

**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, 2017 and Independent Auditors' Reports*

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, 2017, 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, 2017, 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 is 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 10, 2017 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Drescher & Malecki LLP

October 10, 2017

WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2017

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, 2017. 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, 2017 by \$70,108,930 (*net position*). This consists of \$47,500,321 net investment in capital assets, \$10,231,674 restricted for specific purposes and unrestricted net position of \$12,376,935.
- The District's net position increased by \$10,854,966 during the year ended June 30, 2017.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$15,492,552 an increase of \$7,880,224 in comparison with prior year's fund balance of \$7,612,328.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$4,672,162, 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 30.6 percent of the General Fund's total fund balance of \$15,268,608 at June 30, 2017.
- The District's total bond indebtedness decreased by \$4,200,000 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 includes supplementary information intended to furnish additional detail to support 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 that of a private-sector business.

The *statement of net position* presents financial 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 for some items that will result only 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 and 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 funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Aid Fund, Capital Projects Fund, School Lunch Fund and Debt Service 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 statement 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 different types of fiduciary funds, the Private Purpose Trust Fund and the Agency Fund.

The fiduciary fund financial statements can be found on pages 18 and 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 20-43 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 44-50 of this report.

Other supplementary information is presented immediately following the required supplementary information in the Supplementary Information section of this report on pages 51-53.

The Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 54-62 of this report.

Government-wide Overall 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 \$70,108,930 at June 30, 2017 as compared to \$59,253,964 at the close of the fiscal year ended June 30, 2016.

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,	
	2017	2016
Current assets	\$ 23,581,012	\$ 16,678,309
Noncurrent assets	79,492,633	113,372,870
Total assets	<u>103,073,645</u>	<u>130,051,179</u>
Deferred outflows of resources	<u>35,122,814</u>	<u>14,361,004</u>
Current liabilities	7,828,050	8,855,357
Noncurrent liabilities	58,335,770	64,293,083
Total liabilities	<u>66,163,820</u>	<u>73,148,440</u>
Deferred inflows of resources	<u>1,923,709</u>	<u>12,009,779</u>
Net investment in capital assets	47,500,321	44,993,002
Restricted	10,231,674	3,399,506
Unrestricted	<u>12,376,935</u>	<u>10,861,456</u>
Total net position	<u>\$ 70,108,930</u>	<u>\$ 59,253,964</u>

The largest portion of the Districts’ net position, \$47,500,321, 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, \$10,231,674, 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, \$12,376,935, 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, 2017 and June 30, 2016.

Table 2—Condensed Statements of Changes in Net Position

	Year Ended June 30,	
	2017	2016
Program revenues:		
Charges for services	\$ 1,863,796	\$ 1,703,118
Operating grants and contributions	7,911,356	7,534,477
General revenues	<u>112,269,633</u>	<u>109,373,498</u>
Total revenues	122,044,785	118,611,093
Program expenses	<u>111,189,819</u>	<u>102,303,265</u>
Change in net position	10,854,966	16,307,828
Net position - beginning	<u>59,253,964</u>	<u>42,946,136</u>
Net position - ending	<u>\$ 70,108,930</u>	<u>\$ 59,253,964</u>

Overall revenues increased by 2.9 percent from the prior year, due primarily to increases in unrestricted state aid. The amount of basic formula state aid and excess cost state aid increased \$1,553,765 and \$631,267, respectively, from the year ended June 30, 2016.

Total expenses increased by 8.7 percent from the year ended June 30, 2016, as a result of increased employee benefits related to the Teachers' Retirement System pension liability valuation and the incremental increases in costs to provide instruction.

A summary of sources of revenues for the years ended June 30, 2017 and June 30, 2016 is presented below in Table 3:

Table 3—Summary of Sources of Revenues

	Year ended June 30,		Increase/(Decrease)	
	2017	2016	Dollars	Percent
Charges for services	\$ 1,863,796	\$ 1,703,118	\$ 160,678	9.4
Operating grants and contributions	7,911,356	7,534,477	376,879	5.0
Real property taxes and other tax items	59,514,273	58,983,993	530,280	0.9
Non-property tax items	7,274,853	7,331,468	(56,615)	(0.8)
Use of money and property	298,665	221,869	76,796	34.6
Sale of property and compensation for loss	15,800	1,436	14,364	1,000.3
Miscellaneous	832,201	626,321	205,880	32.9
State sources—unrestricted	44,333,841	42,208,411	2,125,430	5.0
Total revenues	<u>\$ 122,044,785</u>	<u>\$ 118,611,093</u>	<u>\$ 3,433,692</u>	2.9

The most significant sources of revenue for the year ended June 30, 2017 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. Similarly, for the year ended June 30, 2016, the largest sources of revenue were real property taxes and other tax items of \$58,983,993, or 49.7 percent of total revenues, and unrestricted State sources of \$42,208,411, or 35.6 percent of total revenues.

A summary of program expenses for the years ended June 30, 2017 and June 30, 2016 is presented below in Table 4:

Table 4—Summary of Program Expenses:

	Year Ended June 30,		Increase/(decrease)	
	2017	2016	Dollars	Percent
General support	\$ 15,185,711	\$ 13,793,840	\$ 1,391,871	10.1
Instruction	86,548,510	79,001,040	7,547,470	9.6
Pupil transportation	7,671,052	7,413,608	257,444	3.5
School food service	729,737	718,683	11,054	1.5
Interest and other fiscal charges	1,054,809	1,376,094	(321,285)	(23.3)
Total program expenses	<u>\$ 111,189,819</u>	<u>\$ 102,303,265</u>	<u>\$ 8,886,554</u>	8.7

The most significant expense items for the year ended June 30, 2017 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. Similarly, for the year ended June 30, 2016, the most significant expense items were instruction of \$79,001,040, or 77.2 percent of total expenses, general support of \$13,793,840, or 13.5 percent of total expenses, and pupil transportation of \$7,413,608, or 7.2 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.

