<u>2,131,162</u>
Total	<u>\$ 1,681,797</u>	<u>\$ 2,034,452</u>	<u>\$ 3,716,249</u>

	Deferred Inflows of Resources		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 212,762	\$ 268,663	\$ 481,425
Changes of Assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,064,334	3,064,334
Changes in proportion and difference between the District's contributions and proportionate share of contributions	68,463	-	68,463
District's contributions subsequent to the measurement date	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 281,225</u>	<u>\$ 3,332,997</u>	<u>\$ 3,614,222</u>

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

LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS. (Continued)

Year Ended:	<u>ERS</u>	<u>TRS</u>
2016	\$ -	\$ 1,232,087
2017	319,166	1,232,087
2018	319,166	1,232,087
2019	319,166	(513,491)
2020	313,876	29,609
Thereafter	-	88,129

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 15, 2016	June 30, 2015
Inflation Rate	2.5%	3.0%
Projected Salary Increases	3.8%	4.01% - 10.91%
		Rates of increase differ based on gender and age They have been calculated based upon recent NYSTRS member experience.
Projected Cost of Living Adjustments	1.3%, compounded annually	1.625%, compounded annually
Investment Rate of Return	7.0% compounded annually, net of investment expenses	8% compounded annually, net of pension plan investment expense, including inflation
Decrements	Actuarial experience study for the period April 1, 2010 to March 31, 2015	Actuarial experience study for the period July 1, 2005 to June 30, 2010
Mortality Improvement	Society of Actuaries Scale MP-2014	Society of Actuaries Scale AA

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS. (Continued)

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	March 15, 2016	
	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Asset Class:		
Domestic Equity	38%	7.30%
International Equity	13%	8.55%
Private Equity	10%	11.00%
Real Estate	8%	8.25%
Absolute Return Strategies	3%	6.75%
Opportunistic Portfolio	3%	8.60%
Real Assets	3%	8.65%
Bonds and Mortgages	18%	4.00%
Cash	2%	2.25%
Inflation-indexed bonds	2%	4.00%
Total	<u>100%</u>	

Measurement Date	TRS	
	June 30, 2015	
	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Asset Class:		
Domestic Equities	37%	6.50%
International Equities	18%	7.70%
Real Estate	10%	4.60%
Alternative investments	7%	9.90%
Domestic fixed income securities	17%	2.10%
Global fixed income securities	2%	1.90%
Mortgages	8%	3.40%
Short-term	1%	1.20%
	<u>100%</u>	

Discount Rate

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

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS. (Continued)

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

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

<u>ERS</u>	<u>1% Decrease (6.00%)</u>	<u>Current Assumption (7.00%)</u>	<u>1% Increase (8.00%)</u>
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ 4,047,500	\$ 1,794,958	\$ (108,344)
<u>TRS</u>	<u>1% Decrease (7.00%)</u>	<u>Current Assumption (8.00%)</u>	<u>1% Increase (9.00%)</u>
Employer's Proportionate Share of the Net Pension Asset/(Liability)	661,258	(9,694,034)	(18,524,923)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

Measurement Date	(Dollars in Thousands)	
	<u>ERS March 15, 2016</u>	<u>TRS June 30, 2015</u>
Employers' total pension asset/(liability)	\$ (172,303,544)	\$ (99,332,103,743)
Plan net position	156,253,265	109,718,916,659
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,812,916</u>

Ration of plan net position to the employers' total pension asset/(liability)	90.70%	110.46%
--	--------	---------

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contributions for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$129,198.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS. (Continued)

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2015 through state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS system. Accrued retirement contributions as of June 30, 2016 amounted to \$2,001,964.

NOTE 8. INTERFUND BALANCES AND ACTIVITY.

