

**WEST SENECA CENTRAL  
SCHOOL DISTRICT, NEW YORK**

*Basic Financial Statements, Required Supplementary  
Information, Supplementary Information and Federal  
Awards Information for the Year Ended  
June 30, 2018 and Independent Auditors' Reports*



# WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK

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# WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK

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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

The Board of Education  
West Seneca Central School District, New York

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Seneca Central School District, New York (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Drescher & Malecki LLP*

October 9, 2018



**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

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As management of the West Seneca Central School District, New York (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. This document should be read in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative.

**Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of liabilities at June 30, 2018 by \$80,363,533 (*net position*). This consists of \$50,146,629 net investment in capital assets, \$14,171,553 restricted for specific purposes and unrestricted net position of \$16,045,351.
- The District's net position increased by \$10,254,603 during the year ended June 30, 2018.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$21,451,025 an increase of \$5,958,473 in comparison with prior year's fund balance of \$15,492,552.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$4,832,685, or approximately 4.3 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 22.9 percent of the General Fund's total fund balance of \$21,073,472 at June 30, 2018.
- The District's total bond indebtedness decreased by \$4,155,000 as a result of scheduled principal payments.

**Overview of the Financial Statements**

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

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

The *statement of net position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 14-17 of this report.

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

The fiduciary fund financial statements can be found on pages 18-19 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-42 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s net pension liability/(asset) and the District’s budgetary comparison for the General Fund. Required Supplementary Information and a related note to the required supplementary information can be found pages 43-49 of this report.

Other supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 50-52.

The Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 53-61 of this report.

### Government-wide Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$80,363,533 at June 30, 2018 as compared to \$70,108,930 at the close of the fiscal year ended June 30, 2017.

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

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

|                                  | June 30,             |                      |
|----------------------------------|----------------------|----------------------|
|                                  | 2018                 | 2017                 |
| Current assets                   | \$ 29,152,284        | \$ 23,581,012        |
| Noncurrent assets                | 79,396,359           | 79,492,633           |
| Total assets                     | <u>108,548,643</u>   | <u>103,073,645</u>   |
| Deferred outflows of resources   | <u>35,053,479</u>    | <u>35,122,814</u>    |
| Current liabilities              | 7,427,466            | 7,828,050            |
| Noncurrent liabilities           | 44,601,620           | 58,335,770           |
| Total liabilities                | <u>52,029,086</u>    | <u>66,163,820</u>    |
| Deferred inflows of resources    | <u>11,209,503</u>    | <u>1,923,709</u>     |
| Net investment in capital assets | 50,146,629           | 47,500,321           |
| Restricted                       | 14,171,553           | 10,231,674           |
| Unrestricted                     | <u>16,045,351</u>    | <u>12,376,935</u>    |
| Total net position               | <u>\$ 80,363,533</u> | <u>\$ 70,108,930</u> |

The largest portion of the District’s net position, \$50,146,629, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$14,171,553, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position, \$16,045,351, represents resources that may be used to meet the District's ongoing operations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2018 and June 30, 2017.

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

|                                    | Governmental Activities |                      |
|------------------------------------|-------------------------|----------------------|
|                                    | Year Ended June 30,     |                      |
|                                    | 2018                    | 2017                 |
| Program revenues:                  |                         |                      |
| Charges for services               | \$ 1,786,893            | \$ 1,863,796         |
| Operating grants and contributions | 8,406,650               | 7,911,356            |
| General revenues                   | 114,534,129             | 112,269,633          |
| Total revenues                     | 124,727,672             | 122,044,785          |
| Program expenses                   | 114,473,069             | 111,189,819          |
| Change in net position             | 10,254,603              | 10,854,966           |
| Net position - beginning           | 70,108,930              | 59,253,964           |
| Net position - ending              | <u>\$ 80,363,533</u>    | <u>\$ 70,108,930</u> |

Overall revenues increased by 2.2 percent from the prior year, due primarily to increases in real property taxes and unrestricted state aid. The amount of real property taxes and items and basic formula state aid increased \$1,046,290 and \$1,338,252, respectively, from the year ended June 30, 2017.

Total expenses increased by 3.0 percent from the year ended June 30, 2017, as a result of incremental increases in costs to provide instruction.

A summary of sources of revenues for the years ended June 30, 2018 and June 30, 2017 is presented below in Table 3:

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

|  | Year ended June 30,   |                       | Increase/(Decrease) |         |
|--|-----------------------|-----------------------|---------------------|---------|
|  | 2018                  | 2017                  | Dollars             | Percent |
| Charges for services                       | \$ 1,786,893          | \$ 1,863,796          | \$ (76,903)         | (4.1)   |
| Operating grants and contributions         | 8,406,650             | 7,911,356             | 495,294             | 6.3     |
| Real property taxes and other tax items    | 60,560,563            | 59,514,273            | 1,046,290           | 1.8     |
| Non-property tax items                     | 7,538,584             | 7,274,853             | 263,731             | 3.6     |
| Use of money and property                  | 410,830               | 298,665               | 112,165             | 37.6    |
| Sale of property and compensation for loss | 4,370                 | 15,800                | (11,430)            | (72.3)  |
| Miscellaneous                              | 435,894               | 832,201               | (396,307)           | (47.6)  |
| State sources—unrestricted                 | 45,583,888            | 44,333,841            | 1,250,047           | 2.8     |
| Total revenues                             | <u>\$ 124,727,672</u> | <u>\$ 122,044,785</u> | <u>\$ 2,682,887</u> | 2.2     |

The most significant sources of revenue for the year ended June 30, 2018 were real property taxes and other tax items of \$60,560,563, or 48.5 percent of total revenues, and unrestricted State sources of \$45,583,888, or 36.5 percent of total revenues. Similarly, for the year ended June 30, 2017, the largest sources of revenue were real property taxes and other tax items of \$59,514,273, or 48.8 percent of total revenues, and unrestricted State sources of \$44,333,841, or 36.3 percent of total revenues.

A summary of program expenses for the years ended June 30, 2018 and June 30, 2017 is presented below in Table 4:

**Table 4—Summary of Program Expenses:**

|                                   | Year Ended June 30,   |                       | Increase/(decrease) |         |
|-----------------------------------|-----------------------|-----------------------|---------------------|---------|
|                                   | 2018                  | 2017                  | Dollars             | Percent |
| General support                   | \$ 15,224,542         | \$ 15,185,711         | \$ 38,831           | 0.3     |
| Instruction                       | 89,688,397            | 86,548,510            | 3,139,887           | 3.6     |
| Pupil transportation              | 7,964,781             | 7,671,052             | 293,729             | 3.8     |
| School food service               | 723,317               | 729,737               | (6,420)             | (0.9)   |
| Interest and other fiscal charges | 872,032               | 1,054,809             | (182,777)           | (17.3)  |
| Total program expenses            | <u>\$ 114,473,069</u> | <u>\$ 111,189,819</u> | <u>\$ 3,283,250</u> | 3.0     |

The most significant expense items for the year ended June 30, 2018 were instruction of \$89,688,397, or 78.3 percent of total expenses, general support of \$15,224,542, or 13.3 percent of total expenses, and pupil transportation of \$7,964,781, or 7.0 percent of total expenditures. Similarly, for the year ended June 30, 2017, the most significant expense items were instruction of \$86,548,510, or 77.8 percent of total expenses, general support of \$15,185,711, or 13.7 percent of total expenses, and pupil transportation of \$7,671,052, or 6.9 percent of total expenditures.

## Financial Analysis of the Governmental Funds

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

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

At June 30, 2018, the District’s governmental funds reported combined ending fund balances of \$21,451,025, an increase of \$5,958,473 from the prior year. Approximately 23.3 percent of this amount, \$4,832,685, constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$339,880, (2) restricted for particular purposes, \$14,171,553, or (3) assigned for particular purposes, \$2,106,907.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,832,685, while the total fund balance increased to \$21,073,472. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 4.3 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 18.8 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$5,804,864 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$685,743 of fund balance (this included funds appropriated from reserved fund balance of \$577,093 and the re-appropriation of prior year’s encumbrances of \$108,650). As a result of spending less than anticipated, the District’s fund balance ended \$6,490,607 higher than anticipated.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Total revenues totaled \$4,699,092 and were comprised of State, Federal and local sources. Expenditures totaled \$4,920,995 and were mostly used towards the instruction and transportation of students. The difference between revenues and expenditures is subsidized by a transfer from the General Fund.

The School Lunch Fund fund balance increased \$153,609, which resulted in a fund balance of \$377,553 at June 30, 2018. The School Lunch Fund had transfers in from the General Fund of \$200,000 to finance operations.

At June 30, 2018, the District’s Capital Projects Fund fund balance remained the same. During the year the Capital Projects fund had transfers in from the General Fund to finance \$99,996 of capital outlay.



## General Fund Budgetary Highlights

The District's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. A summary of revisions from adopted budget to final budget is presented on the below in Table 5.

**Table 5—General Fund Budget**

|                                  |                              |
|----------------------------------|------------------------------|
| Adopted budget, 2017-2018        | \$ 116,804,058               |
| Add: Prior year's encumbrances   | <u>108,650</u>               |
| Original budget, 2017-2018       | 116,912,708                  |
| Voter approved purchase of buses | <u>577,093</u>               |
| Final budget, 2017-2018          | <u><u>\$ 117,489,801</u></u> |

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

## Capital Assets and Debt Administration

**Capital assets**—The District's investment in capital assets for its governmental activities as of June 30, 2018, amounted to \$77,209,948 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, and equipment. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the District's capital asset policy.