As of June 30, 2017, the District’s governmental funds reported combined ending fund balances of \$15,492,552, an increase of \$7,880,224 from the prior year. Approximately 30.3 percent of this amount, \$4,672,162, 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, \$353,280, (2) restricted for particular purposes, \$10,231,674, or (3) assigned for particular purposes, \$235,436.

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 \$4,695,246, while the total fund balance increased to \$15,268,608. 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 14.1 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$7,700,797 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$556,118 of fund balance (this included funds appropriated from reserved fund balance of \$512,191 and the re-appropriation of prior year’s encumbrances of \$43,927). As a result of spending less than anticipated, the District’s fund balance ended \$7,744,724 higher than anticipated.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Total revenues totaled \$4,465,719 and were comprised of State, Federal and local sources. Expenditures totaled \$4,660,878 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.

At June 30, 2017, 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 \$99,423 of capital outlay.

The School Lunch Fund fund balance increased \$179,427, which resulted in a fund balance of \$223,944 as of June 30, 2017. The School Lunch Fund had transfers in from the General Fund of \$200,000 to finance operations.

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, 2016-2017	\$114,535,983
Add: Prior year's encumbrances—June 30, 2016	<u>43,927</u>
Original budget, 2016-2017	114,579,910
Add: Budget revisions - voter approved purchase of buses	<u>512,191</u>
Final budget, 2016-2017	<u><u>\$115,092,101</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, 2017, amounted to \$79,492,633 (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, 2017 and June 30, 2016 are presented below in Table 6:

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

	June 30,	
	2017	2016
Land	\$ 372,855	\$ 372,855
Land improvements	575,437	689,999
Buildings and building improvements	75,319,266	77,674,696
Equipment	<u>3,225,075</u>	<u>3,203,353</u>
Total	<u><u>\$ 79,492,633</u></u>	<u><u>\$ 81,940,903</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, 2017, the District had serial bonds outstanding of \$29,355,000, as compared to \$33,555,000 in the prior year. During the year ended June 30, 2017, the District made scheduled principal payments of \$4,200,000.

A summary of the District’s long-term liabilities at June 30, 2017 and June 30, 2016 is presented below in Table 7.

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2017	2016
Serial bonds	\$ 29,355,000	\$ 33,555,000
Premium on serial bonds	2,432,415	2,899,468
Bonds payable, net	31,787,415	36,454,468
Energy performance contract	495,710	871,490
Retirement system payable	4,810,058	5,248,617
Inergovernmental payables	11,594	48,151
Compensated absences	12,082,582	12,169,867
Workers' compensation	1,321,159	1,409,465
Net pension liability	7,827,252	8,091,025
	<u>\$ 58,335,770</u>	<u>\$ 64,293,083</u>

Additional information on the District’s long-term liabilities can be found in Note 9 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, 2017 was 3.8 percent. This compares favorably to New York State’s average unemployment rate of 4.5 percent. These factors are considered in preparing the District’s budget.

The 2017-2018 adopted budget appropriations total of \$116,804,058 is an approximate increase of 2.0 percent as compared to \$114,535,983 in 2016-2017. The District’s total budgeted tax levy in 2017-2018 is \$59,879,144, which is an approximate increase of 0.7 percent as compared to \$59,440,198 levied during the 2016-2017 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, Interim 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, 2017

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,343,037
Restricted cash and cash equivalents	10,249,668
Receivables	54,017
Intergovernmental receivables	10,581,010
Prepaid items	256,122
Inventories	97,158
Capital assets not being depreciated	372,855
Capital assets, net of accumulated depreciation	<u>79,119,778</u>
Total assets	<u>103,073,645</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pension plans	34,832,001
Deferred loss on refunding bonds	<u>290,813</u>
Total deferred outflows of resources	<u>35,122,814</u>
LIABILITIES	
Accounts payable	997,305
Accrued liabilities	642,661
Due to retirement systems	6,170,090
Unearned revenue	17,994
Noncurrent liabilities:	
Due within one year	7,335,794
Due within more than one year	<u>50,999,976</u>
Total liabilities	<u>66,163,820</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow—relating to pension plans	<u>1,923,709</u>
Total deferred inflows of resources	<u>1,923,709</u>
NET POSITION	
Net investment in capital assets	47,500,321
Restricted for:	
Tax certiorari	558,177
Debt	10
Unemployment insurance	848,250
Workers' compensation	3,927,551
Employee benefits	941,007
Capital - transportation	3,956,679
Unrestricted	<u>12,376,935</u>
Total net position	<u>\$ 70,108,930</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, 2017

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental activities:				
General support	\$ 15,185,711	\$ -	\$ 94,069	\$ (15,091,642)
Instruction	86,548,510	1,259,997	6,647,337	(78,641,176)
Pupil transportation	7,671,052	-	-	(7,671,052)
School food service	729,737	603,799	1,169,950	1,044,012
Interest and other fiscal charges	1,054,809	-	-	(1,054,809)
Total primary government	<u>\$ 111,189,819</u>	<u>\$ 1,863,796</u>	<u>\$ 7,911,356</u>	<u>(101,414,667)</u>
General revenues:				
				59,514,273
				7,274,853
				298,665
				15,800
				832,201
				44,333,841
				<u>112,269,633</u>
				10,854,966
				59,253,964
				<u>\$ 70,108,930</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, 2017