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

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 909,257	\$ 38,849	\$ 0	\$ 2,907,601
Special Aid Fund	0	700,663	65,000	0
School Lunch Fund	2,350	128,804	175,000	0
Capital Fund	0	178	2,667,601	0
Debt Service Fund	39,027	0	0	0
Total Governmental Activities	950,634	868,494	2,907,601	2,907,601
Fiduciary Agency Fund	0	82,140	0	0
Totals	\$ 950,634	\$ 950,634	\$ 2,907,601	\$ 2,907,601

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.

The District typically transfers from the General Fund to the Special Aid Fund to fund the portion of the Summer Handicapped Program not funded by aid from New York State.

NOTE 9. POSTEMPLOYMENT BENEFITS.

The District provides postemployment health insurance (life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District follows GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This requires the District to calculate and record a net other postemployment benefit obligation at year-end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District pays for 50% of the cost of premiums for single coverage and 42% of premium costs for family coverage for the majority of retirees. However, the District's share does vary depending on the circumstances and applicable contract.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. POSTEMPLOYMENT BENEFITS. (Continued)

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2016, the District recognized \$1,399,754 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2014. The total Actuarial Accrued Liability indicated in this report for other postemployment benefits is \$80,942,292 of which a liability in the amount of \$23,563,952 has been recorded on the district-wide financial statements.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. 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	\$ 7,869,827
Interest on Net OPEB Obligation	782,043
Adjustment to Annual Required Contribution	<u>(1,066,908)</u>
Annual OPEB Cost (Expense)	7,584,962
Contributions Made	<u>(1,399,754)</u>
Increase in Net OPEB Obligation	6,185,208
Net OPEB Obligation, June 30, 2015	<u>17,378,744</u>
Net OPEB Obligation, June 30, 2016	<u><u>\$ 23,563,952</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the two preceding years were 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>
June 30, 2016	\$ 7,584,962	18.5%	\$ 23,563,952
June 30, 2015	7,175,850	18.5%	17,378,744
June 30, 2014	2,691,680	33.7%	11,533,674

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was not funded. The legislation required to provide a funding mechanism is not yet in place in the state of New York. The actuarial accrued liability for benefits was \$80,942,292. Since the plan was not funded, this resulted in an unfunded actuarial accrued liability (UAAL) of \$80,942,292. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. POSTEMPLOYMENT BENEFITS. (Continued)

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Please refer to Supplemental Schedule #1, Schedule of Funding Progress – Other Postemployment Benefits, for the funding progress and related data reflected in the last three full actuarial valuations.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included an annual healthcare cost trend rate ranging from 5.25% to 7.70% over the period covered by the report. This rate included a 4.50% inflation assumption. The UAAL is being amortized on a closed, level dollar 30 year amortization.

NOTE 10. RISK MANAGEMENT.

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.

NOTE 11. COMMITMENTS AND CONTINGENCIES.

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial.

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of GASB #16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports \$1,465,872 for accumulating, non-vesting sick leave.

Encumbrances represent contracts, purchase orders, payroll commitments, tax payables, or legal penalties that are chargeable to an account. They cease to be encumbrances when paid or when the actual liability amount is determined and recorded as an expenditure.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11. COMMITMENTS AND CONTINGENCIES. (Continued)

Encumbrances of appropriations of budgets for the year ended June 30, 2016 have been included in the assigned fund balance of the General Fund and in the restricted fund balance of all other funds at June 30, 2016 as follows:

General Fund	\$ 1,641,174
Capital Projects Fund	<u>625,939</u>
Total Encumbrances	<u>\$ 2,267,113</u>

NOTE 12. DONOR-RESTRICTED ENDOWMENTS.

The District administers endowment funds, which are restricted by the donor for the purpose of student scholarships and awards.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTE 13. SUBSEQUENT EVENTS.