Capital assets, net of depreciation for the governmental activities at the years ended June 30, 2018 and June 30, 2017 are presented below in Table 6:

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

|                                     | June 30,                    |                             |
|-------------------------------------|-----------------------------|-----------------------------|
|                                     | 2018                        | 2017                        |
| Land                                | \$ 372,855                  | \$ 372,855                  |
| Land improvements                   | 460,874                     | 575,437                     |
| Buildings and building improvements | 72,946,566                  | 75,319,266                  |
| Equipment                           | <u>3,429,653</u>            | <u>3,225,075</u>            |
| Total                               | <u><u>\$ 77,209,948</u></u> | <u><u>\$ 79,492,633</u></u> |

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

**Long-term liabilities**—At June 30, 2018, the District had serial bonds outstanding of \$25,200,000, as compared to \$29,355,000 in the prior year. During the year ended June 30, 2018, the District made scheduled principal payments of \$4,155,000.

A summary of the District's long-term liabilities at June 30, 2018 and June 30, 2017 is presented below in Table 7.

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

|                             | June 30,             |                      |
|-----------------------------|----------------------|----------------------|
|                             | 2018                 | 2017                 |
| Serial bonds                | \$ 25,200,000        | \$ 29,355,000        |
| Premium on serial bonds     | 1,965,362            | 2,432,415            |
| Bonds payable, net          | 27,165,362           | 31,787,415           |
| Energy performance contract | 101,526              | 495,710              |
| Retirement system payable   | 4,055,731            | 4,810,058            |
| Invergovernmental payables  | 75,473               | 11,594               |
| Compensated absences        | 9,927,731            | 12,082,582           |
| Workers' compensation       | 1,692,181            | 1,321,159            |
| Net pension liability       | 1,583,616            | 7,827,252            |
|                             | <u>\$ 44,601,620</u> | <u>\$ 58,335,770</u> |

Additional information on the District's long-term liabilities can be found in Note 8 to the financial statements.

### **Economic Factors and Next Year's Budget and Rates**

The unemployment rate, not seasonally adjusted, for the region at June 30, 2018 was 4.4 percent. This compares to New York State's unemployment rate of 4.5 percent. These factors are considered in preparing the District's budget.

The 2018-2019 adopted budget appropriations total of \$120,816,624 is an approximate increase of 3.4 percent as compared to \$116,804,058 in 2017-2018. The District's total budgeted tax levy in 2018-2019 is \$61,495,793, which is an approximate increase of 2.7 percent as compared to \$59,879,144 levied during the 2017-2018 year.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Matthew J. Bystrak, Superintendent of Schools or Mr. Brian L. Schulz, District Treasurer, (716-677-3100) West Seneca Central School District, 675 Potters Road, West Seneca, New York 14224.

# BASIC FINANCIAL STATEMENTS



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**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Statement of Net Position**  
**June 30, 2018**

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|   | <b>Primary<br/>Government</b>      |
|---|------------------------------------|
|   | <b>Governmental<br/>Activities</b> |
| <b>ASSETS</b>                                   |                                    |
| Cash and cash equivalents                       | \$ 2,214,950                       |
| Restricted cash and cash equivalents            | 14,188,540                         |
| Receivables                                     | 57,956                             |
| Intergovernmental receivables                   | 12,350,958                         |
| Prepaid items                                   | 252,908                            |
| Inventories                                     | 86,972                             |
| Noncurrent net pension asset                    | 2,186,411                          |
| Capital assets not being depreciated            | 372,855                            |
| Capital assets, net of accumulated depreciation | <u>76,837,093</u>                  |
| Total assets                                    | <u>108,548,643</u>                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                                    |
| Deferred outflows—relating to pension plans     | 34,849,910                         |
| Deferred outflows—loss on refunding             | <u>203,569</u>                     |
| Total deferred outflows of resources            | <u>35,053,479</u>                  |
| <b>LIABILITIES</b>                              |                                    |
| Accounts payable                                | 1,041,099                          |
| Accrued liabilities                             | 663,445                            |
| Intergovernmental payables                      | 248,103                            |
| Due to retirement systems                       | 5,457,832                          |
| Unearned revenues                               | 16,987                             |
| Noncurrent liabilities:                         |                                    |
| Due within one year                             | 7,119,803                          |
| Due within more than one year                   | <u>37,481,817</u>                  |
| Total liabilities                               | <u>52,029,086</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                                    |
| Deferred inflow—relating to pension plans       | <u>11,209,503</u>                  |
| Total deferred inflows of resources             | <u>11,209,503</u>                  |
| <b>NET POSITION</b>                             |                                    |
| Net investment in capital assets                | 50,146,629                         |
| Restricted for:                                 |                                    |
| Tax certiorari                                  | 587,585                            |
| Unemployment insurance                          | 848,250                            |
| Workers' compensation                           | 5,514,367                          |
| Employee benefits                               | 3,818,444                          |
| Capital - transportation                        | 3,402,907                          |
| Unrestricted                                    | <u>16,045,351</u>                  |
| Total net position                              | <u><u>\$ 80,363,533</u></u>        |

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

# WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK

## Statement of Activities Year Ended June 30, 2018

| Function/Program                           | Expenses              | Program Revenues        |  | Net (Expense)<br>Revenue and Changes<br>in Net Position |
|--|-----------------------|-------------------------|--|---|
|  |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Primary   |
|  |                       |                         |  | Governmental<br>Activities                              |
| Governmental activities:                   |                       |                         |  |   |
| General support                            | \$ 15,224,542         | \$ -                    | \$ 97,427                                | \$ (15,127,115)   |
| Instruction                                | 89,688,397            | 1,178,123               | 7,103,658                                | (81,406,616)  |
| Pupil transportation                       | 7,964,781             | -                       | -  | (7,964,781)   |
| School food service                        | 723,317               | 608,770                 | 1,205,565                                | 1,091,018   |
| Interest and other fiscal charges          | 872,032               | -                       | -  | (872,032)   |
| Total primary government                   | <u>\$ 114,473,069</u> | <u>\$ 1,786,893</u>     | <u>\$ 8,406,650</u>                      | <u>(104,279,526)</u>                                    |
| General revenues:                          |                       |                         |  |   |
| Real property taxes and items              |                       |                         |  | 60,560,563  |
| Non-property tax items                     |                       |                         |  | 7,538,584   |
| Use of money and property                  |                       |                         |  | 410,830   |
| Sale of property and compensation for loss |                       |                         |  | 4,370   |
| Miscellaneous                              |                       |                         |  | 435,894   |
| State sources—unrestricted                 |                       |                         |  | <u>45,583,888</u>                                       |
| Total general revenues                     |                       |                         |  | <u>114,534,129</u>                                      |
| Change in net position                     |                       |                         |  | 10,254,603  |
| Net position—beginning                     |                       |                         |  | <u>70,108,930</u>                                       |
| Net position—ending                        |                       |                         |  | <u>\$ 80,363,533</u>                                    |

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

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**June 30, 2018**

|                                      |                      | <u>Special Revenue</u> |                     |                         | <u>Total</u>              |
|--------------------------------------|----------------------|------------------------|---------------------|-------------------------|---------------------------|
|                                      | <u>General</u>       | <u>Special Aid</u>     | <u>School Lunch</u> | <u>Capital Projects</u> | <u>Governmental Funds</u> |
| <b>ASSETS</b>                        |                      |                        |                     |                         |                           |
| Cash and cash equivalents            | \$ 1,939,944         | \$ 2,033               | \$ 272,973          | \$ -                    | \$ 2,214,950              |
| Restricted cash and cash equivalents | 14,188,512           | 28                     | -                   | -                       | 14,188,540                |
| Receivables                          | 57,203               | 50                     | 703                 | -                       | 57,956                    |
| Intergovernmental receivables        | 11,048,823           | 1,226,577              | 53,272              | -                       | 12,328,672                |
| Due from other funds                 | 963,966              | -                      | -                   | -                       | 963,966                   |
| Prepaid items                        | 252,908              | -                      | -                   | -                       | 252,908                   |
| Inventories                          | -                    | -                      | 86,972              | -                       | 86,972                    |
| Total assets                         | <u>\$ 28,451,356</u> | <u>\$ 1,228,688</u>    | <u>\$ 413,920</u>   | <u>\$ -</u>             | <u>\$ 30,093,964</u>      |
| <b>LIABILITIES</b>                   |                      |                        |                     |                         |                           |
| Accounts payable                     | \$ 1,006,854         | \$ 32,841              | \$ 1,404            | \$ -                    | \$ 1,041,099              |
| Accrued liabilities                  | 403,810              | -                      | -                   | -                       | 403,810                   |
| Intergovernmental payables           | 248,103              | -                      | -                   | -                       | 248,103                   |
| Due to other funds                   | -                    | 963,966                | -                   | -                       | 963,966                   |
| Due to retirement systems            | 5,702,158            | 231,853                | 34,963              | -                       | 5,968,974                 |
| Unearned revenues                    | 16,959               | 28                     | -                   | -                       | 16,987                    |
| Total liabilities                    | <u>7,377,884</u>     | <u>1,228,688</u>       | <u>36,367</u>       | <u>-</u>                | <u>8,642,939</u>          |
| <b>FUND BALANCES</b>                 |                      |                        |                     |                         |                           |
| Nonspendable                         | 252,908              | -                      | 86,972              | -                       | 339,880                   |
| Restricted                           | 14,171,553           | -                      | -                   | -                       | 14,171,553                |
| Assigned                             | 1,816,326            | -                      | 290,581             | -                       | 2,106,907                 |
| Unassigned                           | 4,832,685            | -                      | -                   | -                       | 4,832,685                 |
| Total fund balances                  | <u>21,073,472</u>    | <u>-</u>               | <u>377,553</u>      | <u>-</u>                | <u>21,451,025</u>         |
| Total liabilities and fund balances  | <u>\$ 28,451,356</u> | <u>\$ 1,228,688</u>    | <u>\$ 413,920</u>   | <u>\$ -</u>             | <u>\$ 30,093,964</u>      |