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 2,244,101	\$ -	\$ -	\$ 98,936	\$ -	\$ 2,343,037
Restricted cash and cash equivalents	10,235,680	13,988	-	-	-	10,249,668
Receivables	50,589	-	-	3,428	-	54,017
Due from other funds	233,179	-	-	-	-	233,179
Intergovernmental receivables	10,013,764	506,588	-	60,658	-	10,581,010
Prepaid items	256,122	-	-	-	-	256,122
Inventories	-	-	-	97,158	-	97,158
Total assets	<u>\$ 23,033,435</u>	<u>\$ 520,576</u>	<u>\$ -</u>	<u>\$ 260,180</u>	<u>\$ -</u>	<u>\$ 23,814,191</u>
LIABILITIES						
Accounts payable	\$ 973,827	\$ 20,104	\$ -	\$ 3,374	\$ -	\$ 997,305
Accrued liabilities	351,163	-	-	-	-	351,163
Due to other funds	-	233,179	-	-	-	233,179
Due to retirement systems	6,437,022	252,114	-	32,862	-	6,721,998
Unearned revenue	2,815	15,179	-	-	-	17,994
Total liabilities	<u>7,764,827</u>	<u>520,576</u>	<u>-</u>	<u>36,236</u>	<u>-</u>	<u>8,321,639</u>
FUND BALANCES						
Nonspendable	256,122	-	-	97,158	-	353,280
Restricted	10,231,674	-	-	-	-	10,231,674
Assigned	108,650	-	-	126,786	-	235,436
Unassigned	4,672,162	-	-	-	-	4,672,162
Total fund balances	<u>15,268,608</u>	<u>-</u>	<u>-</u>	<u>223,944</u>	<u>-</u>	<u>15,492,552</u>
Total liabilities and fund balances	<u>\$ 23,033,435</u>	<u>\$ 520,576</u>	<u>\$ -</u>	<u>\$ 260,180</u>	<u>\$ -</u>	<u>\$ 23,814,191</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, 2017

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

Total fund balances—governmental funds (page 14)		\$ 15,492,552
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$143,365,942 and the accumulated depreciation is \$63,873,309.		79,492,633
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 6,064,791	
Deferred outflows relating to experience and investment earnings	28,767,210	
Deferred inflows of resources related to pension plans	<u>(1,923,709)</u>	32,908,292
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.		290,813
Net accrued interest expense for serial bonds and the energy performance contract is not reported in the funds.		(291,498)
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	\$ (29,355,000)	
Premium on serial bonds	(2,432,415)	
Energy performance contract	(495,710)	
Noncurrent Teachers' Retirement System payable	551,908	
Retirement systems payable	(4,810,058)	
Intergovernmental payables	(11,594)	
Compensated absences	(12,082,582)	
Workers' compensation	(1,321,159)	
Net pension liability	<u>(7,827,252)</u>	<u>(58,335,770)</u>
Net position of governmental activities		<u>\$ 70,108,930</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, 2017

	General	Special Aid	Capital Projects	School Lunch	Debt Service	Total Governmental Funds
REVENUES						
Real property taxes and tax items	\$ 59,514,273	\$ -	\$ -	\$ -	\$ -	\$ 59,514,273
Non-property tax items	7,274,853	-	-	-	-	7,274,853
Charges for services	1,259,997	-	-	-	-	1,259,997
Use of money and property	298,650	-	-	15	-	298,665
Sale of property and compensation for loss	15,800	-	-	-	-	15,800
Miscellaneous	814,320	8,754	-	9,127	-	832,201
State sources	45,786,133	1,540,655	-	36,864	-	47,363,652
Federal sources	832,149	2,916,310	-	1,133,086	-	4,881,545
Sales—food service	-	-	-	603,799	-	603,799
Total revenues	<u>115,796,175</u>	<u>4,465,719</u>	<u>-</u>	<u>1,782,891</u>	<u>-</u>	<u>122,044,785</u>
EXPENDITURES						
Current:						
General support	10,635,044	-	-	841,752	-	11,476,796
Instruction	61,527,765	3,725,309	-	-	-	65,253,074
Pupil transportation	5,528,831	254,744	-	-	-	5,783,575
Employee benefits	23,848,972	680,825	-	259,470	-	24,789,267
Debt service:						
Principal	4,575,780	-	-	-	-	4,575,780
Interest	1,484,404	-	-	-	-	1,484,404
Cost of sales—food service	-	-	-	702,242	-	702,242
Capital outlay	-	-	99,423	-	-	99,423
Total expenditures	<u>107,600,796</u>	<u>4,660,878</u>	<u>99,423</u>	<u>1,803,464</u>	<u>-</u>	<u>114,164,561</u>
Excess (deficiency) of revenues over expenditures	<u>8,195,379</u>	<u>(195,159)</u>	<u>(99,423)</u>	<u>(20,573)</u>	<u>-</u>	<u>7,880,224</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	195,159	99,423	200,000	-	494,582
Transfers out	(494,582)	-	-	-	-	(494,582)
Total other financing sources (uses)	<u>(494,582)</u>	<u>195,159</u>	<u>99,423</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,700,797	-	-	179,427	-	7,880,224
Fund balances—beginning	<u>7,567,811</u>	<u>-</u>	<u>-</u>	<u>44,517</u>	<u>-</u>	<u>7,612,328</u>
Fund balances—ending	<u>\$ 15,268,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,944</u>	<u>\$ -</u>	<u>\$ 15,492,552</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, 2017

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) \$ 7,880,224

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	\$ 810,085	
Depreciation expense	(3,258,128)	
Loss on disposition	<u>(227)</u>	(2,448,270)

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows;

District pension contributions	\$ 6,064,791	
Cost of benefits earned net of employee contributions.	<u>(6,297,861)</u>	(233,070)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 49,786

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:

Principal repayment of serial bonds	\$ 4,200,000	
Amortization of premium on serial bonds	467,053	
Deferred loss on refunding	(87,244)	
Principal repayment of energy performance contract	375,780	
Change in retirement systems payable	438,559	
Change in intergovernmental payables	36,557	
Change in compensated absences	87,285	
Change in workers' compensation	<u>88,306</u>	<u>5,606,296</u>

Change in net position of governmental activities \$ 10,854,966

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, 2017

	Private Purpose Trust	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 125,984	\$ 315,908
Total assets	<u>125,984</u>	<u>\$ 315,908</u>
LIABILITIES		
Extraclassroom activity funds	-	\$ 93,896
Other agency liabilities	-	<u>222,012</u>
Total liabilities	<u>-</u>	<u>\$ 315,908</u>
NET POSITION		
Restricted for other purposes	<u>125,984</u>	
Total net position	<u>\$ 125,984</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, 2017

	<u>Private Purpose Trust</u>
ADDITIONS	
Contributions	\$ 381,762
Total additions	<u>381,762</u>
DEDUCTIONS	
Program costs	<u>375,942</u>
Total deductions	<u>375,942</u>
Change in net position	5,820
Net position - beginning	<u>120,164</u>
Net position - ending	<u><u>\$ 125,984</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, 2017

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 government 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 exchange 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 the 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 one of 19 participating school districts in the Erie 1 (“Erie 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 share 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, 2017, there was no debt issued by the District on behalf of BOCES.