The District has evaluated subsequent events through September 21, 2016, the date that the financial statements were available to be issued. As of this date, there are no subsequent events to report.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
July 1, 2014	\$ 0	\$ 76,156,489	\$ 76,156,489	0.00%	\$ 17,408,854	437.5%
July 1, 2012	\$ 0	\$ 31,435,397	\$ 31,435,397	0.00%	\$ 15,021,774	209.3%
July 1, 2010	0	30,450,601	30,450,601	0.00%	18,049,195	168.7%

See paragraph on supplementary schedules included in auditor's report.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -- BUDGET AND ACTUAL -- GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>CURRENT YEAR'S REVENUES</u>	<u>OVER (UNDER) FINAL BUDGET</u>
LOCAL SOURCES:				
Real Property Taxes	\$ 19,166,828	\$ 17,568,094	\$ 17,566,701	(1,393)
Other Tax Items	534,967	2,133,701	2,179,877	46,176
Charges for Services	82,000	214,792	281,847	67,055
Use of Money & Property	210,000	210,000	226,306	16,306
Sale of Property & Compensation for Loss	1,200	1,200	27,055	25,855
Miscellaneous	78,300	768,443	892,584	124,141
STATE SOURCES	22,705,764	23,027,292	22,972,345	(54,947)
FEDERAL SOURCES	25,000	80,537	105,592	25,055
TOTAL REVENUES	42,804,059	44,004,059	44,252,307	248,248
OTHER SOURCES:				
Operating Transfers In	0	0	0	0
Appropriated Fund Balance and Reserves	1,828,203	3,195,804	0	(1,367,601)
TOTAL REVENUES & OTHER FINANCING SOURCES	\$ 44,632,262	\$ 47,199,863	\$ 44,252,307	\$ 2,485,556
				0
				\$ 248,248

See paragraph on supplementary schedules included in auditor's report.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	CURRENT YEAR'S EXPENDITURES	ENCUMBRANCES	UNENCUMBERED BALANCE
EXPENDITURES					
GENERAL SUPPORT:					
Board of Education	\$ 44,103	\$ 56,575	\$ 52,978	\$ 3,597	\$ 0
Central Administration	232,334	235,448	231,991	3,056	401
Finance	428,267	450,382	436,041	8,514	5,827
Staff	296,490	365,706	264,406	94,887	6,413
Central Services	3,054,906	3,057,302	2,786,976	179,813	90,513
Special Items	737,258	778,178	775,551	0	2,627
INSTRUCTIONAL:					
Instruction, Administration & Improvement	1,710,273	1,652,586	1,610,019	20,787	21,780
Teaching – Regular School	11,731,530	11,827,014	10,919,900	615,850	291,264
Programs for Children with Handicapping Conditions	6,560,768	6,577,232	6,138,957	388,064	50,211
Occupational Education	367,527	353,592	323,894	29,579	119
Teaching – Special Schools	142,692	102,072	102,072	0	0
Instructional Media	1,756,529	1,967,396	1,691,253	238,780	37,363
Pupil Services	1,815,373	1,771,484	1,708,492	55,747	7,245
PUPIL TRANSPORTATION	2,549,889	2,637,126	2,603,683	0	33,443
COMMUNITY SERVICES	32,500	26,080	23,580	2,500	0
EMPLOYEE BENEFITS	10,118,090	9,720,356	9,580,180	0	140,176
DEBT SERVICE:					
Debt Service – Principal	2,290,171	2,290,171	2,290,171	0	0
Debt Service – Interest	423,562	423,562	423,322	0	240
TOTAL EXPENDITURES	44,292,262	44,292,262	41,963,466	1,641,174	687,622
OTHER USES:					
Operating Transfers Out	340,000	2,907,601	2,907,601	0	0
TOTAL EXPENDITURES & OTHER USES	\$ 44,632,262	\$ 47,199,863	44,871,067	\$ 1,641,174	\$ 687,622
DEFICIENCY OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES					
			\$ (618,760)		

See paragraph on supplementary schedules included in auditor's report.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION ASSET/LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