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



**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**June 30, 2018**

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

|  |                     |                      |
|--|---------------------|----------------------|
| Total fund balances—governmental funds (page 14)   |                     | \$ 21,451,025        |
| Other long-term receivables are not available to pay for current period expenditures and, therefore, are not reported in the funds.  |                     | 22,286               |
| Net pension assets are not financial resources and, therefore, are not reported in the funds.  |                     | 2,186,411            |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$143,876,795 and the accumulated depreciation is \$66,666,847.  |                     | 77,209,948           |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reported in the funds:   |                     |                      |
| Deferred outflows related to employer contributions  | \$ 5,330,060        |                      |
| Deferred outflows relating to experience and investment earnings   | 29,519,850          |                      |
| Deferred inflows of resources related to pension plans   | <u>(11,209,503)</u> | 23,640,407           |
| For refunding bonds, the difference between the reacquisition price and the net carrying amount of the refunded debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements. |                     | 203,569              |
| Reclassification of due to retirement systems to long-term liabilities.  |                     | 511,142              |
| Net accrued interest expense for serial bonds and the energy performance contract is not reported in the funds.  |                     | (259,635)            |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effect of these items are:  |                     |                      |
| Serial bonds   | \$ (25,200,000)     |                      |
| Premium on serial bonds  | (1,965,362)         |                      |
| Energy performance contract  | (101,526)           |                      |
| Retirement systems payable   | (4,055,731)         |                      |
| Intergovernmental payables   | (75,473)            |                      |
| Compensated absences   | (9,927,731)         |                      |
| Workers' compensation  | (1,692,181)         |                      |
| Net pension liability  | <u>(1,583,616)</u>  | (44,601,620)         |
| Net position of governmental activities  |                     | <u>\$ 80,363,533</u> |

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

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds**  
**Year Ended June 30, 2018**

|   |                      | <u>Special Revenue</u> |                     |                         | <b>Total</b>              |
|---|----------------------|------------------------|---------------------|-------------------------|---------------------------|
|   | <u>General</u>       | <u>Special Aid</u>     | <u>School Lunch</u> | <u>Capital Projects</u> | <u>Governmental Funds</u> |
| <b>REVENUES</b>                                   |                      |                        |                     |                         |                           |
| Real property taxes and tax items                 | \$ 60,560,563        | \$ -                   | \$ -                | \$ -                    | \$ 60,560,563             |
| Non-property tax items                            | 7,538,584            | -                      | -                   | -                       | 7,538,584                 |
| Charges for services                              | 1,178,123            | -                      | -                   | -                       | 1,178,123                 |
| Use of money and property                         | 410,817              | -                      | 13                  | -                       | 410,830                   |
| Sale of property and compensation for loss        | 4,370                | -                      | -                   | -                       | 4,370                     |
| Miscellaneous                                     | 416,420              | 9,558                  | 9,916               | -                       | 435,894                   |
| State sources                                     | 47,017,567           | 1,695,665              | 37,717              | -                       | 48,750,949                |
| Federal sources                                   | 1,055,586            | 2,993,869              | 1,167,848           | -                       | 5,217,303                 |
| Sales—food service                                | -                    | -                      | 608,770             | -                       | 608,770                   |
| Total revenues                                    | <u>118,182,030</u>   | <u>4,699,092</u>       | <u>1,824,264</u>    | <u>-</u>                | <u>124,705,386</u>        |
| <b>EXPENDITURES</b>                               |                      |                        |                     |                         |                           |
| Current:  |                      |                        |                     |                         |                           |
| General support                                   | 10,946,010           | -                      | 865,909             | -                       | 11,811,919                |
| Instruction                                       | 65,239,700           | 4,637,994              | -                   | -                       | 69,877,694                |
| Pupil transportation                              | 5,922,490            | 283,001                | -                   | -                       | 6,205,491                 |
| Employee benefits                                 | 23,914,179           | -                      | 307,009             | -                       | 24,221,188                |
| Debt service:                                     |                      |                        |                     |                         |                           |
| Principal   | 4,549,184            | -                      | -                   | -                       | 4,549,184                 |
| Interest  | 1,283,704            | -                      | -                   | -                       | 1,283,704                 |
| Cost of sales—food service                        | -                    | -                      | 697,737             | -                       | 697,737                   |
| Capital outlay                                    | -                    | -                      | -                   | 99,996                  | 99,996                    |
| Total expenditures                                | <u>111,855,267</u>   | <u>4,920,995</u>       | <u>1,870,655</u>    | <u>99,996</u>           | <u>118,746,913</u>        |
| Excess (deficiency) of revenues over expenditures | <u>6,326,763</u>     | <u>(221,903)</u>       | <u>(46,391)</u>     | <u>(99,996)</u>         | <u>5,958,473</u>          |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                      |                        |                     |                         |                           |
| Transfers in                                      | -                    | 221,903                | 200,000             | 99,996                  | 521,899                   |
| Transfers out                                     | <u>(521,899)</u>     | <u>-</u>               | <u>-</u>            | <u>-</u>                | <u>(521,899)</u>          |
| Total other financing sources (uses)              | <u>(521,899)</u>     | <u>221,903</u>         | <u>200,000</u>      | <u>99,996</u>           | <u>-</u>                  |
| Net change in fund balances                       | 5,804,864            | -                      | 153,609             | -                       | 5,958,473                 |
| Fund balances—beginning                           | <u>15,268,608</u>    | <u>-</u>               | <u>223,944</u>      | <u>-</u>                | <u>15,492,552</u>         |
| Fund balances—ending                              | <u>\$ 21,073,472</u> | <u>\$ -</u>            | <u>\$ 377,553</u>   | <u>\$ -</u>             | <u>\$ 21,451,025</u>      |

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

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended June 30, 2018**

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Amounts reported for governmental activities in the statement of activities (page 13) are different because:

|   |                    |                      |
|---|--------------------|----------------------|
| Net change in fund balances—total governmental funds (page 16)  |                    | \$ 5,958,473         |
| Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                    | 22,286               |
| Governmental funds report capital outlays as expenditures. 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 depreciation exceeded capital outlays in the current period.   |                    |                      |
| Capital asset additions, net of transfers   | \$ 979,756         |                      |
| Depreciation expense  | (3,247,830)        |                      |
| Loss on disposition   | <u>(14,611)</u>    | (2,282,685)          |
| Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows;  |                    |                      |
| District pension contributions  | \$ 5,330,060       |                      |
| Cost of benefits earned net of employee contributions.  | <u>(6,167,898)</u> | (837,838)            |
| In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.  |                    | 31,863               |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows: |                    |                      |
| Repayment of serial bonds   | \$ 4,155,000       |                      |
| Amortization of premium on serial bonds   | 467,053            |                      |
| Deferred loss on refunding  | (87,244)           |                      |
| Repayment of energy performance contract  | 394,184            |                      |
| Change in retirement systems payable  | 713,561            |                      |
| Change in intergovernmental payables  | (63,879)           |                      |
| Change in compensated absences  | 2,154,851          |                      |
| Change in workers' compensation   | <u>(371,022)</u>   | 7,362,504            |
| Change in net position of governmental activities   |                    | <u>\$ 10,254,603</u> |

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

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Statement of Net Position—Fiduciary Funds**  
**June 30, 2018**

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|                                      | <b>Private<br/>Purpose<br/>Trust</b> | <b>Agency<br/>Fund</b> |
|--------------------------------------|--------------------------------------|------------------------|
| <b>ASSETS</b>                        |                                      |                        |
| Restricted cash and cash equivalents | \$ 156,409                           | \$ 341,640             |
| Total assets                         | <u>156,409</u>                       | <u>\$ 341,640</u>      |
| <b>LIABILITIES</b>                   |                                      |                        |
| Accounts payable                     | 563                                  | \$ -                   |
| Extraclassroom activity funds        | -                                    | 104,335                |
| Other agency liabilities             | -                                    | 237,305                |
| Total liabilities                    | <u>563</u>                           | <u>\$ 341,640</u>      |
| <b>NET POSITION</b>                  |                                      |                        |
| Restricted for other purposes        | <u>155,846</u>                       |                        |
| Total net position                   | <u><u>\$ 155,846</u></u>             |                        |

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

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Statement of Changes in Net Position—Fiduciary Funds**  
**Year Ended June 30, 2018**

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|                          | <b>Private<br/>Purpose<br/>Trust</b> |
|--------------------------|--------------------------------------|
|                          |                                      |
| <b>ADDITIONS</b>         |                                      |
| Contributions            | <u>\$ 340,932</u>                    |
| <b>DEDUCTIONS</b>        |                                      |
| Program costs            | <u>311,070</u>                       |
| Change in net position   | 29,862                               |
| Net position - beginning | <u>125,984</u>                       |
| Net position - ending    | <u><u>\$ 155,846</u></u>             |

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

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**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

***Reporting Entity***

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

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

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

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

***Joint Venture***—The District is a participating school district in the Erie No. 1 Board of Cooperative Educational Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

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

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2018, there was no debt issued by the District on behalf of BOCES.

During the fiscal year ended June 30, 2018, the District was billed \$6,132,150 for BOCES administrative and program costs. The District's share of BOCES aid and refunds amounted to \$1,910,558 for the year ended June 30, 2018. Audited financial statements are available from the Erie I BOCES administrative offices.

### ***Basis of Presentation - Government-Wide Financial Statements***

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

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

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

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

The District reports the following major governmental funds:

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



Additionally, the District reports the following fund type:

*Fiduciary Funds*—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. The fiduciary funds of the District include a *Private Purpose Trust Fund* and an *Agency Fund*.

- *Private Purpose Trust Fund*—The Private Purpose Trust Fund is used to account for assets held by the District for the benefit of external entities.
- *Agency Fund*—The Agency Fund is used to account for assets held by the District as an agent for individuals, including current and former employees, private organizations, various student groups and clubs and/or other governmental units. Included within the Agency Fund are the extraclassroom activity funds of the District, which represent funds of the students of the District. The Board of Education exercises general oversight of these funds.

