

**CHEEKTOWAGA-MARYVALE UNION FREE  
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

# CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT

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June 30, 2018

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Education  
Cheektowaga-Maryvale Union Free School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Cheektowaga-Maryvale Union Free School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Change in Accounting Principle*

As described in Note 2 to the financial statements, in 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

### *Supplementary 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 accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

*Lumaden & McCormick, LLP*  
September 17, 2018

**Cheektowaga-Maryvale Union Free School District**  
**Management's Discussion and Analysis**  
**June 30, 2018**  
**Unaudited**

**Introduction**

Management's Discussion and Analysis (MD&A) of Cheektowaga-Maryvale Union Free School District (the District) provides an overview of the District's financial performance and activities for the year ended June 30, 2018. The information contained in the MD&A should be considered in conjunction with the information presented in the District's financial statements that follow. This MD&A, the financial statements and notes thereto are essential to obtaining a full understanding of the District's financial position and results of operations. The District's financial statements have the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) agency fund statements, (5) notes to the financial statements, and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. In 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This statement requires the District to recognize its total OPEB liability and related deferred outflows and deferred inflows of resources for its defined benefit OPEB plan. The cumulative effect of implementing this required change in accounting principle resulted in a restatement of beginning net position as detailed in Note 2 to the financial statements. The comparative data in the MD&A for 2017 has not been restated.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. The statement of activities presents information showing how the District's net position changed during each 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the District as a whole. All of the activities of the District are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the District. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

<b>Condensed Statement of Net Position</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>	
			<b>\$</b>	<b>%</b>
Current assets	\$ 22,473,000	\$ 20,315,000	\$ 2,158,000	10.6%
Net pension asset	705,000	-	705,000	100.0%
Capital assets	44,984,000	47,263,000	(2,279,000)	-4.8%
Total assets	68,162,000	67,578,000	584,000	0.9%
Deferred outflows of resources	10,606,000	10,479,000	127,000	1.2%
Long-term liabilities	34,952,000	35,990,000	(1,038,000)	-2.9%
Other liabilities	3,752,000	3,349,000	403,000	12.0%
Total liabilities	38,704,000	39,339,000	(635,000)	-1.6%
Deferred inflows of resources	3,734,000	556,000	3,178,000	571.6%
Net position				
Net investment in capital assets	19,559,000	17,869,000	1,690,000	9.5%
Restricted	14,661,000	12,070,000	2,591,000	21.5%
Unrestricted	2,110,000	8,223,000	(6,113,000)	-74.3%
Total net position	\$ 36,330,000	\$ 38,162,000	\$ (1,832,000)	-4.8%

The District's net position at June 30, 2018 and 2017 was \$36,330,000 and \$38,162,000, respectively. A significant portion of the District's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment, less outstanding debt used to acquire those assets. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The District's net position includes resources that are subject to external restrictions on how they may be used. These reserves are set aside for specific purposes governed by law and regulations and include the capital reserve, which is dedicated to future projects to be approved by the District's voters; the debt service reserve, which is used for the repayment of bonds issued to finance capital projects; the employee benefit accrued liability reserve, which is restricted to pay for accumulated sick and vacation time; and the retirement contribution reserve, used to fund required District contributions to the New York State and Local Employees' Retirement System (ERS). Other restricted resources include tax reduction, tax certiorari, and workers compensation reserves.

Total assets increased by \$584,000 (\$9,648,000 decrease in 2017). Capital assets decreased as a result of depreciation expense in excess of current year additions. The increase in current assets of \$2,158,000 (\$2,903,000 increase in 2017) is due to positive operating results sitting in cash balances and timing of payments at year end. Primarily due to differences between expected versus actual investment performance, the District's proportionate share of the net pension position for the New York State Teachers' Retirement System (TRS) is reflected as an asset of \$705,000 in 2018 compared to a liability of \$988,000 in 2017.

Long-term liabilities decreased by \$1,038,000 (decrease of \$2,907,000 in 2017) due to required principal payments on bonds and energy performance contracts. This was offset by an increase in the liability recorded for the District's OPEB of \$4,642,000 due to the implementation of GASB 75.

Most of the District's employees participate in ERS and TRS. Amounts reported as net pension asset and net pension liability, as well as a portion of amounts reflected as deferred outflows and deferred inflows of resources, relate to these two retirement plans. Changes in these balances are heavily influenced by actuarial assumptions and investment performance versus expected performance. The net change in these balances was \$212,000 for 2018 (\$73,000 in 2017). See the footnotes to the financial statements for further details.

Condensed Statement of Activities	2018	2017	Change	
			\$	%
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 526,000	\$ 532,000	\$ (6,000)	-1.1%
Operating grants and contributions	4,085,000	3,503,000	582,000	16.6%
General revenues				
Taxes and related items	23,384,000	22,847,000	537,000	2.4%
State aid	18,567,000	18,138,000	429,000	2.4%
Other	286,000	259,000	27,000	10.4%
Total revenue	<u>46,848,000</u>	<u>45,279,000</u>	<u>1,569,000</u>	<u>3.5%</u>
<b>Expenses</b>				
Instruction	31,446,000	29,887,000	1,559,000	5.2%
Support services				
General support	7,305,000	7,470,000	(165,000)	-2.2%
Pupil transportation	3,613,000	3,208,000	405,000	12.6%
Food service	839,000	860,000	(21,000)	-2.4%
Interest	685,000	941,000	(256,000)	-27.2%
Total expenses	<u>43,888,000</u>	<u>42,366,000</u>	<u>1,522,000</u>	<u>3.6%</u>
Change in net position	2,960,000	2,913,000	47,000	1.6%
Net position - beginning	38,162,000	35,249,000	2,913,000	8.3%
Restatement - GASB 75	(4,792,000)			
Net position - ending	<u>\$ 36,330,000</u>	<u>\$ 38,162,000</u>	<u>\$ (1,832,000)</u>	<u>-4.8%</u>

District revenues increased \$1,569,000 in 2018 (increase of \$1,593,000 in 2017). Property taxes and related items increased \$537,000 (\$554,000 increase in 2017) due to an increase in the levy. Operating grants and contributions increased \$582,000 due to additional federal grants received. State aid increased \$429,000 (\$834,000 increase in 2017) which is mainly due to an increase in Foundation Aid.

Total expenses increased \$1,522,000 (\$3,949,000 increase in 2017). Payroll expenses, which are allocated to instruction and support services, increased \$488,000 or 2.7% due to contractual rate increases. In addition, the District realized increases in tuition and transportation costs due to more students with special needs and more students attending charter schools.

## Financial Analysis of the District's Funds

Total fund balances for the governmental funds increased from \$17,013,000 to \$18,761,000. Revenues of \$46,848,000 exceeded expenditures of \$45,100,000, resulting in an increase of \$1,748,000.

- Total fund revenue increased \$1,568,000 or 3.5% (increase of \$1,593,000 or 3.6% in 2017) and total fund expenditures increased \$2,430,000 or 5.7% (increase of \$571,000 or 1.4% in 2017). The overall revenue increase is due to an increase in federal and state aid as previously mentioned. The increase in expenditures is due to increases in payroll and services provided to students with special needs, as mentioned previously, as well as capital outlay expenditures, which increased \$446,000.
- Fund balance in the capital projects fund increased \$5,996,000 (no change in 2017) due to \$6,361,000 in transfers from the general fund. These transfers are for the purpose of paying the local share of the District's 2017 capital improvement project.