	NYSERS Pension Plan Last 10 Fiscal Years*		
	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
District's proportion of the net pension asset/(liability)	0.011183%	0.0119841%	0.0119841%
District's propoortionate share of the net pension asset/(liability)	(1,794,958)	(404,852)	(541,544)
District's covered-employee payroll	2,818,712	2,936,499	3,092,765
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-63.68%	-13.79%	-17.51%
Plan fiduciary net position as a percentage of the total pension liability	97.95%	97.95%	97.15%
	NYSTRS Pension Plan Last 10 Fiscal Years*		
	<u>6/30/2014</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
District's proportion of the net pension asset/(liability)	0.093330%	0.093884%	0.096801%
District's propoortionate share of the net pension asset/(liability)	9,694,034	10,458,060	637,194
District's covered-employee payroll	18,534,027	13,868,086	14,179,215
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	52.30%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	111.48%	111.48%	100.70%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this was the year of implementation prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY NEW YORK
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

NYSERS Pension Plan
Last 10 Fiscal Years*

	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Contractually required contribution	\$ 475,136	\$ 515,672	\$ 646,742
Contributions in relation to the contractually required contribution	<u>475,136</u>	<u>515,672</u>	<u>646,742</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	2,818,712	2,936,499	3,092,765
Contributions as a percentage of its covered-employee payroll	16.86%	17.56%	20.91%

NYSTRS Pension Plan
Last 10 Fiscal Years*

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Contractually required contribution	\$ 2,457,612	\$ 2,253,564	\$ 1,678,819
Contributions in relation to the contractually required contribution	<u>2,457,612</u>	<u>2,253,564</u>	<u>1,678,819</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	18,534,027	13,868,086	14,179,215
Contributions as a percentage of its covered-employee payroll	13.26%	16.25%	11.84%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this was the year of implementation prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

CHANGE FROM ADOPTED TO FINAL BUDGET

ADOPTED BUDGET	\$ 42,981,805
ADDITIONS:	
Encumbrances from Prior Year	1,650,457
ORIGINAL BUDGET	44,632,262
BUDGET REVISIONS:	
Budget Amendments for Interfund Transfer to Capital	2,567,601
REVISED BUDGET	\$ 47,199,863

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016–2017 Voter-Approved Expenditure Budget Maximum Allowed (4% of 2016–2017 Budget)	\$ 1,776,594
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 1,641,174
Unassigned Fund Balance	2,236,425
Total Unrestricted Fund Balance	\$ 3,877,599
Less:	
Appropriated Fund Balance	0
Encumbrances Included in Committed and Assigned Fund Balance	1,641,174
Total Adjustments	\$ 1,641,174
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$ 2,236,425
Actual Percentage	5.04%

See paragraph on supplementary schedules included in auditor's report.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES
FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	EXPENDITURES TO DATE			UNEXPENDED BALANCE	METHODS OF FINANCING			FUND BALANCE JUNE 30, 2016
			PRIOR YEARS	CURRENT YEAR	TOTAL		PROCEEDS FROM DEBT	LOCAL SOURCES	TOTAL	
High School Renovation and Reconstruction Project	9,597,050	9,597,050	1,787	807,017	808,804	8,788,246	0	2,667,601	2,667,601	1,858,797
	<u>\$ 9,597,050</u>	<u>\$ 9,597,050</u>	<u>\$ 1,787</u>	<u>\$ 807,017</u>	<u>\$ 808,804</u>	<u>\$ 8,788,246</u>	<u>\$ 0</u>	<u>\$ 2,667,601</u>	<u>\$ 2,667,601</u>	<u>\$ 1,858,797</u>

See paragraph on supplementary schedules included in auditor's report.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS, NET		\$ 39,752,755
DEDUCT:		
Short-term Portion of Bonds Payable	\$ 2,321,259	
Long-term Portion of Bonds Payable	17,574,495	
Short-term Portion of Installment Debt	39,974	
Long-term Portion of Installment Debt	<u>222,461</u>	
Total Bonds Payable	<u>20,158,189</u>	
Related Debt		<u>(20,158,189)</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 19,594,566</u></u>