During the fiscal year ended June 30, 2017, the District was billed \$4,854,847 for BOCES administrative and program costs. The District's share of BOCES aid and refunds amounted to \$1,737,032 for the year ended June 30, 2017. 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 remaining governmental funds are aggregated and reported as nonmajor funds. The District does not report any nonmajor funds.

The District reports the following major governmental funds:

- *General Fund*—This fund is the principal operating fund of the District and accounts for all financial resources of the general government, except those accounted for in another fund. The principal source of revenue for the General Fund is real property taxes and state sources.
- *Special Aid Fund*—This fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

- *School Lunch Fund*—This fund is used to account for transactions of the District’s food service operations.
- *Debt Service Fund*—This fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Additionally, the District reports the following fund type:

Fiduciary 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. The Fiduciary Funds of the District includes a Private Purpose Trust Fund and an Agency Fund.

- *Private-Purpose Trust Fund*—This fund is used to account for assets held by the District for the benefit of external entities.
- *Agency Fund*—This fund is used to account for assets held by the District as an agent for individuals, 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 represents 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 the 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 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 measurable 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 date of acquisition. New York State law governs the District's investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The District had no investments at June 30, 2017; however, when the District does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash represents amounts to support restricted fund balances and unearned revenue.

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.

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.

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.

Capital Assets—Capital assets, which include land, construction in progress, 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 (\$5,000) for the type of asset and an estimated useful life in excess of one year.

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. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

	<u>Depreciation Method</u>	<u>Estimated Useful Life (years)</u>
Land	n/a	n/a
Construction in progress	n/a	n/a
Land improvements	Straight-line	20
Buildings and building improvements	Straight-line	50
Equipment	Straight-line	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, 2017, 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, 2017, 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 and is reported on the government-wide statements.

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 Expenditures/Expenses

Program Revenues—Amounts reported as *program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided. 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 by the Board of Education. 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.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2017, the District reported \$2,815 and \$15,179 of unearned revenue in the General Fund and Special Aid Fund, respectively.

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 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 (“GAAP”), 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, 2017, the District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans*; and No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*. GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and accessing accountability. GASB Statement No. 77 requires the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users. GASB Statement No. 78 addresses a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain

component units. GASB Statements No. 73, 74, 77, 78 and 80 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; 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* effective for the year ending June 30, 2018; No. 83, *Certain Asset Retirement Obligations* effective for the year ending June 30, 2019; No. 84, *Fiduciary Activities* effective for the year ending June 30, 2020 and No. 87, *Leases* effective for the year ending June 30, 2021. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 81, 82, 83, 84, 85, 86 and 87 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 deposits, time deposits 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, 2017 are as follows:

	Governmental Funds	Fiduciary Funds	Total
Deposits	<u>\$ 12,592,705</u>	<u>\$441,892</u>	<u>\$13,034,597</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2017 as follows:

Credit Risk Category	Bank Balance	Carrying Amount
FDIC insured	\$ 448,892	\$ 391,399
Uninsured:		
Collateral held by the pledging bank's agent in the District's name	<u>15,113,157</u>	<u>12,643,198</u>
Total deposits	<u>\$15,562,049</u>	<u>\$13,034,597</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, 2017, 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 amounts to support restricted fund balances and unearned revenue as restricted cash and cash equivalents. At June 30, 2017, the District reported \$10,226,584 of restricted cash within its governmental funds.

Investments—The District had no investments at June 30, 2017.

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, 2017 consisted of the following:

Receivables—Primarily represents amounts due for non-resident student tuition and for health services provided to non-resident, non-public students. The District reported amounts of \$50,589 and \$3,428 in the General 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, 2017 consist of the following:

General Fund:		
State aid (general and excess cost)	\$5,329,140	
Sales tax	2,964,634	
BOCES aid	1,104,489	
Medicaid management information systems	211,967	
Other school districts	396,432	
Schools and libraries e-rate	<u>7,102</u>	\$10,013,764
Special Aid Fund:		
Summer chapter 4408	15,770	
Title I	72,034	
Chapter 4201	81,493	
Universal pre-kindergarten	56,806	
Section 611	178,999	
Section 619	7,050	
Teacher center	4,436	
Title II	85,613	
Title III	<u>4,387</u>	506,588
School Lunch Fund:		
National school lunch program		<u>60,658</u>
Total governmental funds		<u>\$10,581,010</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2017 was as follows:

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Capital assets, not being depreciated:				
Land	\$ 372,855	\$ -	\$ -	\$ 372,855
Construction in progress	-	99,423	99,423	-
Total capital assets, not being depreciated	<u>372,855</u>	<u>99,423</u>	<u>99,423</u>	<u>372,855</u>
Capital assets, being depreciated:				
Land improvements	2,432,266	-	-	2,432,266
Buildings and building improvements	124,709,760	99,423	-	124,809,183
Equipment	15,308,365	710,662	267,389	15,751,638
Total capital assets, being depreciated	<u>142,450,391</u>	<u>810,085</u>	<u>267,389</u>	<u>142,993,087</u>
Less accumulated depreciation for:				
Land improvements	1,742,267	114,562	-	1,856,829
Buildings and building improvements	47,035,064	2,454,853	-	49,489,917
Equipment	12,105,012	688,713	267,162	12,526,563
Total accumulated depreciation	<u>60,882,343</u>	<u>3,258,128</u>	<u>267,162</u>	<u>63,873,309</u>
Total capital assets, being depreciated, net	<u>81,568,048</u>	<u>(2,448,043)</u>	<u>227</u>	<u>79,119,778</u>
Governmental activities, capital assets, net	<u>\$ 81,940,903</u>	<u>\$(2,348,620)</u>	<u>\$ (99,650)</u>	<u>\$ 79,492,633</u>

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

Governmental activities:	
General support	\$ 449,349
Instruction	2,554,841
Transportation	226,443
School food service	27,495
	<u>\$3,258,128</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2017, were as follows:

	General Fund
Salary and employee benefits	<u>\$ 351,163</u>

6. PENSION OBLIGATIONS

The District participates in the New York State Teachers' Retirement and the New York State and Local Employees' Retirement System (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—This a cost-sharing multiple-employer 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 at the TRS website at www.nystrs.org.

Employees' Retirement System—This is a cost-sharing multiple-employer 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 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, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of June 30, 2016 for TRS and March 31, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 and April 1, 2016, respectively, with update procedures used to roll forward the total pension liability to the measurement dates. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2016	March 31, 2017
Net pension liability	\$ 3,103,090	\$ 4,724,162
District's portion of the Plan's total net pension liability	0.289726%	0.0502772%

For the year ended June 30, 2017, the District recognized a pension expense of \$5,238,299 and \$2,874,243 for the TRS and ERS, respectively. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experiences	\$ -	\$ 118,383	\$ 1,008,058	\$ 717,391
Changes of assumptions	17,677,178	1,613,947	-	-
Net difference between projected and actual earnings on pension plan investments	6,977,379	943,607	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	763,396	673,320	129,040	69,220
District contributions subsequent to the measurement date	<u>5,342,296</u>	<u>722,495</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 30,760,249</u>	<u>\$ 4,071,752</u>	<u>\$ 1,137,098</u>	<u>\$ 786,611</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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown below:

<u>Year Ended June 30,</u>	<u>TRS</u>	<u>ERS</u>
2018	\$ 2,263,758	\$ 1,062,323
2019	2,263,758	1,062,323
2020	7,682,583	1,007,420
2021	5,996,629	(569,420)
2022	2,807,337	-
Thereafter	3,266,790	-

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Interest rate	7.50%	7.00%
Salary scale	1.90%-4.72%	3.80%
Decrement tables	July 1, 2009 - June 30, 2014	April 1, 2010 - March 31, 2015
Inflation rates	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 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 Society of Actuaries’ Scale MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2015 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, 2016 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 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 weighing 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 on the following page.

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2016	March 31, 2017
Asset class:				
Domestic equities	37.0 %	36.0 %	6.1 %	4.6 %
International equities	18.0	14.0	7.3	6.3
Private equity	7.0	10.0	9.2	7.8
Real estate	10.0	10.0	5.4	5.8
Absolute return strategies	20.0	2.0	1.9	4.0
Opportunistic portfolio	0.0	3.0	0.0	5.9
Real assets	0.0	3.0	0.0	5.5
Bonds and mortgages	8.0	17.0	3.1	1.3
Cash	0.0	1.0	0.0	(0.3)
Inflation-indexed bonds	0.0	4.0	0.0	1.5
Total	<u>100 %</u>	<u>100 %</u>		

Discount Rate—The discount rate used to calculate the total pension (asset)/liability was 7.5 % 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 (asset)/liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the District’s proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.5% for TRS and 7.0% for ERS, as well as what the District’s proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5% for TRS and 6.0% for ERS) or one percentage-point higher (8.5% for TRS and 8.0% for ERS) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
TRS			
Employer's proportionate share of the net pension liability/(asset)	\$40,486,867	\$ 3,103,090	\$(28,252,462)
ERS			
Employer's proportionate share of the net pension liability/(asset)	\$15,088,037	\$ 4,724,162	\$(4,038,475)

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	Total
Valuation date	June 30, 2015	April 1, 2016	
Employers' total pension (asset)/liability	\$ 108,577,184	\$ 177,400,586	\$ 285,977,770
Plan fiduciary net position	<u>107,506,142</u>	<u>168,004,363</u>	<u>275,510,505</u>
Employers' net pension (asset)/liability	<u>\$ 1,071,042</u>	<u>\$ 9,396,223</u>	<u>\$ 10,467,265</u>
System fiduciary net position as a percentage of total pension liability	99.01%	94.70%	96.34%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 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, 2017 amounted to \$5,999,503.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$722,495.

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 \$1,003,407 were recorded in the General Fund for the year ended June 30, 2017.

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, 2016 and June 30, 2017.

Fiscal Year Ended June 30,	Balance 7/1/2016	Claims	Payments	Balance 6/30/2017
2017	\$ 1,409,465	\$ 915,101	\$ 1,003,407	\$ 1,321,159
2016	1,663,231	759,927	1,013,693	1,409,465

At June 30, 2017 and 2016, \$3,927,551 and \$502,118, 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. SHORT-TERM DEBT

Short-term debt of the District represents tax anticipation notes ("TANs"). Liabilities for TANs are accounted for in the General Fund. Transactions in TANs for the year ended June 30, 2017 are summarized below:

Description	Interest Rate	Issue Date	Maturity Date	Balance 7/1/2016	Issues	Redemptions	Balance 6/30/2017
General Fund:							
Tax anticipation notes	0.55%	7/1/2016	10/20/2016	\$ -	\$ 12,000,000	\$ 12,000,000	\$ -
				\$ -	\$ 12,000,000	\$ 12,000,000	\$ -