## General Fund Budgetary Highlights

Total general fund revenue of \$42,699,000 was more than budgeted revenue by \$685,000. The budget was amended by \$120,000 for donations received during the year.

Actual expenditures and carryover encumbrances were less than the final amended budget by \$2,557,000 or 5.9%. The difference is attributable to many factors and many unknown items when the budget is prepared. The District recognized positive variances in employee benefits and programs for children with handicapping conditions.

## Capital Assets

	2018	2017
Land	\$ 112,000	\$ 112,000
Construction in progress	266,000	-
Land improvements	1,782,000	1,782,000
Buildings and improvements	86,045,000	85,934,000
Furniture and fixtures	1,535,000	1,354,000
Vehicles	204,000	171,000
	<u>89,944,000</u>	<u>89,353,000</u>
Accumulated depreciation	(44,960,000)	(42,090,000)
	<u>\$ 44,984,000</u>	<u>\$ 47,263,000</u>

Current year additions of \$591,000 were offset by depreciation of \$2,870,000.

## Debt

At June 30, 2018, the District had \$24,444,000 in bonds and energy performance contracts outstanding, with \$3,766,000 due within one year (\$28,246,000 outstanding at June 30, 2017). Outstanding compensated absences and retirees' health insurance liabilities at June 30, 2018 were \$3,370,000 (\$3,497,000 at June 30, 2017) with \$621,000 expected to be paid within one year.

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



### **Current Financial Issues and Concerns**

School districts in New York State are impacted by the political pressures imposed on elected officials in funding of education. Year to year changes in funding levels and State aid formulas complicate the planning process for schools.

The District will continue to make every attempt to mitigate uncertainty of State funding on the overall budget, including using reserve funds as permitted by law to lessen the budget impact. The property tax levy cap further emphasizes the importance of using reserves judiciously. These issues and concerns require management to plan carefully and prudently to provide the educational resources necessary to meet student needs.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Cheektowaga-Maryvale Union Free School District, 1050 Maryvale Drive, Cheektowaga, New York 14225.

## CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT

### Statement of Net Position

June 30, 2018

(With comparative totals as of June 30, 2017)

	2018	2017
<b>Assets</b>		
Cash	\$ 19,226,743	\$ 16,959,189
Due from other governments	1,511,008	1,818,227
Accounts receivable	85,115	247,173
State and federal aid receivable	1,595,951	1,244,907
Due from fiduciary funds	11,446	10,054
Inventory	43,179	35,403
Net pension asset	704,502	-
Capital assets (Note 6)	89,944,564	89,353,336
Accumulated depreciation	(44,960,044)	(42,090,484)
<b>Total assets</b>	<b>68,162,464</b>	<b>67,577,805</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	10,605,822	10,478,887
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,844,591	1,382,841
Due to retirement systems	1,705,466	1,917,659
Unearned revenue	202,056	48,269
Long-term liabilities		
Due within one year:		
Bonds	3,580,000	3,620,000
Compensated absences and retiree health insurance	621,000	564,000
Energy performance contract	185,917	182,111
Due beyond one year:		
Bonds and related premiums	20,876,510	24,622,796
Compensated absences and retiree health insurance	2,749,000	2,933,000
Energy performance contract	782,929	968,846
Net pension liability	363,488	1,948,359
Other postemployment benefits	5,792,905	1,151,115
<b>Total liabilities</b>	<b>38,703,862</b>	<b>39,338,996</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	3,184,281	555,715
Deferred inflows of resources related to OPEB	550,043	-
<b>Total deferred inflows of resources</b>	<b>3,734,324</b>	<b>555,715</b>
<b>Net Position</b>		
Net investment in capital assets	19,559,164	17,869,099
Restricted	14,661,404	12,070,056
Unrestricted	2,109,532	8,222,826
<b>Total net position</b>	<b>\$ 36,330,100</b>	<b>\$ 38,161,981</b>

See accompanying notes.

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

**Statement of Activities**

For the year ended June 30, 2018

(With summarized comparative totals for June 30, 2017)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	2018	2017
<b>Governmental activities</b>					
General support	\$ 7,305,108	\$ 215,844	\$ -	\$ (7,089,264)	\$ (7,267,376)
Instruction	31,446,245	82,211	3,357,550	(28,006,484)	(27,020,955)
Pupil transportation	3,612,324	-	-	(3,612,324)	(3,208,494)
Interest expense	685,252	-	-	(685,252)	(940,602)
School food service	839,338	228,204	727,512	116,378	106,664
	<u>\$ 43,888,267</u>	<u>\$ 526,259</u>	<u>\$ 4,085,062</u>	<u>(39,276,946)</u>	<u>(38,330,763)</u>
<b>General revenues</b>					
Real property taxes				20,956,537	20,520,573
Sales tax				2,427,638	2,326,161
Other				286,390	259,332
State aid				18,566,744	18,137,864
<b>Total general revenues</b>				<u>42,237,309</u>	<u>41,243,930</u>
<b>Change in net position</b>				2,960,363	2,913,167
<b>Net position - beginning</b>				38,161,981	35,248,814
Cumulative effect of a change in accounting principle (Note 2)				(4,792,244)	
<b>Net position - beginning, as restated</b>				<u>33,369,737</u>	<u>35,248,814</u>
<b>Net position - ending</b>				<u>\$ 36,330,100</u>	<u>\$ 38,161,981</u>

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

**Balance Sheet - Governmental Funds**

June 30, 2018

(With summarized comparative totals as of June 30, 2017)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds	
					2018	2017
<b>Assets</b>						
Cash	\$ 18,559,009	\$ 160,101	\$ 50	\$ 507,583	\$ 19,226,743	\$ 16,959,189
Due from other governments	1,511,008	-	-	-	1,511,008	1,818,227
Accounts receivable	85,115	-	-	-	85,115	247,173
State and federal aid receivable	561,303	-	994,678	39,970	1,595,951	1,244,907
Due from other funds, net	-	5,913,012	-	-	5,913,012	841,136
Inventory	-	-	-	43,179	43,179	35,403
<b>Total assets</b>	<b>\$ 20,716,435</b>	<b>\$ 6,073,113</b>	<b>\$ 994,728</b>	<b>\$ 590,732</b>	<b>\$ 28,375,008</b>	<b>\$ 21,146,035</b>
<b>Liabilities and Fund Balances</b>						
Accounts payable and accrued liabilities	\$ 1,635,853	\$ 77,455	\$ 46,508	\$ 44,775	\$ 1,804,591	\$ 1,335,841
Due to retirement systems	1,705,466	-	-	-	1,705,466	1,917,659
Due to other funds, net	5,066,704	-	832,662	2,200	5,901,566	831,082
Unearned revenue	150,217	-	51,760	79	202,056	48,269
<b>Total liabilities</b>	<b>8,558,240</b>	<b>77,455</b>	<b>930,930</b>	<b>47,054</b>	<b>9,613,679</b>	<b>4,132,851</b>
<b>Fund Balances</b>						
Nonspendable:						
Inventory	-	-	-	43,179	43,179	35,403
Restricted:						
Capital	1,700,533	5,995,658	-	-	7,696,191	5,011,417
Debt service	199,143	-	-	-	199,143	199,048
Employee benefit accrued liability	2,320,262	-	-	-	2,320,262	2,320,262
Retirement contribution	1,683,667	-	-	-	1,683,667	1,683,667
Tax reduction	806,151	-	-	-	806,151	952,484
Tax certiorari	1,104,636	-	-	-	1,104,636	1,051,824
Workers' compensation	851,354	-	-	-	851,354	851,354
Committed:						
Future capital project	-	-	-	-	-	1,250,000
Assigned:						
Designated for subsequent year's expenditures	1,100,000	-	-	-	1,100,000	925,000
Other purposes	612,106	-	63,798	500,499	1,176,403	1,076,138
Unassigned	1,780,343	-	-	-	1,780,343	1,656,587
<b>Total fund balances</b>	<b>12,158,195</b>	<b>5,995,658</b>	<b>63,798</b>	<b>543,678</b>	<b>18,761,329</b>	<b>17,013,184</b>
<b>Total liabilities and fund balances</b>	<b>\$ 20,716,435</b>	<b>\$ 6,073,113</b>	<b>\$ 994,728</b>	<b>\$ 590,732</b>	<b>\$ 28,375,008</b>	<b>\$ 21,146,035</b>

## CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT

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### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2018

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**Total fund balances - governmental funds** \$ 18,761,329

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

Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. 44,984,520

The District's proportionate share of net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:

Net pension asset	704,502	
Deferred outflows of resources related to pensions	10,605,822	
Net pension liability	(363,488)	
Deferred inflows of resources related to pensions	<u>(3,184,281)</u>	7,762,555

The District's total OPEB liability as well as OPEB-related deferred inflows of resources are recognized on the government-wide statements and include:

Total OPEB liability	(5,792,905)	
Deferred inflows of resources related to OPEB	<u>(550,043)</u>	(6,342,948)

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Accrued interest	(40,000)	
Bonds and related premiums	(24,456,510)	
Compensated absences and retiree health insurance	(3,370,000)	
Energy performance contract	<u>(968,846)</u>	(28,835,356)

**Net position - governmental activities** \$ 36,330,100

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**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2018

(With summarized comparative totals for June 30, 2017)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds	
					2018	2017
<b>Revenues</b>						
Real property taxes	\$ 17,098,812	\$ -	\$ -	\$ -	\$ 17,098,812	\$ 16,543,612
Real property tax items	3,857,725	-	-	-	3,857,725	3,976,961
Nonproperty taxes	2,427,638	-	-	-	2,427,638	2,326,161
Charges for services	82,211	-	-	-	82,211	80,063
Use of money and property	250,113	242	-	873	251,228	220,749
Sale of property and compensation for loss	-	-	-	-	-	3,810
Miscellaneous	251,006	-	-	41,742	292,748	295,755
State sources	18,566,744	-	1,047,871	22,979	19,637,594	19,291,770
Federal sources	164,403	-	1,650,149	704,533	2,519,085	1,918,485
Local sources	-	-	495,127	-	495,127	430,934
Sales	-	-	-	186,462	186,462	191,988
<b>Total revenues</b>	<b>42,698,652</b>	<b>242</b>	<b>3,193,147</b>	<b>956,589</b>	<b>46,848,630</b>	<b>45,280,288</b>
<b>Expenditures</b>						
General support	4,043,029	-	-	771,376	4,814,405	4,973,533
Instruction	20,328,741	-	3,447,683	-	23,776,424	22,199,645
Pupil transportation	3,463,562	-	118,415	-	3,581,977	3,178,680
Employee benefits	7,672,964	-	-	3,410	7,676,374	7,494,326
Debt service						
Principal	3,802,111	-	-	-	3,802,111	3,683,383
Interest	858,538	-	-	-	858,538	983,827
Cost of sales	-	-	-	55,422	55,422	68,524
Capital outlay	-	365,301	-	169,933	535,234	88,879
<b>Total expenditures</b>	<b>40,168,945</b>	<b>365,301</b>	<b>3,566,098</b>	<b>1,000,141</b>	<b>45,100,485</b>	<b>42,670,797</b>
<b>Excess revenues (expenditures)</b>	<b>2,529,707</b>	<b>(365,059)</b>	<b>(372,951)</b>	<b>(43,552)</b>	<b>1,748,145</b>	<b>2,609,491</b>
<b>Other financing sources (uses)</b>						
Operating transfers	(6,733,668)	6,360,717	372,951	-	-	-
Proceeds from advance refunding	-	-	-	-	-	10,967,597
Payments to escrow agent	-	-	-	-	-	(10,850,000)
<b>Total other financing sources (uses)</b>	<b>(6,733,668)</b>	<b>6,360,717</b>	<b>372,951</b>	<b>-</b>	<b>-</b>	<b>117,597</b>
<b>Net change in fund balances</b>	<b>(4,203,961)</b>	<b>5,995,658</b>	<b>-</b>	<b>(43,552)</b>	<b>1,748,145</b>	<b>2,727,088</b>
<b>Fund balances - beginning</b>	<b>16,362,156</b>	<b>-</b>	<b>63,798</b>	<b>587,230</b>	<b>17,013,184</b>	<b>14,286,096</b>
<b>Fund balances - ending</b>	<b>\$ 12,158,195</b>	<b>\$ 5,995,658</b>	<b>\$ 63,798</b>	<b>\$ 543,678</b>	<b>\$ 18,761,329</b>	<b>\$ 17,013,184</b>

## CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT

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### Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the year ended June 30, 2018

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**Total net change in fund balances - governmental funds** \$ 1,748,145

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

Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays. (2,278,332)

Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:

2018 TRS and ERS contributions	2,088,737	
2018 ERS accrued contribution	134,333	
2017 ERS accrued contribution	(133,078)	
2018 TRS net pension expense	(1,769,908)	
2018 ERS net pension expense	<u>(532,342)</u>	(212,258)

OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. (399,589)

Payments of long-term liabilities are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position. 3,802,111

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid.

These differences are:

Compensated absences and retiree health insurance	127,000	
Amortization of bond premiums	166,286	
Interest	<u>7,000</u>	300,286

**Change in net position - governmental activities** \$ 2,960,363

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**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