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

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

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues reported in the governmental funds to be available if they are collected within 150 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to noncurrent payables to the Teachers' Retirement System, compensated absences, claims and judgments, and the net pension liability are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability (150 days of year-end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability (150 days of year-end). All other revenue items are considered to be measureable and available only when cash is received by the District.

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

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

***Cash, Cash Equivalents and Investments***—The District's cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the District's investment policies. Permissible investments include obligations of the United States Treasury, U.S. government agencies, repurchase agreements and obligations of New York State or its localities. The District had no investments at June 30, 2018; however, it is the District's policy to report investments at fair value when applicable.

***Restricted Cash and Cash Equivalents***—Restricted cash and cash equivalents represents amounts to support fund balance restrictions, unspent proceeds of debt, unearned revenues, and amounts held on behalf of others.

***Receivables***—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible accounts has been provided since it is believed that such allowance would not be material.

***Prepaid Items***—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

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

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

Land and construction in progress are not depreciated. Land improvements, buildings and building improvements and equipment are depreciated using the straight line method over the estimated useful lives as presented on the following page.

|                                     | Capitalization<br>Threshold | Estimated Useful<br>Life (years) |
|-------------------------------------|-----------------------------|----------------------------------|
| Land                                | \$ 1                        | n/a                              |
| Land improvements                   | 5,000                       | 20                               |
| Buildings and building improvements | 5,000                       | 50                               |
| Equipment                           | 5,000                       | 5-20                             |

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

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2018, the District has two items that qualifies for reporting in this category. The first item is related to pensions, reported in the government-wide financial statements. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability, the difference during the measurement period between the District's contributions, its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is a deferred loss on refunding which the District reports within the government-wide financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2018, the District has one item that qualify for reporting in this category. This item represents the effect of the net change in the District's proportion of the collective net pension liability and the difference during the measurement periods between the District's contributions, and its proportionate share of total contributions to the pension systems not included in pension expense.

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

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

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

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

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

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

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

***Property Taxes***—Real property taxes are levied annually as of July 1<sup>st</sup> by the Board of Education and attached as an enforceable lien. Uncollected real property taxes are subsequently enforced by the County of Erie. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than the forthcoming April 1<sup>st</sup>.

***Unearned Revenues***—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2018, the District reported \$16,959 and \$28 of unearned revenue in the General Fund and Special Aid Fund, respectively, for tuition monies received in advance of performing services.

***Compensated Absences***—It is the District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay are accrued when incurred in the government-wide financial statements. Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore, the timing of future payment is not readily determinable. However, such compensated absences are contractual obligations and will be funded as such payments become due.

***Pensions***—The District is mandated by New York State law to participate in the New York State Teachers’ Retirement System (“TRS”) and the New York State and Local Employees’ Retirement System (“ERS”). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For

this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

### ***Other***

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

***Adoption of New Accounting Pronouncements***—During the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 75 improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). GASB Statement No. 81 improves accounting for financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for the situation in which a government is a beneficiary. GASB Statement No. 82 addresses the issues raised during implementation of Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB Statements No. 75, 81, 82, 85 and 86 did not have a material impact on the District’s financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The District has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 83, *Certain Asset Retirement Obligations*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Payments*, effective for the year ending June 30, 2019; No. 84, *Fiduciary Activities* and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2020; No. 87, *Leases*, and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 87, 88, 89 and 90 will have on its financial position and results of operations when such statements are adopted.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents reported by the District at June 30, 2018, are as follows:

|          | Governmental<br>Funds | Fiduciary<br>Funds | Total                |
|----------|-----------------------|--------------------|----------------------|
| Deposits | \$ 16,403,490         | \$ 498,049         | \$ 16,901,539        |
| Total    | <u>\$ 16,403,490</u>  | <u>\$ 498,049</u>  | <u>\$ 16,901,539</u> |

**Deposits**—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2018 as follows:

| Credit Risk Category   | Bank<br>Balance      | Carrying<br>Amount   |
|--|----------------------|----------------------|
| FDIC insured   | \$ 386,454           | \$ 382,871           |
| Uninsured:   |                      |                      |
| Collateral held by the pledging bank's<br>agent in the District's name | <u>19,018,470</u>    | <u>16,518,668</u>    |
| Total deposits   | <u>\$ 19,404,924</u> | <u>\$ 16,901,539</u> |

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2018, the District's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the District's name.

**Restricted Cash and Cash Equivalents**—The District reports unspent proceeds of debt, and amounts to support unearned revenues, restricted fund balances and amounts held on behalf of others as restricted cash and cash equivalents. At June 30, 2018, the District reported \$14,188,540 of restricted cash within its governmental funds and \$498,049 within its fiduciary funds.

**Investments**—The District had no investments at June 30, 2018.

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

### 3. RECEIVABLES

Major revenues accrued by the District at June 30, 2018 consisted of the following:

***Receivables***—Primarily represents amounts due for non-resident student tuition and transportation services and for health services provided to non-resident, non-public students. The District reported amounts of \$57,203, \$50 and \$703 in the General Fund, Special Aid Fund and School Lunch Fund, respectively.

***Intergovernmental Receivables***—Represents amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2018 are presented below:

|   |                |                      |
|---|----------------|----------------------|
| General Fund:                           |                |                      |
| State aid (general and excess cost)     | \$ 5,816,614   |                      |
| Sales tax                               | 3,056,616      |                      |
| BOCES aid                               | 1,318,558      |                      |
| Medicaid management information systems | 533,469        |                      |
| Other school districts                  | <u>323,566</u> | \$ 11,048,823        |
| Special Aid Fund:                       |                |                      |
| Summer chapter 4408                     | 324,029        |                      |
| Title I                                 | 185,355        |                      |
| Chapter 4201                            | 145,384        |                      |
| Universal pre-kindergarten              | 148,777        |                      |
| Section 611                             | 346,183        |                      |
| Section 619                             | 15,372         |                      |
| Teacher center                          | 19,046         |                      |
| Title II                                | <u>42,431</u>  | 1,226,577            |
| School Lunch Fund:                      |                |                      |
| National school lunch program           |                | <u>53,272</u>        |
| Total governmental funds                |                | <u>\$ 12,328,672</u> |

#### 4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2018 was as follows:

|  | Balance<br>7/1/2017  | Increases             | Decreases         | Balance<br>6/30/2018 |
|--|----------------------|-----------------------|-------------------|----------------------|
| Capital assets, not being depreciated:       |                      |                       |                   |                      |
| Land   | \$ 372,855           | \$ -                  | \$ -              | \$ 372,855           |
| Construction in progress                     | -                    | 99,996                | 99,996            | -                    |
| Total capital assets, not being depreciated  | <u>372,855</u>       | <u>99,996</u>         | <u>99,996</u>     | <u>372,855</u>       |
| Capital assets, being depreciated:           |                      |                       |                   |                      |
| Land improvements                            | 2,432,266            | -                     | -                 | 2,432,266            |
| Buildings and building improvements          | 124,809,183          | 99,996                | 17,023            | 124,892,156          |
| Equipment                                    | <u>15,751,638</u>    | <u>879,760</u>        | <u>451,880</u>    | <u>16,179,518</u>    |
| Total capital assets, being depreciated      | <u>142,993,087</u>   | <u>979,756</u>        | <u>468,903</u>    | <u>143,503,940</u>   |
| Less accumulated depreciation for:           |                      |                       |                   |                      |
| Land improvements                            | 1,856,829            | 114,563               | -                 | 1,971,392            |
| Buildings and building improvements          | 49,489,917           | 2,458,084             | 2,411             | 51,945,590           |
| Equipment                                    | <u>12,526,563</u>    | <u>675,183</u>        | <u>451,881</u>    | <u>12,749,865</u>    |
| Total accumulated depreciation               | <u>63,873,309</u>    | <u>3,247,830</u>      | <u>454,292</u>    | <u>66,666,847</u>    |
| Total capital assets, being depreciated, net | <u>79,119,778</u>    | <u>(2,268,074)</u>    | <u>14,611</u>     | <u>76,837,093</u>    |
| Governmental activities, capital assets, net | <u>\$ 79,492,633</u> | <u>\$ (2,168,078)</u> | <u>\$ 114,607</u> | <u>\$ 77,209,948</u> |

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

##### Governmental activities:

|                     |                     |
|---------------------|---------------------|
| General support     | \$ 433,027          |
| Instruction         | 2,572,104           |
| Transportation      | 217,120             |
| School food service | <u>25,579</u>       |
|                     | <u>\$ 3,247,830</u> |

#### 5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2018, were as follows:

|                              |                   |
|------------------------------|-------------------|
|                              | General<br>Fund   |
| Salary and employee benefits | <u>\$ 403,810</u> |



## 6. PENSION OBLIGATIONS

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

### *Plan Descriptions and Benefits Provided*

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

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

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

***Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—The net pension liability/(asset) was measured as of June 30, 2017 for TRS and March 31, 2018 for ERS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by actuarial valuations as of June 30, 2016 and April 1, 2017, respectively, with update procedures used to roll forward the total pension liability/(asset) to the measurement dates. The District's proportion of the net pension liability/(asset) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

|  | TRS            | ERS            |
|--|----------------|----------------|
| Measurement date   | June 30, 2017  | March 31, 2018 |
| Net pension liability/(asset)  | \$ (2,186,411) | \$ 1,583,616   |
| District's portion of the Plan's total net pension liability/(asset) | 0.287648%      | 0.0490672%     |