9. 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, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. 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, 2017 is shown below:

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Due Within One Year
Serial bonds	\$ 33,555,000	\$ -	\$ 4,200,000	\$ 29,355,000	\$4,155,000
Premium on serial bonds	<u>2,899,468</u>	<u>-</u>	<u>467,053</u>	<u>2,432,415</u>	<u>467,053</u>
Bonds payable, net	36,454,468	-	4,667,053	31,787,415	4,622,053
Energy performance contract	871,490	-	375,780	495,710	394,184
Retirement incentive payable	-	-	-	-	-
Retirement systems payable	5,248,617	337,233	775,792	4,810,058	721,298
Intergovernmental payables	48,151	11,594	48,151	11,594	11,594
Compensated absences	12,169,867	621,668	708,953	12,082,582	604,129
Workers' compensation	1,409,465	915,101	1,003,407	1,321,159	982,536
Net pension liability*	<u>8,091,025</u>	<u>-</u>	<u>263,773</u>	<u>7,827,252</u>	<u>-</u>
Total	<u>\$ 64,293,083</u>	<u>\$ 1,885,596</u>	<u>\$ 7,842,909</u>	<u>\$ 58,335,770</u>	<u>\$7,335,794</u>

(*reductions to the 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.

A summary of additions and payments for the year ended June 30, 2017 is shown below:

Description	Original Issue	Interest Rate	Issue/ Maturity	Balance 7/1/2016	Additions	Payments	Balance 6/30/2017
District improvements	\$ 28,643,600	4.12 %	2006/2022	\$ 2,180,000	\$ -	\$2,180,000	\$ -
District improvements	20,000,000	2.98 %	2013/2028	17,480,000	-	1,405,000	16,075,000
District improvements	13,895,000	2.00 %	2015/2021	<u>13,895,000</u>	<u>-</u>	<u>615,000</u>	<u>13,280,000</u>
Total				<u>\$ 33,555,000</u>	<u>\$ -</u>	<u>\$4,200,000</u>	<u>\$ 29,355,000</u>

Premium on Serial Bonds—Governmental funds report the effect of premiums when the debt is first issued, whereas these amounts are deferred and amortized within governmental activities. The unamortized premium as of June 30, 2017 was \$2,432,415.

Energy Performance Contract (“EPC”)—The District has entered into an Energy Performance Contract for modifications to various facilities. The modifications were made to improve energy efficiency. Principal and interest payments are made quarterly. During 2003, the District made its initial interest payment on the debt. The interest rate of the energy performance contract approximates 4.81%.

Year Ending June 30	Total
2018	\$ 410,988
2019	<u>102,747</u>
Total minimum lease payments	513,735
Less: amounts representing imputed interest costs	<u>(18,025)</u>
Present value of minimum lease payments	<u>\$ 495,710</u>

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

	Governmental Activities
Assets:	
Special purpose equipment	\$ 4,109,199
Less: Accumulated depreciation	<u>(3,441,454)</u>
Total	<u>\$ 667,745</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. In the current year the District deferred \$337,233 relating to the New York State Employees' Retirement System. At June 30, 2017, the District reported a retirement systems payable of \$4,810,058 of which \$551,908 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, 2017 the District reported \$11,594 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, 197 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 \$888,224 for the year ended June 30, 2017 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, 2017, for governmental activities is \$12,082,582, of which management estimates that \$604,129 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, 2017, the District reported \$1,321,159, of workers' compensation liability.

Net Pension Liability—The District reported a liability for its proportionate share of the net pension liability for the Teachers’ and 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 Bonds	Premium on Serial Bonds	Energy Performance Contract	Retirement Systems Payable
2018	\$ 4,155,000	\$ 467,053	\$ 394,184	\$ 721,298
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
2023-2027	7,870,000	618,055	-	1,318,375
2028	<u>760,000</u>	<u>51,498</u>	-	<u>195,220</u>
Total	<u>\$ 29,355,000</u>	<u>\$ 2,432,415</u>	<u>\$ 495,710</u>	<u>\$ 4,810,058</u>

	Intergovernmental Payables	Compensated Absences	Workers' Compensation	Net Pension Liability	Total
2018	\$ 11,594	\$ 604,129	982,536	-	\$ 7,335,794
2019	-	-	-	-	5,619,523
2020	-	-	-	-	5,718,496
2021	-	-	-	-	5,695,917
2022	-	-	-	-	3,508,564
2023-2027	-	-	-	-	9,806,430
2028	-	-	-	-	195,220
Thereafter	-	11,478,453	338,623	7,827,252	20,455,826
Total	<u>\$ 11,594</u>	<u>\$ 12,082,582</u>	<u>\$ 1,321,159</u>	<u>\$ 8,091,025</u>	<u>\$ 58,335,770</u>

Interest requirements on serial bonds payable are as follows:

Year	Interest
2018	\$ 1,263,900
2019	1,083,425
2020	871,050
2021	642,550
2022	447,925
2023-2027	914,000
2028	<u>15,200</u>
Total	<u>\$ 5,238,050</u>

10. 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, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construct 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 are legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2017, and include:

- **Prepaid items**—Representing funds prepaid for the New York Schools insurance reciprocal premium. This portion of fund balance, \$256,122, is nonspendable as the prepaid expenses do not represent an available resource.
- **Inventories**—Representing the portion of fund balance, \$97,158 composed of inventory. This balance is nonspendable 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 grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the District at June 30, 2017 is presented below:

	General Fund
Debt	\$ 10
Tax certiorari	558,177
Unemployment insurance	848,250
Workers' compensation	3,927,551
Employee benefits	941,007
Capital - transportation	3,956,679
Total	\$10,231,674

- **Restricted for Debt**—According to General Municipal Law Section 6-1, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from unspent debt proceeds.