**Statement of Revenues, Expenditures, and Changes in  
Fund Balance Budget (Non-GAAP) and Actual - General Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
<b>Revenues</b>					
Local sources					
Real property taxes	\$ 16,869,593	\$ 17,098,812	\$ 17,098,812		\$ -
Real property tax items	4,042,097	3,812,878	3,857,725		44,847
Nonproperty taxes	2,225,000	2,225,000	2,427,638		202,638
Charges for services	75,150	75,150	82,211		7,061
Use of money and property	224,919	224,919	250,113		25,194
Miscellaneous	152,549	272,296	251,006		(21,290)
State sources	18,279,827	18,279,827	18,566,744		286,917
Federal sources	25,000	25,000	164,403		139,403
<b>Total revenues</b>	<b>41,894,135</b>	<b>42,013,882</b>	<b>42,698,652</b>		<b>684,770</b>
<b>Expenditures</b>					
General support					
Board of education	18,862	21,633	20,825	260	(548)
Central administration	210,197	209,722	209,409	6	(307)
Finance	422,437	430,439	376,371	34,770	(19,298)
Staff	289,241	368,304	240,701	119,847	(7,756)
Central services	3,331,408	3,334,698	2,812,438	222,698	(299,562)
Special items	527,836	446,105	383,285	15,020	(47,800)
Instruction					
Instruction, administration, and improvement	1,401,854	1,447,762	1,412,288	70	(35,404)
Teaching - regular school	10,861,543	10,790,564	10,481,834	63,341	(245,389)
Programs for children with handicapping conditions	4,947,070	4,900,085	4,531,127	31,885	(337,073)
Occupational education	665,298	665,298	665,298	-	-
Teaching - special schools	25,500	28,760	27,340	-	(1,420)
Instructional media	1,022,216	1,337,063	1,300,187	31,103	(5,773)
Pupil services	1,950,249	1,959,923	1,910,667	154	(49,102)
Pupil transportation	3,361,062	3,528,128	3,463,562	-	(64,566)
Employee benefits	9,551,898	9,208,690	7,672,964	92,952	(1,442,774)
Debt service					
Principal	3,797,111	3,802,111	3,802,111	-	-
Interest	873,323	858,538	858,538	-	-
<b>Total expenditures</b>	<b>43,257,105</b>	<b>43,337,823</b>	<b>40,168,945</b>	<b>612,106</b>	<b>(2,556,772)</b>
<b>Excess revenues (expenditures)</b>	<b>(1,362,970)</b>	<b>(1,323,941)</b>	<b>2,529,707</b>	<b>(612,106)</b>	<b>3,241,542</b>
<b>Other financing sources (uses)</b>					
Operating transfers out	(368,876)	(407,905)	(6,733,668)		6,325,763
Appropriated fund balance and carryover encumbrances	1,385,513	1,385,513	-		(1,385,513)
Appropriated reserves	346,333	346,333	-		(346,333)
<b>Total other financing sources (uses)</b>	<b>1,362,970</b>	<b>1,323,941</b>	<b>(6,733,668)</b>		<b>(8,057,609)</b>
<b>Excess revenues (expenditures) and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,203,961)</b>	<b>\$ (612,106)</b>	<b>\$ (4,816,067)</b>

See accompanying notes.



**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

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**Statement of Fiduciary Net Position**

**June 30, 2018**

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	<b>Private-Purpose Trusts</b>	<b>Agency</b>
<b>Assets</b>		
Cash	\$ 27,558	\$ 767,339
<b>Liabilities</b>		
Agency liabilities	-	\$ 693,334
Due to governmental funds	-	11,446
Extraclassroom activities balances	-	62,559
<b>Total liabilities</b>	-	<b>\$ 767,339</b>
<b>Net Position</b>		
Restricted for scholarships	<b>\$ 27,558</b>	

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**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

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**Statement of Changes in Fiduciary Net Position**

**For the year ended June 30, 2018**

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	<b>Private-Purpose Trusts</b>
<b>Additions</b>	
Interest income	\$ 148
<b>Deductions</b>	
Scholarship awards	300
<b>Change in net position</b>	<b>(152)</b>
<b>Net position - beginning</b>	<b>27,710</b>
<b>Net position - ending</b>	<b>\$ 27,558</b>

# CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT

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## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### Reporting Entity

Cheektowaga-Maryvale Union Free School District (the District) is governed by Education and other laws of the State of New York (the State). The District's Board of Education has responsibility and control over all activities related to public school education within the District. The District's Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The District provides education and support services such as administration, transportation, and plant maintenance. The District receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America, nor does it contain any component units.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) 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.

#### Joint Venture

The District is one of 19 participating school districts in the Erie 1 Board of Cooperative Educational Services (BOCES). Formed under §1950 of Education Law, BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

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. BOCES may also contract with other municipalities on a cooperative basis under State General Municipal Law.

A 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 issue debt on behalf of BOCES; there is no such debt issued by the District.

During the year ended June 30, 2018, the District was billed \$3,486,000 for BOCES administrative and program costs and recognized revenue of \$176,000 as a refund from prior year expenditures paid to BOCES and \$209,000 in rental and other service income. Audited financial statements are available from BOCES' administrative offices.

## Public Entity Risk Pools

The District participates in the NY44 Health Benefits Plan Trust, which is a public entity risk pool. This plan is designed to provide health insurance coverage for participating entities and is further discussed in Note 10.

## Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state aid, are presented as general revenues.

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

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District also elected to display the following as major funds:

- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.
- *School lunch fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the District's breakfast and lunch programs.

The District has elected not to use a debt service fund as debt activity is currently reflected in the general fund. Amounts accumulated for the payment of future principal and interest payments restricted for such purposes are included in the general fund.

The District reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit various third party scholarships arrangements.
- *Agency fund.* This fund accounts for assets held by the District as agent for various student groups and clubs, payroll, and employee third party withholdings. The agency fund is custodial in nature and does not involve the measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within ninety days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## **Property Taxes**

The District levies real property taxes no later than September 1. For the year ended June 30, 2018, the tax lien was issued on August 7, 2017 for collection from September 15, 2017 through November 30, 2017. Thereafter, uncollected amounts became the responsibility of Erie County and were submitted to the District by April 1<sup>st</sup> of the following year as required by law.

## **Budget Process, Amendments, and Encumbrances**

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2017 was approved by a majority of the voters in a general election held on May 16, 2017.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

## **Inventory**

Inventory consists of food and similar food service goods related to school lunch operations and is recorded at the lower of first-in, first-out cost or net realizable value. Donated commodities are stated at values which approximate market.

## **Capital Assets**

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	<b>Capitalization Policy</b>	<b>Estimated Useful Life</b>
Land improvements	\$ 50,000	20
Buildings and improvements	\$ 50,000	15-40
Furniture and equipment	\$ 5,000	5-15
Vehicles	\$ 5,000	8-10

### **Bond Premiums**

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

### **Pensions**

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems) as mandated by State law. The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, the District recognizes its proportionate share of the net pension position, deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

### **Compensated Absences**

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrators and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for payment of health insurance at retirement until exhausted.

The government-wide financial statements reflect the estimated liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

### **Equity Classifications**

#### **Government-Wide Statements**

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets, reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the District's bonds.

- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the District.

### **Governmental Fund Statements**

The District considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the District considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law, State Education Law, or Real Property Tax Law as authorized for use by the Board of Education. Certain reserves may require voter approval for their establishment and/or use. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board of Education as recommended by the District's management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include the planned use of existing fund balance to offset the subsequent year's tax levy. Additionally, the Board of Education has given the District's management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory.

Fund balance restrictions consist of the following reserves:

- *Capital* – is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. Voters previously approved the creation of a capital reserve of \$5,000,000 plus accumulated interest, which has been fully funded and transferred to the capital projects fund. In 2018, voters approved the creation of an additional capital reserve of \$7,500,000 plus interest earnings. It was funded to \$1,700,000 during 2018.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond premiums), and remaining bond proceeds not needed for their original purpose as required under §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Employee benefit accrued liability* – is used to account for the payment of accumulated vacation and sick time due upon termination of an employee's services. It is 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.
- *Retirement contribution* – is used to finance retirement contributions payable to ERS.
- *Tax reduction* – is used to reduce future real property tax levies for a period not to exceed ten years. It is established by a majority vote of the Board and is funded with the proceeds from the sale of real property. The reserve was established in 2012 with proceeds of \$750,000. Additional proceeds of \$600,000 were added in 2013.
- *Tax certiorari* – is used to pay judgments and claims resulting from certiorari proceedings. Funds not used by July 1 of the fourth fiscal year following their deposit must be returned to unassigned fund balance.
- *Workers' compensation* – is 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 program.