For the year ended June 30, 2018, the District recognized a pension expense of \$5,634,721 and \$2,150,419 for the TRS and ERS, respectively. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows of Resources |                     | Deferred Inflows of Resources |                     |
|---|--------------------------------|---------------------|-------------------------------|---------------------|
|   | TRS                            | ERS                 | TRS                           | ERS                 |
| Differences between expected and actual experiences   | \$ 1,798,879                   | \$ 564,825          | \$ 852,456                    | \$ 466,750          |
| Changes of assumptions  | 22,247,152                     | 1,050,068           | -                             | -                   |
| Net difference between projected and actual earnings on pension plan investments                                    | -                              | 2,300,076           | 5,149,629                     | 4,540,119           |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 766,945                        | 791,905             | 111,603                       | 88,946              |
| District contributions subsequent to the measurement date   | 4,624,710                      | 705,350             | -                             | -                   |
| Total   | <u>\$ 29,437,686</u>           | <u>\$ 5,412,224</u> | <u>\$ 6,113,688</u>           | <u>\$ 5,095,815</u> |

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | TRS        | ERS         |
|---------------------|------------|-------------|
| 2019                | \$ 643,785 | \$ 574,913  |
| 2020                | 6,023,739  | 522,113     |
| 2021                | 4,349,879  | (1,020,061) |
| 2022                | 1,183,465  | (465,906)   |
| 2023                | 4,337,625  | -           |
| Thereafter          | 2,160,795  | -           |

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

|                          | TRS                             | ERS                               |
|--------------------------|---------------------------------|-----------------------------------|
| Measurement date         | June 30, 2017                   | March 31, 2018                    |
| Actuarial valuation date | June 30, 2016                   | April 1, 2017                     |
| Interest rate            | 7.25%                           | 7.00%                             |
| Salary scale             | 1.90%-4.72%                     | 3.80%                             |
| Decrement tables         | July 1, 2009 -<br>June 30, 2014 | April 1, 2010 -<br>March 31, 2015 |
| Inflation rate           | 2.5%                            | 2.5%                              |

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP2014, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

|                                    | TRS               | ERS          | TRS                                    | ERS            |
|------------------------------------|-------------------|--------------|--|----------------|
|                                    | Target Allocation |              | Long-Term Expected Real Rate of Return |                |
| Measurement date                   |                   |              | June 30, 2017                          | March 31, 2018 |
| Asset class:                       |                   |              |  |                |
| Domestic equities                  | 35.0 %            | 36.0 %       | 5.9 %                                  | 4.6 %          |
| International equities             | 18.0              | 14.0         | 7.4                                    | 6.4            |
| Private equity                     | 8.0               | 10.0         | 9.0                                    | 7.5            |
| Real estate                        | 11.0              | 10.0         | 4.3                                    | 5.6            |
| Absolute return strategies         | 0.0               | 2.0          | 0.0                                    | 3.8            |
| Domestic fixed income securities   | 16.0              | 0.0          | 1.6                                    | 0.0            |
| Global fixed income securities     | 2.0               | 0.0          | 1.3                                    | 0.0            |
| High-yield fixed income securities | 1.0               | 0.0          | 3.9                                    | 0.0            |
| Opportunistic portfolio            | 0.0               | 3.0          | 0.0                                    | 5.7            |
| Real assets                        | 0.0               | 3.0          | 0.0                                    | 5.3            |
| Bonds and mortgages                | 8.0               | 17.0         | 2.8                                    | 1.3            |
| Short-term                         | 1.0               | 1.0          | 0.6                                    | 0.0            |
| Inflation-indexed bonds            | 0.0               | 4.0          | 0.0                                    | 1.3            |
| Total                              | <u>100 %</u>      | <u>100 %</u> |  |                |

**Discount Rate**—The discount rate used to calculate the total pension liability was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption**—The chart below presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.25% for TRS and 6.0% for ERS) or one percentage-point higher (8.25% for TRS and 8.0% for ERS) than the current assumption.

|  | 1%<br>Decrease<br>(6.25%) | Current<br>Assumption<br>(7.25%) | 1%<br>Increase<br>(8.25%) |
|--|---------------------------|----------------------------------|---------------------------|
| <b>TRS</b>   |                           |                                  |                           |
| Employer's proportionate share<br>of the net pension liability/(asset) | \$ 37,665,377             | \$ (2,186,411)                   | \$ (35,560,305)           |
| <b>ERS</b>   |                           |                                  |                           |
|  | 1%<br>Decrease<br>(6.0%)  | Current<br>Assumption<br>(7.0%)  | 1%<br>Increase<br>(8.0%)  |
| Employer's proportionate share<br>of the net pension liability/(asset) | \$ 11,982,062             | \$ 1,583,616                     | \$ (7,213,054)            |

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

|   | (Dollars in Thousands) |                     |
|---|------------------------|---------------------|
|   | TRS                    | ERS                 |
| Valuation date  | June 30, 2016          | April 1, 2017       |
| Employers' total pension (asset)/liability                                  | \$ 114,708,261         | \$ 183,400,590      |
| Plan fiduciary net position   | 115,468,360            | 180,173,145         |
| Employers' net pension (asset)/liability                                    | <u>\$ (760,099)</u>    | <u>\$ 3,227,445</u> |
| System fiduciary net position as a<br>percentage of total pension liability | 100.7%                 | 98.2%               |

**Payables to the Pension Plan**—For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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, 2018 amounted to \$5,263,624.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$705,350.

## 7. RISK MANAGEMENT

The District is exposed to various risks of losses. Generally, all risks of loss are covered through the purchase of commercial insurance with the exception of workers' compensation claims. Settled claims under the District's commercial insurance have not exceeded commercial coverage in any of the past three fiscal years. The District has decided to self-insure its workers' compensation expenditures that are less than the minimum claim covered by its umbrella insurance policy. The District reports its risk management activities in the funds which incurred the expense. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

Total claims and judgments expenditures of \$768,159 were recorded in the General Fund for the year ended June 30, 2018.

Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNR"). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. The District uses an excess loss policy for claims exceeding \$400,000 for workers' compensation to reduce its exposure to large losses.

The following summarizes workers' compensation claims reported and claim payments including liability balances outstanding for fiscal years ended June 30, 2017 and June 30, 2018.

| Fiscal Year<br>Ended June 30, | Balance<br>7/1/2017 | Claims       | Payments   | Balance<br>6/30/2018 |
|-------------------------------|---------------------|--------------|------------|----------------------|
| 2018                          | \$ 1,321,159        | \$ 1,139,181 | \$ 768,159 | \$ 1,692,181         |
| 2017                          | 1,409,465           | 915,101      | 1,003,407  | 1,321,159            |

At June 30, 2018 and 2017, \$5,514,367 and \$3,927,551, respectively, of the General Fund's fund balance was reserved for loss contingencies for purposes of funding the District's future workers' compensation claim liabilities.

## 8. LONG-TERM LIABILITIES

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

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

The District's outstanding long-term liabilities include serial bonds, premiums on serial bonds, energy performance contract, retirement systems payable, intergovernmental payables, compensated absences, workers' compensation and net pension liability. The serial bonds of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of the District's long term debt at June 30, 2018 is shown below:

|                             | Balance<br>7/1/2017  | Additions           | Reductions           | Balance<br>6/30/2018 | Due Within<br>One Year |
|-----------------------------|----------------------|---------------------|----------------------|----------------------|------------------------|
| Serial bonds                | \$ 29,355,000        | \$ -                | \$ 4,155,000         | \$ 25,200,000        | \$ 4,305,000           |
| Premium on serial bonds     | 2,432,415            | -                   | 467,053              | 1,965,362            | 467,053                |
| Bonds payable, net          | 31,787,415           | -                   | 4,622,053            | 27,165,362           | 4,772,053              |
| Energy performance contract | 495,710              | -                   | 394,184              | 101,526              | 101,526                |
| Retirement systems payable  | 4,810,058            | -                   | 754,327              | 4,055,731            | 745,944                |
| Intergovernmental payables  | 11,594               | 75,473              | 11,594               | 75,473               | 75,473                 |
| Compensated absences*       | 12,082,582           | -                   | 2,154,851            | 9,927,731            | 496,387                |
| Workers' compensation       | 1,321,159            | 1,139,181           | 768,159              | 1,692,181            | 928,420                |
| Net pension liability*      | 7,827,252            | -                   | 6,243,636            | 1,583,616            | -                      |
| Total                       | <u>\$ 58,335,770</u> | <u>\$ 3,390,259</u> | <u>\$ 17,124,409</u> | <u>\$ 44,601,620</u> | <u>\$ 7,119,803</u>    |

(\*reductions to the compensated absences and net pension liability are shown net of additions.)

**Serial Bonds**—The District issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 6 to 16 years.

Principal is paid annually, interest is paid semi-annually; these payments are recorded in the General Fund. A summary of additions and payments for the year ended June 30, 2018 is shown below:

| Description           | Original<br>Issue | Interest<br>Rate (%) | Issue/<br>Maturity | Balance<br>7/1/2017  | Additions   | Payments            | Balance<br>6/30/2018 |
|-----------------------|-------------------|----------------------|--------------------|----------------------|-------------|---------------------|----------------------|
| District improvements | \$ 20,000,000     | 2.98                 | 2013/2028          | \$ 16,075,000        | \$ -        | \$ 1,425,000        | \$ 14,650,000        |
| District improvements | 13,895,000        | 2.00                 | 2015/2021          | 13,280,000           | -           | 2,730,000           | 10,550,000           |
| Total                 |                   |                      |                    | <u>\$ 29,355,000</u> | <u>\$ -</u> | <u>\$ 4,155,000</u> | <u>\$ 25,200,000</u> |

**Amortization of Bond Premiums**—The District issued serial bonds in the amounts of \$20,000,000 and \$13,895,000 and received bond premiums of \$1,730,547 and \$1,717,210, respectively. The premiums are being amortized on a straight-line basis over the life of the bonds, which mature on November 26, 2028 and October 16, 2021, respectively. Unamortized bond premiums at June 30, 2018 total \$1,965,362.

**Energy Performance Contract ("EPC")**—In 2003, the District entered into an Energy Performance Contract for modifications to various facilities. The modifications were made to improve energy efficiency District-Wide. The EPC carries an interest rate of 4.81% and is payable quarterly. The final payment of \$102,747, including interest was made subsequent to year end on August 31, 2018. Total outstanding balance at June 30, 2018 was \$101,526.