See paragraph on supplementary schedules included on auditor's report.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
STATEMENT OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2016

	DATE OF ORIGINAL ISSUE	MATURITY	INTEREST RATE	OUTSTANDING BEGINNING OF FISCAL YEAR	ISSUED DURING YEAR	PAID DURING YEAR	OUTSTANDING END OF YEAR	AMOUNT OF INTEREST PAID DURING FISCAL YEAR	AMOUNT OF INTEREST ACCRUED AT JUNE 30, 2016
<u>BONDS & OTHER DEBT</u>									
Energy Performance Contract	12/21/2005	12/15/2021	13.656%	\$ 297,606	\$ 0	\$ 35,171	\$ 262,435	\$ 40,641	\$ 19,343
Serial Bonds – QZAB	9/15/2009	6/15/2024	0.500%	2,190,000	0	245,000	1,945,000	10,925	400
Serial Bonds – QZAB	4/26/2010	6/15/2025	0.800%	11,780,000	0	1,135,000	10,645,000	94,024	3,500
Serial Bonds	12/22/2010	12/1/2024	Various	6,860,000	0	585,000	6,275,000	228,782	16,203
Refunding Serial Bonds – 2012 Series A	10/31/2012	2/1/2019	3.000%	415,000	0	100,000	315,000	12,450	3,858
Refunding Serial Bonds – 2012 Series B	10/31/2012	8/1/2018	Various	825,000	0	190,000	635,000	36,500	12,961
TOTAL INDEBTEDNESS				\$ 22,367,606	\$ 0	\$ 2,290,171	\$ 20,077,435	\$ 423,322	\$ 56,264

See paragraph on supplementary schedules included in auditor's report.



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

To the President and Members
 of the Board of Education of the
 Liberty Central School District
 Liberty, New York 12754

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 the Liberty 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 Liberty Central School District’s basic financial statements and have issued our report thereon dated September 21, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Montgomery, New York
September 21, 2016



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

To the President and Members
of the Board of Education of the
Liberty Central School District
Liberty, New York 12754

Report on Compliance for Each Major Federal Program

We have audited the Liberty Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Liberty Central School District's major federal programs for the year ended June 30, 2016. Liberty Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Montgomery, New York
September 21, 2016

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

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed-through NYS Education Department:			
Special Education Cluster:			
IDEA – Part B, Section 611	84.027	0032-16-0965	433,720
IDEA – Part B, Section 619	84.173	0033-16-0965	13,060
Total Special Education Cluster			446,780
Title I Parts A&D, Basic Program	84.010	0021-16-3300	447,010
Title I School Improvement	84.010A	0011-16-2230	1,625
Title II Part A, Teacher & Principal Training & Recruiting	84.367	0147-16-3300	69,354
Title III Part A, LEP	84.365	0293-16-3300	18,522
Title VI Part B, Rural and Low Income Schools	84.358B	0006-16-3300	31,125
TOTAL U.S. DEPARTMENT OF EDUCATION			1,014,416
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed-through NYS Education Department:			
Child Nutrition Cluster:			
Cash Assistance			
National School Lunch Program	10.555	N/A	514,913
National School Breakfast Program	10.553	N/A	257,926
National Summer Food Program	10.555	N/A	45,064
National School Lunch Program Equipment Grant	10.555	N/A	23,040
Cash Assistance Subtotal			840,943
Non-Cash Assistance (food distribution)			
National School Lunch Program	10.555	N/A	70,840
TOTAL U.S. DEPT. OF AGRICULTURE, CHILD NUTRITION CLUSTER			911,783
TOTAL FEDERAL AWARDS EXPENDED			\$ 1,926,199

The accompanying notes are an integral part of the schedule.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION.

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

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

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

NOTE 2. NON-CASH ASSISTANCE.