Fund balance commitments in 2017 represent amounts authorized by the Board for use towards a new capital project that had not yet been approved by the voters.

**Interfund Balances**

The operations of the District include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

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

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the District’s practice to settle these amounts at the net balances due between funds.

**2. Change in Accounting Principle**

Effective July 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), which supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for other postemployment benefits offered by the District and requires various note disclosures (Note 9) and required supplementary information. As a result, beginning of year net position has been restated as follows:

Net position previously reported, July 1, 2017	\$ 38,161,981
OPEB previously reported	1,151,115
Total OPEB liability	(5,943,359)
Amounts paid by the District subsequent to the measurement date	-
Net position as restated	<u>\$ 33,369,737</u>

Information on beginning of year deferred outflows and deferred inflows of resources, and all information for the prior year, is not available and therefore such amounts have not been restated.

**3. Stewardship and Compliance**

The District accounts for the financial activities of the Community Education program in the special aid fund rather than the general fund as specified by the New York State Uniform System of Accounts for School Districts. If this program had been included within the general fund as required, revenues would increase by \$494,945, expenditures by \$494,945, and fund balance would increase by \$63,798 as of June 30, 2018.

**4. Cash**

Cash management is governed by State laws and as established in the District’s written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Policies permit the Treasurer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.



Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. At June 30, 2018, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging bank's trust department in the District's name.

## 5. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 1,320,906	\$ 6,387,610	\$ -	\$ 6,733,668
Capital projects	6,252,682	339,670	6,360,717	-
Special aid	49,484	882,146	372,951	-
School lunch	-	2,200	-	-
Fiduciary	46,519	57,965	-	-
	<b>\$ 7,669,591</b>	<b>\$ 7,669,591</b>	<b>\$ 6,733,668</b>	<b>\$ 6,733,668</b>

The District's general fund provides cash flow to the various other funds; these amounts are typically repaid in the subsequent year when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. Transfers from the general fund to the special aid fund cover the District's share of costs related to the summer school handicap and universal pre-k programs. The transfer to the capital projects fund reflects resources to be used for a capital project. Both transfers are considered permanent.

## 6. Capital Assets

	July 1, 2017	Increases	Retirements/ Reclassifications	June 30, 2018
Non-depreciable capital assets:				
Land	\$ 112,146	\$ -	\$ -	\$ 112,146
Construction in progress	-	266,001	-	266,001
Total non-depreciable assets	112,146	266,001	-	378,147
Depreciable capital assets:				
Land improvements	1,781,866	-	-	1,781,866
Buildings and improvements	85,934,217	110,976	-	86,045,193
Furniture and equipment	1,353,530	181,796	-	1,535,326
Vehicles	171,577	32,455	-	204,032
Total depreciable assets	89,241,190	325,227	-	89,566,417
Less accumulated depreciation:				
Land improvements	1,016,343	43,529	-	1,059,872
Buildings and improvements	39,967,934	2,751,702	-	42,719,636
Furniture and equipment	984,161	61,732	-	1,045,893
Vehicles	122,046	12,597	-	134,643
Total accumulated depreciation	42,090,484	2,869,560	-	44,960,044
Total depreciable assets, net	47,150,706	(2,544,333)	-	44,606,373
	<b>\$ 47,262,852</b>	<b>\$ (2,278,332)</b>	<b>\$ -</b>	<b>\$ 44,984,520</b>

Depreciation expense has been allocated to the following functions: general support \$2,267,929, instruction \$592,501, and school food service \$9,130.

As of June 30, 2018, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 44,984,520
Bonds, energy performance contract, and related premiums	<u>(25,425,356)</u>
	<u>\$ 19,559,164</u>

## 7. Long-Term Liabilities

	July 1, 2017	Increases	Decreases	June 30, 2018	Due Within One Year
Bonds	\$ 27,095,000	\$ -	\$ 3,620,000	\$ 23,475,000	\$ 3,580,000
Bond premiums	1,147,796	-	166,286	981,510	-
Energy performance contract	1,150,957	-	182,111	968,846	185,917
Compensated absences	2,305,000	61,000	-	2,366,000	416,000
Retiree health insurance	1,192,000	-	188,000	1,004,000	205,000
	<u>\$ 32,890,753</u>	<u>\$ 61,000</u>	<u>\$ 4,156,397</u>	<u>\$ 28,795,356</u>	<u>\$ 4,386,917</u>

## Existing Obligations

Description	Maturity	Rate	Balance
Refunding bonds - September 2006	June 2019	3.25% - 4.5%	\$ 510,000
Energy performance contract	September 2022	2.09%	968,846
Serial bonds - December 2011	December 2023	2.0% - 3.0%	4,515,000
Serial bonds - June 2016	June 2030	2.0% - 2.38%	8,465,000
Serial bonds - May 2017	June 2024	2.0% - 5.0%	<u>9,985,000</u>
			<u>\$ 24,443,846</u>

## Debt Service Requirements

Years ending June 30,	Bonds		Energy Performance Contract	
	Principal	Interest	Principal	Interest
2019	\$ 3,580,000	\$ 719,884	\$ 185,917	\$ 20,258
2020	3,085,000	622,044	189,803	16,372
2021	3,205,000	524,557	193,770	12,405
2022	3,300,000	421,232	197,820	8,355
2023	3,420,000	304,418	201,536	4,221
2024-2028	5,475,000	457,995	-	-
2029-2030	1,410,000	47,100	-	-
	<u>\$ 23,475,000</u>	<u>\$ 3,097,230</u>	<u>\$ 968,846</u>	<u>\$ 61,611</u>

### Advance Refunding of Debt

The District previously defeased certain serial bonds by placing the proceeds of the new bond into an irrevocable trust to provide for all future debt service payments on the original obligations. Accordingly, the trust's assets and the liability for the defeased obligations are not included in the District's financial statements. At June 30, 2018, remaining principal of the defeased debt was \$10,850,000 and the bonds were called on July 15, 2018.

### Lease Obligations

The District leases certain equipment (copiers and computers) under the terms of various operating leases. Rental expense for all operating leases amounted to \$64,000 for the year ended June 30, 2018. Future minimum rentals to be paid for all noncancelable leases are:

<u>Years ending June 30,</u>	
2019	\$ 102,497
2020	80,766
2021	52,350
2022	52,350
2023	<u>30,075</u>
	<u>\$ 318,038</u>

## 8. Pension Plans

### Plan Descriptions

The District participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides 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 issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at [www.nystrs.org](http://www.nystrs.org).
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at [www.osc.state.ny.us/retire](http://www.osc.state.ny.us/retire).

*Benefits:* The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

*Contribution Requirements:* No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 9.8% for 2018. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the District to the pension accumulation fund. For 2018, these rates ranged from 9.4% - 19.8%.

The amount outstanding and payable to TRS for the year ended June 30, 2018 was \$1,521,584. A liability to ERS of \$134,333 is accrued based on the District's legally required contribution for employee services rendered from April 1, 2018 through June 30, 2018.

### **Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources**

At June 30, 2018, the District reported an asset of \$704,502 for its proportionate share of the TRS net pension position and a liability of \$363,488 for its proportionate share of the ERS net pension position.