The requirements of the energy performance contract are summarized below:

|  |                   |
|--|-------------------|
| Total minimum lease payments due year ending June 30, 2019 | \$ 102,747        |
| Less: amounts representing imputed interest                | <u>(1,221)</u>    |
| Present value of minimum lease payments                    | <u>\$ 101,526</u> |

The assets acquired through the energy performance contract are presented below:

|                                | <u>Governmental<br/>Activities</u> |
|--------------------------------|------------------------------------|
| Assets:                        |                                    |
| Special purpose equipment      | \$ 4,109,199                       |
| Less: Accumulated depreciation | <u>(3,715,400)</u>                 |
| Total                          | <u>\$ 393,799</u>                  |

***Retirement Systems Payable***—This amount represents previous payments to the New York State Employees' Retirement System and the New York State Teachers' Retirement System that the District has elected to amortize over a ten year period. At June 30, 2018, the District reported a retirement systems payable of \$4,055,731 of which \$745,944 is considered payable on the fund financial statements and is recorded within the General Fund.

***Intergovernmental Payables***—This represents liabilities to other municipalities which is not expected to be paid with current financial resources. At June 30, 2018 the District reported \$75,473 of intergovernmental payables.

***Compensated Absences***—In addition to pension benefits, the District allows certain employees to convert unused sick and vacation time into either cash or a deferred income plan to pay for future health insurance premiums at retirement. Such benefits are pursuant to a Special Retirement Agreement and an Attendance Improvement Program. Currently, 177 retirees who meet these eligibility requirements have elected to convert such time for the payment of health insurance premiums. The District has paid premiums and health insurance buyouts of approximately \$853,473 for the year ended June 30, 2018 on behalf of retirees.

As explained in Note 1, the District records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2018, for governmental activities is \$9,927,731, of which management estimates that \$496,387 is due within one year. Since payment of compensated absences' is dependent upon many factors, the timing of future payments is not readily determinable.

***Workers' Compensation***—As described in Note 7, the District is self-insured for workers' compensation claims under the District's commercial insurance limit. Liabilities are established for workers' compensation in accordance with GASB requirements. At June 30, 2018, the District reported \$1,692,181 of workers' compensation liability.

***Net Pension Liability***—The District reported a liability, totaling \$1,583,616, for its proportionate share of the net pension liability for the Employees' Retirement System. Refer to Note 6 for additional information related to the District's net pension liability.

The following is a maturity schedule of the District's indebtedness:

|            | Serial<br>Bonds      | Premium<br>on Serial<br>Bonds | Energy<br>Performance<br>Contract | Retirement<br>Systems<br>Payable |
|------------|----------------------|-------------------------------|-----------------------------------|----------------------------------|
| 2019       | \$ 4,305,000         | \$ 467,053                    | \$ 101,526                        | \$ 745,944                       |
| 2020       | 4,480,000            | 467,053                       | -                                 | 771,443                          |
| 2021       | 4,660,000            | 238,092                       | -                                 | 797,825                          |
| 2022       | 3,125,000            | 123,611                       | -                                 | 259,953                          |
| 2023       | 1,610,000            | 123,611                       | -                                 | 268,838                          |
| 2024-2028  | 7,020,000            | 545,942                       | -                                 | 1,179,441                        |
| Thereafter | -                    | -                             | -                                 | 32,287                           |
| Total      | <u>\$ 25,200,000</u> | <u>\$ 1,965,362</u>           | <u>\$ 101,526</u>                 | <u>\$ 4,055,731</u>              |

|            | Intergovernmental<br>Payables | Compensated<br>Absences | Workers'<br>Compensation | Net<br>Pension<br>Liability | Total                |
|------------|-------------------------------|-------------------------|--------------------------|-----------------------------|----------------------|
| 2019       | \$ 75,473                     | \$ 496,387              | \$ 928,420               | \$ -                        | \$ 7,119,803         |
| 2020       | -                             | -                       | -                        | -                           | 5,718,496            |
| 2021       | -                             | -                       | -                        | -                           | 5,695,917            |
| 2022       | -                             | -                       | -                        | -                           | 3,508,564            |
| 2023       | -                             | -                       | -                        | -                           | 2,002,449            |
| 2024-2028  | -                             | -                       | -                        | -                           | 8,745,383            |
| Thereafter | -                             | 9,431,344               | 763,761                  | 1,583,616                   | 11,811,008           |
| Total      | <u>\$ 75,473</u>              | <u>\$ 9,927,731</u>     | <u>\$ 1,692,181</u>      | <u>\$ 1,583,616</u>         | <u>\$ 44,601,620</u> |

Interest requirements on serial bonds payable are as follows:

| Year      | Interest            |
|-----------|---------------------|
| 2019      | \$ 1,083,425        |
| 2020      | 871,050             |
| 2021      | 642,550             |
| 2022      | 447,925             |
| 2023      | 329,550             |
| 2024-2028 | 599,650             |
| Total     | <u>\$ 3,974,150</u> |

## 9. NET POSITION AND FUND BALANCE

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

- **Net Investment in Capital Assets**—This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.



- ***Restricted Net Position***—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position***—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2018, includes:

- ***Prepaid items***—Represents the portion of fund balance, \$252,908, composed of prepayments for the New York Schools insurance reciprocal premium. This balance is nonspendable within the General Fund as prepaid items do not represent an available resource.
- ***Inventories***—Represents the portion of fund balance, \$86,972 composed of inventory. This balance is nonspendable within the School Lunch Fund as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the District at June 30, 2018 includes:

|                          | General<br>Fund      |
|--------------------------|----------------------|
| Tax certiorari           | \$ 587,585           |
| Unemployment insurance   | 848,250              |
| Workers' compensation    | 5,514,367            |
| Employee benefits        | 3,818,444            |
| Capital - transportation | 3,402,907            |
| Total                    | <u>\$ 14,171,553</u> |

- ***Restricted for Tax Certiorari***—According to Education Law Section 3651.1-a, this restriction must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the restriction 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 proceeds 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.
- ***Restricted for Unemployment Insurance***—According to General Municipal Law Section 6-m, this restriction must be 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 restriction 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.

- ***Restricted for Workers' Compensation***—According to General Municipal Law Section 6-j, this restriction must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. 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 the 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.
- ***Restricted for Employee Benefits***—According to General Municipal Law Section 6-p, this restriction must be used 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.
- ***Restricted for Capital - Transportation***—According to Education Law Section 3651, this restriction must be 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 restriction only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority. As of June 30, 2018, the District has no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2018 and include:

|                                | General<br>Fund     | School<br>Lunch Fund | Total               |
|--------------------------------|---------------------|----------------------|---------------------|
| Subsequent year's expenditures | \$ 1,729,769        | \$ -                 | \$ 1,729,769        |
| Encumbrances                   | 86,557              | -                    | 86,557              |
| School lunch                   | -                   | 290,581              | 290,581             |
| Total                          | <u>\$ 1,816,326</u> | <u>\$ 290,581</u>    | <u>\$ 2,106,907</u> |

- ***Assigned to Subsequent Year's Expenditures***—Representing available fund balance being appropriated to meet expenditure requirements in the 2018-19 fiscal year, \$1,729,769, at June 30, 2018.
- ***Assigned to Encumbrances***—Represents amounts related to unperformed (executory) contracts for goods and services. The District has \$86,557 of fund balance assigned to encumbrances at June 30, 2018.
- ***Assigned to Specific Use***—Representing remaining fund balance of \$290,581 within the special revenue fund used to maintain school lunch operations.

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

## 10. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2018 is as follows:

| Fund             | Interfund         |                   |
|------------------|-------------------|-------------------|
|                  | Receivables       | Payables          |
| General Fund     | \$ 963,966        | \$ -              |
| Special Aid Fund | -                 | 963,966           |
| Total            | <u>\$ 963,966</u> | <u>\$ 963,966</u> |

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

The District made the following transfers during the year ended June 30, 2018:

| Fund           | Transfers in:     |                       |                   | Total             |
|----------------|-------------------|-----------------------|-------------------|-------------------|
|                | Special Aid Fund  | Capital Projects Fund | School Lunch Fund |                   |
| Transfers out: |                   |                       |                   |                   |
| General Fund   | <u>\$ 221,903</u> | <u>\$ 99,996</u>      | <u>\$ 200,000</u> | <u>\$ 521,899</u> |

Transfers are used primarily to finance certain special aid and school lunch programs, and to support capital project expenditures.

## 11. AGENCY FUND

The Agency Fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2018:

|                                      | Balance<br>7/1/2017 | Increases            | Decreases            | Balance<br>6/30/2018 |
|--------------------------------------|---------------------|----------------------|----------------------|----------------------|
| <b>ASSETS</b>                        |                     |                      |                      |                      |
| Restricted cash and cash equivalents | <u>\$ 315,908</u>   | <u>\$ 71,209,614</u> | <u>\$ 71,183,882</u> | <u>\$ 341,640</u>    |
| Total                                | <u>\$ 315,908</u>   | <u>\$ 71,209,614</u> | <u>\$ 71,183,882</u> | <u>\$ 341,640</u>    |
| <b>LIABILITIES</b>                   |                     |                      |                      |                      |
| Extraclassroom activity funds        | <u>\$ 93,896</u>    | <u>\$ 191,971</u>    | <u>\$ 181,532</u>    | <u>\$ 104,335</u>    |
| Other fund liabilities               | <u>222,012</u>      | <u>71,017,643</u>    | <u>71,002,350</u>    | <u>237,305</u>       |
| Total                                | <u>\$ 315,908</u>   | <u>\$ 71,209,614</u> | <u>\$ 71,183,882</u> | <u>\$ 341,640</u>    |

## 12. LABOR RELATIONS

District employees are represented by five bargaining units with the balance governed by Board of Education rules and regulations. The Supervisors and Directors, Managerial Assistants and Administration Association contracts are negotiated through June 30, 2019. The CSEA and Teachers Association contracts are negotiated through June 30, 2020.