- ***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, 2017, 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, 2017 and include:

	General Fund	School Lunch Fund	Total
Encumbrances	\$ 108,650	\$ -	\$ 108,650
Specific use:			
School lunch	-	126,786	126,786
Total	<u>\$ 108,650</u>	<u>\$ 126,786</u>	<u>\$ 235,436</u>

- **Assigned to Encumbrances**—Represents amounts related to unperformed (executory) contracts for goods and services.
- **Assigned to Specific Use**—Representing fund balance within the special revenue funds that is assigned for a specific purpose. The assignments’ purpose relates to each fund’s operations and represent remaining amounts within funds that are not restricted or committed.

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.

11. 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, 2017 is as follows:

Fund	Interfund	
	Receivables	Payables
General Fund	\$ 233,179	\$ -
Special Aid Fund	-	233,179
Total	<u>\$ 233,179</u>	<u>\$ 233,179</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.

Fund	Transfers in:			Total
	Special Aid Fund	Capital Projects Fund	School Lunch Fund	
Transfers out:				
General Fund	\$ 195,159	\$ 99,423	\$ 200,000	\$ 494,582

Transfers are used primarily to finance certain special aid programs and to support capital project expenditures. Additionally, in the current year, the District budgeted to support the School Lunch Fund.

12. AGENCY FUNDS

An 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, 2017:

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
ASSETS				
Cash and cash equivalents	\$ 337,873	\$ 69,098,712	\$ 69,120,677	\$ 315,908
Total	\$ 337,873	\$ 69,098,712	\$ 69,120,677	\$ 315,908
LIABILITIES				
Extraclassroom activity funds	\$ 89,794	\$ 181,171	\$ 177,069	\$ 93,896
Other fund liabilities	248,079	68,917,541	68,943,608	222,012
Total	\$ 337,873	\$ 69,098,712	\$ 69,120,677	\$ 315,908

13. LABOR RELATIONS

District employees are represented by five bargaining units with the balance governed by Board of Education rules and regulations. The CSEA and Teachers Association contracts are negotiated through June 30, 2018. The Supervisors and Directors, Managerial Assistants and Administration Association contracts are negotiated through June 30, 2019.

14. 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, 2017, the District had one significant encumbrance in the amount of \$42,902 for auxiliary aid services.

15. 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 \$515,370 during the 2016-2017 fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$879,863 in property taxes.

16. 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 operation.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 10, 2017, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * *

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 Four Fiscal Years*

	Year Ended June 30,			
	2017	2016	2015	2014
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
District's proportion of the net pension liability (asset)	0.289726%	0.302614%	0.297924%	0.299473%
District's proportionate share of the net pension liability (asset)	<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	\$ 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	6.9%	(71.2%)	(74.8%)	(4.5%)
Plan fiduciary net position as a percentage of the total pension liability	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 Four Fiscal Years*

	Year Ended June 30,			
	2017	2016	2015	2014
Contractually required contribution	\$ 5,928,240	\$ 7,968,569	\$ 7,151,311	\$ 5,193,764
Contributions in relation to the contractually required contribution	<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>\$ 1,545,533</u>	<u>\$ 932,971</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 45,899,846	\$ 44,963,272	\$ 44,129,885	\$ 44,129,885
Contributions as a percentage of covered-employee payroll	12.9%	17.7%	16.2%	11.8%

*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 Four Fiscal Years*

	Year Ended June 30,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
District's proportion of the net pension liability (asset)	0.0502772%	0.0504105%	0.0494025%	0.0494025%
District's proportionate share of the net pension liability (asset)	<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	\$ 15,348,211	\$ 14,951,207	\$ 14,681,428	\$ 14,813,250
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.8%	54.1%	11.4%	15.1%
Plan fiduciary net position as a percentage of the total pension liability	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 Four Fiscal Years*

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

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Real property taxes	\$ 47,792,391	\$ 48,100,547	\$ 48,153,540	\$ 52,993
Real property tax items	11,651,307	11,343,151	11,360,733	17,582
Non-property tax items	7,400,000	7,400,000	7,274,853	(125,147)
Charges for services	805,475	805,475	1,259,997	454,522
Use of money and property	175,100	175,100	298,650	123,550
Sale of property and compensation for loss	2,000	2,000	15,800	13,800
Miscellaneous	294,557	294,557	814,320	519,763
State sources:				
Basic formula	24,184,584	24,184,584	23,463,345	(721,239)
Lottery aid	8,295,600	8,295,600	8,603,896	308,296
Excess cost aid	10,211,059	10,211,059	10,529,568	318,509
BOCES aid	1,968,379	1,968,379	1,737,032	(231,347)
Tuition and transportation	804,800	804,800	795,090	(9,710)
Textbook aid	429,419	429,419	423,939	(5,480)
Computer software	108,949	108,949	106,493	(2,456)
Library / loan program	45,456	45,456	43,143	(2,313)
State emergency management agency	16,907	16,907	83,627	66,720
Federal sources:				
Federal emergency management agency	-	-	10,442	10,442
Medicaid assistance	350,000	350,000	821,707	471,707
Total revenues	<u>114,535,983</u>	<u>114,535,983</u>	<u>115,796,175</u>	<u>1,260,192</u>
OTHER FINANCING SOURCES				
Appropriated reserves	-	512,191	-	-
Total other financing sources	<u>-</u>	<u>512,191</u>	<u>-</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 114,535,983</u>	<u>\$ 115,048,174</u>	<u>\$ 115,796,175</u>	<u>\$ 1,260,192</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, 2017