The TRS net pension asset was measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of June 30, 2016, with update procedures applied to roll forward the net pension position to June 30, 2017. The District's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2017, the District's proportion was 0.092686%, an increase of 0.000432 from its proportion measured as of June 30, 2016.

The ERS net pension liability was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. The District's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2018 measurement date, the District's proportion was 0.0112624%, an increase of 0.0010425 from its proportion measured as of March 31, 2017.

For the year ended June 30, 2018, the District recognized net pension expense of \$2,302,250 on the government-wide statements (TRS expense of \$1,769,908 and ERS expense of \$532,342). At June 30, 2018, the District reported deferred outflows and deferred inflows of resources as follows:

	<b>TRS</b>		<b>ERS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 579,632	\$ 274,677	\$ 129,644	\$ 107,133
Changes of assumptions	7,168,445	-	241,023	-
Net difference between projected and actual earnings on pension plan investments	-	1,659,306	527,937	1,042,095
Changes in proportion and differences between District contributions and proportionate share of contributions	47,037	87,394	256,187	13,676
District contributions subsequent to the measurement date	1,521,584	-	134,333	-
	<b>\$ 9,316,698</b>	<b>\$ 2,021,377</b>	<b>\$ 1,289,124</b>	<b>\$ 1,162,904</b>

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

Years ending June 30,	TRS	ERS
2019	\$ 161,852	\$ 170,716
2020	1,895,373	123,743
2021	1,356,024	(216,195)
2022	335,747	(86,377)
2023	1,352,076	-
Thereafter	672,665	-
	<b>\$ 5,773,737</b>	<b>\$ (8,113)</b>

### Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2016 valuation, with update procedures used to roll forward the total pension liability to June 30, 2017, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

**Inflation** – 2.5%

**Salary increases** – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%

**Projected Cost of Living Adjustments (COLA)** – 1.5% compounded annually

**Investment rate of return** – 7.25% compounded annually, net of investment expense, including inflation (7.50% for the 2016 measurement)

**Mortality** – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis

**Discount rate** – 7.25% (7.50% for the 2016 measurement)

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation, with update procedures used to roll forward the total pension liability to March 31, 2018, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

**Inflation** – 2.5%

**Salary increases** – 3.8%

**COLA** – 1.3% annually

**Investment rate of return** – 7.0% compounded annually, net of investment expense, including inflation

**Mortality** – Society of Actuaries' Scale MP-2014

**Discount rate** – 7.0%

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

## Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class and the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	35%	5.9%	36%	4.6%
International equities	18%	7.4%	14%	6.4%
Private equities	8%	9.0%	10%	7.5%
Real estate	11%	4.3%	10%	5.6%
Inflation-indexed bonds	-	-	4%	1.3%
Domestic fixed income securities	16%	1.6%	-	-
Global fixed income securities	2%	1.3%	-	-
Bonds and mortgages	8%	2.8%	17%	1.3%
Short-term	1%	0.6%	1%	(0.3)%
Other	1%	3.9%	8%	3.8%-5.7%
	<b>100%</b>		<b>100%</b>	

## Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of its net pension position calculated using the discount rate of 7.25% (TRS) and 7.0% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	At Current		
	1.0% Decrease	Discount Rate	1.0% Increase
District's proportionate share of the TRS net pension asset (liability)	\$ (12,136,482)	\$ 704,502	\$ 11,458,189
District's proportionate share of the ERS net pension asset (liability)	\$ (2,750,247)	\$ (363,488)	\$ 1,655,615

## 9. Postemployment Benefits Other Than Pensions (OPEB)

### Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance for certain District retirees and their spouses. The Plan is open to all eligible employees and provides continued insurance through the conversion of sick time or by payment of monthly premiums by retirees through participation in the District's plans. The District thereby provides an implicit rate subsidy on behalf of eligible employees. Eligibility is based on covered employees who retire from the District over age 55 with five or more years of service and are eligible to retire under TRS or ERS. The Plan has no assets, does not issue financial statements, and is not a trust.

At July 1, 2016, employees covered by the Plan include:

Active employees	180
Inactive employees or beneficiaries currently receiving benefits	143
Inactive employees entitled to but not yet receiving benefits	-
	<hr/>
	323

### Total OPEB Liability

The District's total OPEB liability of \$5,792,905 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016, rolled forward to June 30, 2018.

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Healthcare cost trend rates** – based on a review of published national trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Model v2018\_c, initially 7.5% for medical, 5.8% for post-65 medical, and 10.5% for prescription drug coverage, declining to 3.89% in 2075

**Salary increases** – 3.5% teachers, 2.5% other employees

**Mortality** – RP-2014 sex distinct mortality tables for employees and healthy annuitants, adjusted backwards to 2006 with MP-2014, and then adjusted for Mortality Improvements Scale MP-2017 on a fully generational basis

**Discount rate** – 3.56% based on the Fidelity General Obligation 20-Year AA Municipal Bond Index as of the measurement date

**Inflation rate** – 2.25%

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 5,943,359
Changes for the year:	
Service cost	312,365
Interest	181,294
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(550,043)
Benefit payments	(94,070)
Net changes	<u>(150,454)</u>
Balance at June 30, 2018	<u>\$ 5,792,905</u>

The following presents the sensitivity of the District's total OPEB liability to changes in the discount rate, including what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

	<u>1.0% Decrease (2.56%)</u>	<u>Discount Rate (3.56%)</u>	<u>1.0% Increase (4.56%)</u>
Total OPEB liability	\$ (6,683,019)	\$ (5,792,905)	\$ (5,051,649)

The following presents the sensitivity of the District's total OPEB liability to changes in the healthcare cost trend rates, including what the District's total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates:

	<u>Healthcare Cost</u>		
	<u>1.0% Decrease (6.5% to 2.89%)</u>	<u>Trend Rate (7.5% to 3.89%)</u>	<u>1.0% Increase (8.5% to 4.89%)</u>
Total OPEB liability	\$ (4,798,765)	\$ (5,792,905)	\$ (7,073,349)

**OPEB Expense and Deferred Inflows of Resources**

For the year ended June 30, 2018, the District recognized OPEB expense of \$493,659. At June 30, 2018, the District reported deferred inflows of resources related to OPEB of \$550,043 which resulted from changes of assumptions.



Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years ending June 30,</u>		
2019	\$	(55,956)
2020		(55,956)
2021		(55,956)
2022		(55,956)
2023		(55,956)
Thereafter		<u>(270,263)</u>
	<b>\$</b>	<b><u>(550,043)</u></b>

## **10. Risk Management**

### **General Liability**

The District purchases commercial insurance for various risks of loss due to torts, theft, damages, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

### **Health Insurance**

The District participates in the NY44 Health Benefits Plan Trust (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the 55 participating members as of June 30, 2017 (the most recent information available).

The District has transferred all risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Refunds are not made nor additional assessments charged other than the annual premium equivalent. If the Plan's assets were to be exhausted, members would be equally responsible for the remaining liabilities.

The Plan has published its own financial report for the year ended June 30, 2017, which can be obtained from Erie 1 BOCES, 355 Harlem Road, West Seneca, New York, 14224.

### **Workers' Compensation**

The District has chosen to establish a self-insured plan for risks associated with employee workers' compensation claims. Generally, liabilities 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 with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. For workers' compensation, the District purchases excess insurance limiting their self-funded rate to \$600,000 per incident.