## 13. COMMITMENTS

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

Significant encumbrances are amounts encumbered in excess of \$20,000. As of June 30, 2018, the District had two significant encumbrances in the amounts of \$22,810 and \$36,367 for foster student services and a vehicle acquisition, respectively.

## 14. TAX ABATEMENTS

The District is subject to tax abatements granted by the Erie County Industrial Development Agency ("ECIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the ECIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the District, the abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by ECIDA, the District collected \$601,864 during the 2017-2018 fiscal year in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$1,201,593 in property taxes.

## 15. CONTINGENCIES

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

**Grants**—In the normal course of business, the District receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

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

## 16. SUBSEQUENT EVENTS

On August 23, 2018, the District entered into a \$5,125,922 energy performance contract for leasing various equipment. Principal and interest payments will be made semiannually with the final payment due on October 15, 2033. The interest rate of the energy performance contract approximates 1.73%.

Management has evaluated subsequent events through October 9, 2018, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

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## REQUIRED SUPPLEMENTARY INFORMATION





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**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of the District's Proportionate Share of the**  
**Net Pension Liability (Asset)—Teachers' Retirement System**  
**Last Five Fiscal Years\***

|   | Year Ended June 30,   |                     |                        |                        |                       |
|---|-----------------------|---------------------|------------------------|------------------------|-----------------------|
|   | 2018                  | 2017                | 2016                   | 2015                   | 2014                  |
| Measurement date  | June 30, 2017         | June 30, 2016       | June 30, 2015          | June 30, 2014          | June 30, 2013         |
| District's proportion of the net pension liability (asset)  | 0.287648%             | 0.289726%           | 0.302614%              | 0.297924%              | 0.299473%             |
| District's proportionate share of the net pension liability (asset)   | <u>\$ (2,186,411)</u> | <u>\$ 3,103,090</u> | <u>\$ (31,431,967)</u> | <u>\$ (33,186,919)</u> | <u>\$ (1,971,289)</u> |
| District's covered-employee payroll   | \$ 45,899,846         | \$ 44,963,272       | \$ 44,129,885          | \$ 44,354,484          | \$ 44,129,885         |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | (4.8%)                | 6.9%                | (71.2%)                | (74.8%)                | (4.5%)                |
| Plan fiduciary net position as a percentage of the total pension liability  | 100.7%                | 99.0%               | 110.5%                 | 111.5%                 | 100.7%                |

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

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of the District's Contributions—**  
**Teachers' Retirement System**  
**Last Five Fiscal Years\***

|  | Year Ended June 30, |                    |                     |                    |                    |
|--|---------------------|--------------------|---------------------|--------------------|--------------------|
|  | 2018                | 2017               | 2016                | 2015               | 2014               |
| Contractually required contribution                                  | \$ 5,342,296        | \$ 5,928,240       | \$ 7,968,569        | \$ 7,151,311       | \$ 5,193,764       |
| Contributions in relation to the contractually required contribution | <u>(5,342,296)</u>  | <u>(5,928,240)</u> | <u>(6,423,036)</u>  | <u>(6,218,340)</u> | <u>(5,193,764)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$ 1,545,533</u> | <u>\$ 932,971</u>  | <u>\$ -</u>        |
| District's covered-employee payroll                                  | \$ 47,533,031       | \$ 45,899,846      | \$ 44,963,272       | \$ 44,129,885      | \$ 44,354,484      |
| Contributions as a percentage of covered-employee payroll            | 11.2%               | 12.9%              | 17.7%               | 16.2%              | 11.7%              |

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

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of the District's Proportionate Share of the Net Pension Liability—**  
**Employees' Retirement System**  
**Last Five Fiscal Years\***

|   | Year Ended June 30, |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2018                | 2017                | 2016                | 2015                | 2014                |
| Measurement date  | March 31, 2018      | March 31, 2017      | March 31, 2016      | March 31, 2015      | March 31, 2014      |
| District's proportion of the net pension liability  | 0.0490672%          | 0.0502772%          | 0.0504105%          | 0.0494025%          | 0.0494025%          |
| District's proportionate share of the net pension liability   | <u>\$ 1,583,616</u> | <u>\$ 4,724,162</u> | <u>\$ 8,091,025</u> | <u>\$ 1,668,936</u> | <u>\$ 2,232,428</u> |
| District's covered-employee payroll   | \$ 16,164,644       | \$ 15,348,211       | \$ 14,951,207       | \$ 14,681,428       | \$ 14,813,250       |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 9.8%                | 30.8%               | 54.1%               | 11.4%               | 15.1%               |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 98.2%               | 94.7%               | 90.7%               | 97.9%               | 97.2%               |

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

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of the District's Contributions—**  
**Employees' Retirement System**  
**Last Five Fiscal Years\***

|  | Year Ended June 30, |                    |                    |                    |                     |
|--|---------------------|--------------------|--------------------|--------------------|---------------------|
|  | 2018                | 2017               | 2016               | 2015               | 2014                |
| Contractually required contribution                                  | \$ 2,737,986        | \$ 2,679,908       | \$ 2,846,928       | \$ 2,254,988       | \$ 3,089,461        |
| Contributions in relation to the contractually required contribution | <u>(2,737,986)</u>  | <u>(2,449,944)</u> | <u>(2,662,981)</u> | <u>(1,657,727)</u> | <u>(1,925,026)</u>  |
| Contribution deficiency (excess)                                     | <u>\$ -</u>         | <u>\$ 229,964</u>  | <u>\$ 183,947</u>  | <u>\$ 597,261</u>  | <u>\$ 1,164,435</u> |
| District's covered-employee payroll                                  | \$ 16,478,986       | \$ 16,098,388      | \$ 14,999,504      | \$ 14,792,089      | \$ 14,401,782       |
| Contributions as a percentage of covered-employee payroll            | 16.6%               | 16.6%              | 19.0%              | 15.2%              | 21.5%               |

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

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance—**  
**Budget (Non-GAAP Basis) and Actual—General Fund**  
**Year Ended June 30, 2018**

|   | <b>Budgeted Amounts</b> |                    |                    | <b>Variance with</b> |
|---|-------------------------|--------------------|--------------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>       | <b>Actual</b>      | <b>Final Budget</b>  |
| <b>REVENUES</b>                               |                         |                    |                    |                      |
| Local sources:                                |                         |                    |                    |                      |
| Real property taxes                           | \$ 49,079,144           | \$ 49,473,437      | \$ 49,549,187      | \$ 75,750            |
| Real property tax items                       | 11,276,813              | 10,882,520         | 11,011,376         | 128,856              |
| Non-property tax items                        | 7,275,000               | 7,275,000          | 7,538,584          | 263,584              |
| Charges for services                          | 850,000                 | 850,000            | 1,178,123          | 328,123              |
| Use of money and property                     | 278,986                 | 278,986            | 410,817            | 131,831              |
| Sale of property and<br>compensation for loss | -                       | -                  | 4,370              | 4,370                |
| Miscellaneous                                 | 320,422                 | 320,422            | 416,420            | 95,998               |
| State sources:                                |                         |                    |                    |                      |
| Basic formula                                 | 25,197,610              | 25,084,405         | 24,801,597         | (282,808)            |
| Lottery aid                                   | 8,345,000               | 8,345,000          | 8,418,325          | 73,325               |
| Excess cost aid                               | 10,516,916              | 10,516,916         | 10,453,408         | (63,508)             |
| BOCES aid                                     | 1,921,454               | 1,921,454          | 1,910,558          | (10,896)             |
| Tuition and transportation                    | 800,000                 | 800,000            | 654,851            | (145,149)            |
| Textbook aid                                  | 419,284                 | 419,284            | 420,719            | 1,435                |
| Computer software                             | 105,085                 | 218,290            | 218,740            | 450                  |
| Library / loan program                        | 43,844                  | 43,844             | 41,942             | (1,902)              |
| State emergency management agency             | 24,500                  | 24,500             | 97,427             | 72,927               |
| Federal sources:                              |                         |                    |                    |                      |
| Medicaid assistance                           | 350,000                 | 350,000            | 1,055,586          | 705,586              |
| Total revenues                                | <u>116,804,058</u>      | <u>116,804,058</u> | <u>118,182,030</u> | <u>1,377,972</u>     |
| <b>OTHER FINANCING SOURCES</b>                |                         |                    |                    |                      |
| Appropriated reserves                         | -                       | 577,093            | -                  | -                    |
| Total other financing sources                 | -                       | 577,093            | -                  | -                    |
| Total revenues and other financing sources    | <u>116,804,058</u>      | <u>117,381,151</u> | <u>118,182,030</u> | <u>1,377,972</u>     |

(continued)

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance—**  
**Budget (Non-GAAP Basis) and Actual—General Fund**  
**Year Ended June 30, 2018**