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$70,840 of commodities under the Commodity Supplemental Food Program (CFDA 10.555).

NOTE 3. OTHER DISCLOSURES.

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

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

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Opinion Issued: Unqualified

Internal Control over Financial Reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal Control over Major Programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses _____ Yes X No

Type of Auditor's Opinion Issued on Compliance for Major Programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR-200.516(a)?? _____ Yes X No

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA NUMBERS</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
84.027, 84.173	Special Education Cluster
84.010	Title I Parts A&D
84.010A	Title I School Improvement

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings relating to the financial statements which were required to be reported.

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Significant Deficiencies in Internal Control

There were no findings relating to the major federal awards as required to be reported in accordance with the Uniform Guidance.

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with the Uniform Guidance.



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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Liberty Central School District
Liberty, New York 12754

We have audited the accompanying financial statements of the extraclassroom activity funds of the Liberty Central School District, which comprise of the statement of assets, liabilities, and fund balance—cash basis as of June 30, 2016, and the related statement of receipts and disbursements—cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Liberty Central School District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the extraclassroom activity funds of the Liberty Central School District as of June 30, 2016, and its receipts and disbursements for the year then ended, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Mugent + Haussler, P.C.

Montgomery, New York
September 21, 2016

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE – CASH BASIS
JUNE 30, 2016

ASSETS

Cash	\$ 85,933
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FUND BALANCE

Fund Balance, Beginning of Year	\$ 74,966
Excess of Receipts over Disbursements	<u>10,967</u>
Fund Balance, End of Year	<u>\$ 85,933</u>

See notes to financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF RECEIPTS & DISBURSEMENTS – CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	CASH BALANCE JUNE 30, 2015	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2016
Art Club	\$ 258	\$ 1	\$ 0	\$ 259
Class of 2016	7,920	28,690	35,851	759
Class of 2017	11,828	9,778	3,306	18,300
Class of 2018	2,226	6,989	3,268	5,947
Class of 2019	0	7,633	4,804	2,829
Class of 2020	0	130	0	130
Disc Jockey Club	708	150	0	858
High School Band	3,878	2,633	4,881	1,630
High School Chorus	12,976	18,432	17,506	13,902
High School Student Council	2,042	500	1,529	1,013
High School Yearbook (Libertas)	1,632	13,262	12,309	2,585
Interact	933	1,030	1,340	623
Junior National Honor Society	591	0	0	591
Liberty Performing Arts	8,527	1,822	944	9,405
Library Club	15	0	0	15
Middle School Band	3,908	3,171	700	6,379
Middle School Store	3,237	100	0	3,337
Middle School Student Council	3,808	480	500	3,788
Middle School Yearbook	995	3,266	2,899	1,362
National Honor Society	84	0	78	6
Orchestra Club	3,386	0	225	3,161
Photography Club	539	31	0	570
Sales Tax	2,616	2,882	0	5,498
Science Olympiad	238	262	417	83
Students Against Drunk Driving	1,742	0	0	1,742
Technology Club	279	1	0	280
Visual Arts Club	600	881	600	881
	<u>\$ 74,966</u>	<u>\$ 102,124</u>	<u>\$ 91,157</u>	<u>\$ 85,933</u>

See notes to financial statements.

LIBERTY CENTRAL SCHOOL DISTRICT
LIBERTY, NEW YORK
EXTRACLASSROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

- (a) The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Liberty Central School District. We have included the Extraclassroom Activity Fund balances within the fiduciary funds of the financial statements. The separate audit report of the Extraclassroom Activity Funds is required due to the fact that the transactions of this fund are controlled by student management.
- (b) The books and records of the Liberty Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.
- (c) The Extraclassroom Activity Funds are used to record the activity of all student-related activities within the District. These funds are under the control of an appointed central treasurer who maintains cash receipts and cash disbursement books. All receipts are collected by the student activity treasurer and disbursements must be approved by the student management.