(concluded)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Encumbrances</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>			
EXPENDITURES					
General support:					
Board of Education	\$ 144,051	\$ 145,078	\$ 83,849	\$ -	\$ 61,229
Central administration	284,454	443,454	434,873	-	8,581
Finance	1,151,445	1,147,272	1,056,369	-	90,903
Staff	696,621	711,560	658,036	-	53,524
Central services	8,042,654	8,036,782	7,310,727	86,881	639,174
Special items	1,311,834	1,311,834	1,091,190	-	220,644
Instruction:					
Instruction, administration and improvement	4,692,811	4,650,689	4,408,748	-	241,941
Teaching—regular school Programs for pupils with handicapping conditions	33,861,019	33,702,745	33,383,654	3,211	315,880
Occupational education	13,380,565	13,560,196	12,754,573	12,829	792,794
Teaching—special schools	1,870,151	1,883,135	1,879,774	413	2,948
Instructional media	677,525	689,553	616,997	-	72,556
Pupil services	3,617,899	3,585,257	3,466,291	1,365	117,601
Pupil transportation	5,060,373	5,254,639	5,017,728	331	236,580
Employee benefits	5,932,893	6,765,863	5,528,831	3,620	1,233,412
Debt service	27,225,412	26,567,691	23,848,972	-	2,718,719
Total expenditures/encumbrances	<u>6,080,203</u>	<u>6,086,353</u>	<u>6,060,184</u>	<u>-</u>	<u>26,169</u>
	114,029,910	114,542,101	107,600,796	108,650	6,832,655
OTHER FINANCING USES					
Transfers out	<u>550,000</u>	<u>550,000</u>	<u>494,582</u>	<u>-</u>	<u>55,418</u>
Total expenditures/encumbrances and other financing uses	<u>114,579,910</u>	<u>115,092,101</u>	<u>108,095,378</u>	<u>108,650</u>	<u>6,888,073</u>
Net change in fund balance*	(43,927)	(43,927)	7,700,797		
Fund balance—beginning	<u>7,567,811</u>	<u>7,567,811</u>	<u>7,567,811</u>		
Fund balance—ending	<u>\$ 7,523,884</u>	<u>\$ 7,523,884</u>	<u>\$ 15,268,608</u>		

* The net change in fund balance was included in the budget as a 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, 2017

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Special Aid and School Lunch Funds. Appropriation limits, where applicable, for the Special Aid Fund are maintained based on 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, 2017

Change from Adopted Budget to Final Budget

Adopted budget, 2016-2017	\$ 114,535,983
Add: Prior year's encumbrances	<u>43,927</u>
Original budget, 2016-2017	114,579,910
Add: Budget revisions - voter approved purchase of buses	<u>512,191</u>
Final budget, 2016-2017	<u><u>\$ 115,092,101</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2017-2018 voter approved expenditure budget	<u>\$ 116,804,058</u>	
Maximum allowed (4% of 2016-2017 budget)		\$ 4,672,162
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	\$ 108,650	
Unassigned fund balance	<u>4,672,162</u>	
Total unrestricted fund balance		4,780,812
Less:		
Encumbrances included in assigned fund balance	<u>\$ (108,650)</u>	
Total adjustments		<u>(108,650)</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 4,672,162</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, 2017

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>		<u>Total Expenditures</u>	<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>		
East Middle						
School-2017	\$ 100,000	\$ 100,000	\$ -	\$ 99,423	\$ 99,423	\$ 577
Total	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 99,423</u>	<u>\$ 99,423</u>	<u>\$ 577</u>

WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
June 30, 2017

Capital assets, net of accumulated depreciation		\$ 79,492,633
Deduct:		
Serial bonds	\$ (29,355,000)	
Premium on bonds payable	(2,432,415)	
Deferred loss on refunding	290,813	
Energy performance contract	<u>(495,710)</u>	<u>(31,992,312)</u>
Net investment in capital assets		<u>\$ 47,500,321</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, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-through Entity's Identifying Number (1c)	Passed- Through to Subrecipients	Federal Expenditures (1d)
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through New York State Department of Agriculture:</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$ -	\$ 168,110
National School Lunch Program	10.555	N/A	-	964,976
Total Child Nutrition Cluster			-	1,133,086
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	1,133,086
U.S. DEPARTMENT OF EDUCATION				
<i>Passed-through New York State Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	021-17-0855	-	868,025
Title I Grants to Local Educational Agencies	84.010	021-16-0855	-	55,177
Total Title I Grants to Local Educational Agencies			-	923,202
Special Education Cluster:				
Special Education - Grants to States	84.027	032-17-0243	-	1,613,837
Special Education - Preschool Grants	84.173	033-17-0243	-	58,237
Total Special Education Cluster			-	1,672,074
Supporting Effective Instruction State Grant	84.367	147-17-0855	-	297,396
Supporting Effective Instruction State Grant	84.367	147-16-0855	-	2,115
Total Improving Teacher Quality State Grants			-	299,511
English Language Acquisition Grants	84.365	149-17-0855	-	21,454
English Language Acquisition Grants	84.365	152-17-0855	-	69
Total English Language Acquisition Grants			-	21,523
TOTAL U.S. DEPARTMENT OF EDUCATION			-	2,916,310
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed-through New York State Office of Emergency Management:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4204 DR NY	-	10,442
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			-	10,442
TOTAL FEDERAL AWARDS EXPENDED (1e)			\$ -	\$ 4,059,838

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, 2017

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, 2017. 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 assets 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 2016-2017 fiscal year is reconciled to Federal sources as reported in the basic financial statements as follows

Balance per schedule of expenditures of federal awards	\$ 4,059,838
Medicaid reimbursement	<u>821,707</u>
Total Federal Sources per financial statements	<u><u>\$ 4,881,545</u></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 OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The County has not elected to use the 10 percent de minimis 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, 2017, the District used \$146,160 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, 2017, 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 10, 2017.

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 10, 2017

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, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The District's management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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, 2017.

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 10, 2017

WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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 programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? Yes None

Identification of major federal programs:

Name of Federal Program	CFDA Number
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555

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, 2017

Section II. FINANCIAL STATEMENT FINDINGS SECTION

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings noted.

WEST SENECA CENTRAL SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Year Audit Findings and Corrective Action Plan
Year Ended June 30, 2017
(Follow-up of June 30, 2016 Findings)

No findings were reported.

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