(concluded)

|   | <b>Budgeted Amounts</b> |               |               |                     | <b>Variance with</b> |
|---|-------------------------|---------------|---------------|---------------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>  | <b>Actual</b> | <b>Encumbrances</b> | <b>Final Budget</b>  |
| <b>EXPENDITURES</b>   |                         |               |               |                     |                      |
| General support:  |                         |               |               |                     |                      |
| Board of Education  | \$ 148,189              | \$ 155,911    | \$ 98,625     | \$ -                | \$ 57,286            |
| Central administration                                      | 286,573                 | 254,573       | 244,210       | -                   | 10,363               |
| Finance   | 1,226,694               | 1,153,930     | 1,029,871     | -                   | 124,059              |
| Staff   | 711,518                 | 678,350       | 551,770       | -                   | 126,580              |
| Central services  | 8,434,349               | 8,752,452     | 7,886,483     | 36,367              | 829,602              |
| Special items   | 1,341,127               | 1,331,127     | 1,135,051     | -                   | 196,076              |
| Instruction:  |                         |               |               |                     |                      |
| Instruction, administration<br>and improvement              | 4,858,283               | 4,681,894     | 4,474,232     | 5,818               | 201,844              |
| Teaching—regular school                                     | 34,751,692              | 34,631,675    | 34,435,625    | 4,749               | 191,301              |
| Programs for pupils with<br>handicapping conditions         | 14,411,738              | 15,556,043    | 14,865,987    | 39,110              | 650,946              |
| Occupational education                                      | 1,942,930               | 1,991,618     | 1,961,969     | -                   | 29,649               |
| Teaching—special schools                                    | 707,525                 | 716,541       | 594,294       | -                   | 122,247              |
| Instructional media   | 4,054,396               | 4,085,329     | 3,675,489     | 244                 | 409,596              |
| Pupil services  | 5,420,380               | 5,413,794     | 5,232,104     | 269                 | 181,421              |
| Pupil transportation  | 5,838,993               | 6,454,912     | 5,922,490     | -                   | 532,422              |
| Employee benefits   | 26,355,432              | 25,208,763    | 23,914,179    | -                   | 1,294,584            |
| Debt service  | 5,872,889               | 5,872,889     | 5,832,888     | -                   | 40,001               |
| Total expenditures/encumbrances                             | 116,362,708             | 116,939,801   | 111,855,267   | 86,557              | 4,997,977            |
| <b>OTHER FINANCING USES</b>                                 |                         |               |               |                     |                      |
| Transfers out   | 550,000                 | 550,000       | 521,899       | -                   | 28,101               |
| Total expenditures/encumbrances<br>and other financing uses | 116,912,708             | 117,489,801   | 112,377,166   | 86,557              | 5,026,078            |
| Net change in fund balance*                                 | (108,650)               | (108,650)     | 5,804,864     |                     |                      |
| Fund balance—beginning                                      | 15,268,608              | 15,268,608    | 15,268,608    |                     |                      |
| Fund balance—ending   | \$ 15,159,958           | \$ 15,159,958 | \$ 21,073,472 |                     |                      |

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

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

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**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Note to the Required Supplementary Information**  
**Year Ended June 30, 2018**

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**1. BUDGETARY INFORMATION**

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

The appropriated budget is prepared by fund, function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations, exceeding \$10,000, between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

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

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## SUPPLEMENTARY INFORMATION



**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit—General Fund**  
**Year Ended June 30, 2018**

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**Change from Adopted Budget to Final Budget**

|                                  |                              |
|----------------------------------|------------------------------|
| Adopted budget, 2017-2018        | \$ 116,804,058               |
| Add: Prior year's encumbrances   | <u>108,650</u>               |
| Original budget, 2017-2018       | 116,912,708                  |
| Voter approved purchase of buses | <u>577,093</u>               |
| Final budget, 2017-2018          | <u><u>\$ 117,489,801</u></u> |

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

|   |                            |
|---|----------------------------|
| 2018-2019 voter approved expenditure budget | <u>\$ 120,816,624</u>      |
| Maximum allowed (4% of 2018-2019 budget)    | <u><u>\$ 4,832,665</u></u> |

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

|  |                            |
|--|----------------------------|
| Unrestricted fund balance:   |                            |
| Assigned fund balance  | \$ 1,816,326               |
| Unassigned fund balance  | <u>4,832,685</u>           |
| Total unrestricted fund balance  | 6,649,011                  |
| Less:  |                            |
| Appropriated fund balance  | \$ 1,729,769               |
| Encumbrances included in assigned fund balance                             | <u>86,557</u>              |
| Total adjustments  | <u>1,816,326</u>           |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | <u><u>\$ 4,832,685</u></u> |
| Actual percentage  | 4.0%                       |

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

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Capital Project Expenditures**  
**Year Ended June 30, 2018**

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| <b>Project Title</b> | <b>Original<br/>Appropriation</b> | <b>Revised<br/>Appropriation</b> | <b>Expenditures</b>    |                         |                  | <b>Unexpended<br/>Balance</b> |
|----------------------|-----------------------------------|----------------------------------|------------------------|-------------------------|------------------|-------------------------------|
|                      |                                   |                                  | <b>Prior<br/>Years</b> | <b>Current<br/>Year</b> | <b>Total</b>     |                               |
| East Middle          |                                   |                                  |                        |                         |                  |                               |
| School-2017          | \$ 100,000                        | \$ 100,000                       | \$ -                   | \$ 99,996               | \$ 99,996        | \$ 4                          |
| Total                | <u>\$ 100,000</u>                 | <u>\$ 100,000</u>                | <u>\$ -</u>            | <u>\$ 99,996</u>        | <u>\$ 99,996</u> | <u>\$ 4</u>                   |

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Net Investment in Capital Assets**  
**June 30, 2018**

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|   |                  |                      |
|---|------------------|----------------------|
| Capital assets, net of accumulated depreciation |                  | \$ 77,209,948        |
| Add:  |                  |                      |
| Deferred loss on refunding                      |                  | 203,569              |
| Deduct:   |                  |                      |
| Serial bonds                                    | \$ (25,200,000)  |                      |
| Premium on bonds payable                        | (1,965,362)      |                      |
| Energy performance contract                     | <u>(101,526)</u> | <u>(27,266,888)</u>  |
| Net investment in capital assets                |                  | <u>\$ 50,146,629</u> |

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## FEDERAL AWARDS INFORMATION



**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

| <b>Federal Grantor/Pass-through<br/>Grantor/Program or Cluster Title (1a)</b> | <b>Federal CFDA<br/>Number (1b)</b> | <b>Pass-through<br/>Entity's<br/>Identifying<br/>Number (1c)</b> | <b>Passed-<br/>Through to<br/>Subrecipients</b> | <b>Federal<br/>Expenditures (1d)</b> |
|---|-------------------------------------|--|---|--------------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>   |                                     |  |   |                                      |
| <i>Passed through New York State Department of Agriculture:</i>               |                                     |  |   |                                      |
| Child Nutrition Cluster:  |                                     |  |   |                                      |
| School Breakfast Program  | 10.553                              | N/A  | \$ -  | \$ 192,552                           |
| National School Lunch Program   | 10.555                              | N/A  | -   | 975,296                              |
| Total Child Nutrition Cluster   |                                     |  | -   | 1,167,848                            |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                                   |                                     |  | -   | 1,167,848                            |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |                                     |  |   |                                      |
| <i>Passed-through New York State Department of Education:</i>                 |                                     |  |   |                                      |
| Title I Grants to Local Educational Agencies                                  | 84.010                              | 021-18-0855  | -   | 954,153                              |
| Total Title I Grants to Local Educational Agencies                            |                                     |  | -   | 954,153                              |
| Special Education Cluster:  |                                     |  |   |                                      |
| Special Education - Grants to States  | 84.027                              | 032-18-0243  | -   | 1,715,653                            |
| Special Education - Preschool Grants  | 84.173                              | 033-18-0243  | -   | 63,640                               |
| Total Special Education Cluster   |                                     |  | -   | 1,779,293                            |
| Supporting Effective Instruction State Grant                                  | 84.367                              | 147-18-0855  | -   | 213,104                              |
| Supporting Effective Instruction State Grant                                  | 84.367                              | 147-17-0855  | -   | 13,045                               |
| Total Supporting Effective Instruction State Grants                           |                                     |  | -   | 226,149                              |
| English Language Acquisition Grants   | 84.365                              | 149-17-0855  | -   | 3,401                                |
| English Language Acquisition Grants   | 84.365                              | 149-18-0855  | -   | 11,241                               |
| English Language Acquisition Grants   | 84.365                              | 152-17-0855  | -   | 19,632                               |
| Total English Language Acquisition Grants                                     |                                     |  | -   | 34,274                               |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                                     |                                     |  | -   | 2,993,869                            |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)</b>                              |                                     |  | \$ -  | \$ 4,161,717                         |

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

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**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the West Seneca Central School District, New York ( the "District") under programs of federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. The following notes were identified on the schedule:

- (a) Includes all federal award programs of the West Seneca Central School District, New York.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) Total federal expenditures for the District's 2017-2018 fiscal year is reconciled to Federal sources as reported in the basic financial statements as follows

|  |                     |
|--|---------------------|
| Balance per schedule of expenditures of federal awards | \$ 4,161,717        |
| Medicaid reimbursement                                 | <u>1,055,586</u>    |
| Total Federal Sources per financial statements         | <u>\$ 5,217,303</u> |

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**3. NON-MONETARY FEDERAL PROGRAM**

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2018, the District used \$123,238 worth of commodities.

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*Certified Public Accountants*

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

The Board of Education  
West Seneca Central School District, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Seneca Central School District, New York (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 9, 2018.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### **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.

*Drescher & Malecki LLP*

October 9, 2018



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*Certified Public Accountants*

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

The Board of Education  
West Seneca Central School District, New York

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

We have audited the West Seneca Central School District, New York's (the "District") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget* ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

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

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

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

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

*Drescher & Malecki LLP*

October 9, 2018

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2018**

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

**Financial Statements:**

Type of report the auditor issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes ✓ No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes ✓ None reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ Yes ✓ No

**Federal Awards:**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ Yes ✓ No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes ✓ None reported

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

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes ✓ No

Identification of major federal programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
|                       | Special Education Cluster:                |
| 84.027                | Special Education—Grants to States        |
| 84.173                | Special Education—Preschool Grants        |

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

Auditee qualified as low-risk auditee? ✓ Yes \_\_\_\_\_ No

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2018**

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**Section II. FINANCIAL STATEMENT FINDINGS**

No findings noted.

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

No findings noted.

**WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Summary Schedule of Prior Audit Findings and Corrective Action Plan**  
**Year Ended June 30, 2018**  
**(Follow-up of June 30, 2017 Findings)**

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No findings were reported.

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