Claims activity for the plan is as follows:

	<b>Beginning of Year</b>	<b>Current Claims and Changes in Estimates</b>	<b>Claims paid</b>	<b>End of year</b>
2018	\$ 56,000	\$ 304,941	\$ 44,941	\$ 316,000
2017	\$ -	\$ 65,320	\$ 9,320	\$ 56,000

The estimated liability for the plan has been accrued on the government-wide and governmental funds financial statements as they are expected to be paid with currently available financial resources.

## 11. Commitments and Contingencies

### Grants

The District receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and are subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the District. Based on prior experience, management expects such amounts to be immaterial.

### Construction Commitments

The District has entered into contracts with various construction companies for a capital project which District voters approved up to \$24,300,000. To date, the District has spent \$266,000.

### Encumbrances

Significant outstanding encumbrances in the general fund as of June 30, 2018 include \$102,000 for services and \$145,000 for repairs and maintenance.

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

**Required Supplementary Information  
Schedule of the District's Proportionate Share of the Net Pension Position  
New York State Teachers' Retirement System**

As of the measurement date of June 30,	2017	2016	2015	2014	2013
District's proportion of the net pension position	0.092686%	0.092254%	0.093209%	0.090745%	0.090111%
District's proportionate share of the net pension asset (liability)	\$ 704,502	\$ (988,074)	\$ 9,681,454	\$ 10,108,412	\$ 593,157
District's covered payroll	\$ 14,687,602	\$ 14,282,255	\$ 14,012,995	\$ 13,443,037	\$ 13,226,861
District's proportionate share of the net pension position as a percentage of its covered payroll	4.80%	6.92%	69.09%	75.19%	4.48%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%	100.70%

*Data prior to 2013 is unavailable.*

The following is a summary of changes of assumptions:

	2017	2016	2015
Inflation	2.5%	2.5%	3.0%
Salary increases	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%
Cost of living adjustments	1.5%	1.5%	1.625%
Investment rate of return	7.25%	7.5%	8.0%
Discount rate	7.25%	7.5%	8.0%
Society of Actuaries' mortality scale	MP-2014	MP-2014	AA

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

**Required Supplementary Information  
Schedule of District Contributions  
New York State Teachers' Retirement System**

<b>June 30,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contribution	\$ 1,521,584	\$ 1,721,387	\$ 1,893,827	\$ 2,454,136	\$ 2,178,220	\$ 1,562,773
Contribution in relation to the contractually required contribution	(1,521,584)	(1,721,387)	(1,893,827)	(2,454,136)	(2,178,220)	(1,562,773)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 15,526,367	\$ 14,687,602	\$ 14,282,255	\$ 14,012,995	\$ 13,443,037	\$ 13,226,861
Contributions as a percentage of covered payroll	9.80%	11.72%	13.26%	17.51%	16.20%	11.82%

*Data prior to 2013 is unavailable.*

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

**Required Supplementary Information  
Schedule of the District's Proportionate Share of the Net Pension Position  
New York State and Local Employees' Retirement System**

As of the measurement date of March 31,	2018	2017	2016	2015
District's proportion of the net pension position	0.0112624%	0.0102199%	0.010780%	0.010441%
District's proportionate share of the net pension liability	\$ 363,488	\$ 960,285	\$ 1,730,220	\$ 352,723
District's covered payroll	\$ 3,672,063	\$ 3,127,696	\$ 3,167,707	\$ 3,311,902
District's proportionate share of the net pension position as a percentage of its covered payroll	9.90%	30.70%	54.62%	10.65%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%

*Data prior to 2015 is unavailable.*

The following is a summary of changes of assumptions:

	2016	2015
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.0%	7.5%
Discount rate	7.0%	7.5%

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

**Required Supplementary Information  
Schedule of District Contributions  
New York State and Local Employees' Retirement System**

June 30,	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 567,153	\$ 487,809	\$ 546,003	\$ 647,900	\$ 726,251	\$ 634,466
Contribution in relation to the contractually required contribution	(567,153)	(487,809)	(546,003)	(647,900)	(726,251)	(634,466)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,672,063	\$ 3,127,696	\$ 3,167,707	\$ 3,311,902	\$ 3,425,996	\$ 3,458,079
Contributions as a percentage of covered payroll	15.45%	15.60%	17.24%	19.56%	21.20%	18.35%

*Data prior to 2013 is unavailable.*

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

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**Required Supplementary Information  
Schedule of Changes in the District's  
Total OPEB Liability and Related Ratios**

**June 30, 2018**

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Total OPEB liability - beginning	\$ 5,943,359
Changes for the year:	
Service cost	312,365
Interest	181,294
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(550,043)
Benefit payments	(94,070)
Net change in total OPEB liability	(150,454)
Total OPEB liability - ending	\$ 5,792,905
Covered-employee payroll	\$ 18,885,374
Total OPEB liability as a percentage of covered-employee payroll	30.67%

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*Data prior to 2018 is unavailable.*

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

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**Supplementary Information  
Schedule of Change from Original to Final Budget and  
Calculation of Unrestricted Fund Balance Limit - General Fund**

**For the year ended June 30, 2018**

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<b>Original expenditure budget</b>	\$ 43,165,468
Encumbrances carried over from prior year	460,513
Budget amendments - contributions	<u>119,747</u>
<b>Revised expenditure budget</b>	<b><u>\$ 43,745,728</u></b>

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**Unrestricted Fund Balance**

Assigned	\$ 1,712,106
Unassigned	<u>1,780,343</u>
	3,492,449
Encumbrances included in assigned fund balance	(612,106)
Appropriated fund balance used for tax levy	<u>(1,100,000)</u>
<b>Amount subject to 4% limit pursuant to Real Property Tax Law §1318</b>	<b><u>\$ 1,780,343</u></b>

**§1318 of Real Property Tax Law - unrestricted fund balance limit calculation**

2019 expenditure budget (unaudited)	\$ 44,508,617
4% of budget	<u>1,780,345</u>
<b>Actual percentage of 2019 expenditure budget</b>	<b><u>4.0%</u></b>

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**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

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**Supplementary Information  
Schedule of Capital Project Expenditures**

**June 30, 2018**

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Project Title	Original Budget	Expenditures			Unexpended Balance
		Prior Years	Current Year	Total	
Maryvale Intermediate	\$ 100,000	\$ -	\$ 99,300	\$ 99,300	\$ 700
2017 Capital improvements	24,300,000	-	266,001	266,001	24,033,999
	<u>\$ 24,400,000</u>	<u>\$ -</u>	<u>\$ 365,301</u>	<u>\$ 365,301</u>	<u>\$ 24,034,699</u>

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

**Supplementary Information  
Schedule of Expenditures of Federal Awards**

**For the year ended June 30, 2018**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Grantor Number</b>	<b>Expenditures</b>
<b>U.S. Department of Education:</b>			
<b>Passed Through New York State Education Department</b>			
<b>Special Education Cluster:</b>			
Special Education Grants to States	84.027	0032-18-0215	\$ 516,810
Special Education Preschool Grants	84.173	0033-18-0215	18,185
<b>Total Special Education Cluster</b>			<u>534,995</u>
Title I Grants to Local Educational Agencies	84.010	0021-18-0750	508,336
Supporting Effective Instruction State Grants	84.367	0147-18-0750	74,366
English Language Acquisition State Grants	84.365	0293-18-0750	4,258
Twenty-First Century Community Learning Centers	84.287	0187-18-7089	447,419
<b>Total U.S. Department of Education</b>			<u>1,569,374</u>
<b>U.S. Department of Agriculture:</b>			
<b>Passed Through Board of Cooperative Educational Services Second Supervisory District of Erie-Chautauqua-Cattaraugus Counties</b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>80,775</u>
<b>Passed Through New York State Education Department</b>			
<b>Child Nutrition Cluster:</b>			
School Breakfast Program	10.553	N/A	167,701
National School Lunch Program	10.555	N/A	473,634
<b>Total Child Nutrition Cluster</b>			<u>641,335</u>
<b>Passed Through New York State Office of General Services</b>			
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	63,198
<b>Total U.S. Department of Agriculture</b>			<u>785,308</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,354,682</u>

# CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT

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## Notes to Schedule of Expenditures of Federal Awards

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### 1. Summary of Significant Accounting Policies

#### **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Cheektowaga-Maryvale Union Free School District (the District), an entity as defined in Note 1 to the District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

#### **Basis of Accounting**

The District uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

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

#### **Indirect Costs**

The District does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

#### **Non-monetary Federal Program**

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2018, the District used \$63,198 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

**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  
Cheektowaga-Maryvale Union Free School District

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 remaining fund information of Cheektowaga-Maryvale Union Free School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 17, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 testing 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lumaden & McCormick, LLP*

September 17, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Education  
Cheektowaga-Maryvale Union Free School District

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

We have audited Cheektowaga-Maryvale Union Free School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

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

## **Report on Internal Control over Compliance**

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

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

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

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

*Lumaden & McCormick, LLP*

September 17, 2018

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

**For the year ended June 30, 2018**

**Section I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? 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 section 2 CFR 200.516(a)? No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA #</u>	<u>Amount</u>
<b>Special Education Cluster:</b>		
Special Education Grants to States	84.027	\$ 516,810
Special Education Preschool Grants	84.173	18,185
		<u>\$ 534,995</u>

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

Auditee qualified as low-risk auditee? Yes

**Section II. Financial Statement Findings**

No matters were reported.

**Section III. Federal Award Findings and Questioned Costs**

No matters were reported.



**CHEEKTOWAGA-MARYVALE UNION FREE  
SCHOOL DISTRICT**

**EXTRACLASSROOM ACTIVITY**

**JUNE 30, 2018**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Education  
Cheektowaga-Maryvale Union Free School District

We have audited the accompanying statement of cash receipts and disbursements of Cheektowaga-Maryvale Union Free School District (the District) Extraclassroom Activity for the year ended June 30, 2018, and the related notes to the financial statement.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

### **Basis for Qualified Opinion**

Certain accounting records of Cheektowaga-Maryvale Union Free School District Extraclassroom Activity accounts were not adequate for us to form an opinion regarding the completeness of cash receipts in the accompanying statement of cash receipts and disbursements stated at \$158,708.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of Cheektowaga-Maryvale Union Free School District Extraclassroom Activity for the year ended June 30, 2018, in accordance with the cash basis of accounting as described in Note 1.

**Basis of Accounting**

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

*Lumaden & McCormick, LLP*

September 17, 2018

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**  
**Extraclassroom Activity**

**Statement of Cash Receipts and Disbursements**

For the year ended June 30, 2018

<u>Activities</u>	<u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2018</u>
<b><u>High School</u></b>				
Class Clubs:				
2017	\$ 8,420	\$ -	\$ 8,420	\$ -
2018	5,691	28,241	30,534	3,398
2019	2,732	4,834	1,446	6,120
2020	1,211	3,586	1,245	3,552
2021	-	1,539	680	859
Chorale Club	1,126	5,693	4,479	2,340
Performing Arts Club	20,236	24,284	29,153	15,367
Library Club	39	538	-	577
Musicale Club	2,726	100	187	2,639
International Club	-	190	10	180
National Honor Society	3,364	1,845	2,766	2,443
School Store	3,331	23,502	25,088	1,745
Ski Club	759	-	-	759
Student Government	5,367	19,321	15,305	9,383
Instrumental Music Club	-	334	138	196
Video Yearbook Club	699	225	-	924
Yearbook Club	5,539	5,500	9,194	1,845
	<u>61,240</u>	<u>119,732</u>	<u>128,645</u>	<u>52,327</u>
<b><u>Middle School</u></b>				
6th Grade Team	538	2,736	1,913	1,361
7th Grade Team	830	4,185	4,607	408
8th Grade Team	172	5,899	6,086	(15)
Leadership Club	1,895	3,436	3,084	2,247
National Junior Honor Society	225	128	286	67
Student Council	4,746	21,338	20,706	5,378
Yearbook Club	621	1,254	1,089	786
	<u>9,027</u>	<u>38,976</u>	<u>37,771</u>	<u>10,232</u>
	\$ 70,267	\$ 158,708	\$ 166,416	\$ 62,559

See accompanying notes.

**CHEEKTOWAGA-MARYVALE UNION FREE SCHOOL DISTRICT**  
**Extraclassroom Activity**

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**Notes to Financial Statement**

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**1. Summary of Significant Accounting Policies**

**Financial Reporting Entity**

Extraclassroom Activity accounts are those operated by and for the students. Proceeds are voluntarily collected by students and are spent by them, as they deem appropriate under established guidelines. The cash balances of the Extraclassroom Activity accounts are included in the financial statements of Cheektowaga-Maryvale Union Free School District (the District). These amounts are included in the Agency column of the Statement of Fiduciary Net Position.

**Basis of Presentation**

The District's policy is to prepare the accompanying financial statement on the cash basis of accounting. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when cash is disbursed rather than when the obligation is incurred.

## MANAGEMENT LETTER

September 17, 2018

The Audit Committee, Board of Education,  
and Management  
Cheektowaga-Maryvale Union Free School District

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the remaining fund information of Cheektowaga-Maryvale Union Free School District (the District) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## OBSERVATIONS

### Extraclassroom activities

During the testing of extraclassroom activities we noted the following:

- One club did not have any financial activity during the year. We continue to encourage management and the Board to close any inactive clubs in accordance with its policies.
- The software used to record extraclassroom transactions results in errors, specifically in the recording of sales tax owed and interest earned. We recommend that management look into purchasing new software or using the District's financial accounting software to record this activity.
- We noted one club that disbursed more money than its available balance, resulting in a negative cash balance at year end. We recommend that management reiterate to club advisors and student officers the importance of adequate budgeting to prevent clubs from overspending and that the club eliminate its negative balance with additional contributions.

### Interfund accounting

We continue to recommend that amounts owed between funds be liquidated in a timely manner. Such amounts originate as short-term borrowings between funds and are not intended to be permanent in nature. If necessary, transfers should be made permanent with the appropriate documentation and Board approval.

### Use of reserves

Due to the sale of District buildings, a tax reduction reserve was established in 2012 with an additional amount added in 2013. In accordance with New York State Education Law, these funds must be spent over a period not to exceed ten years. We encourage management to continue to use these funds with the goal of spending all funds within the ten-year time frame.

### INFORMATIONAL POINTS – ACCOUNTING STANDARDS UPDATE

The following points are for informational purposes only and we do not consider it necessary for management to respond within the District's corrective action plan.

- GASB Statement No. 84, *Fiduciary Activities*, is effective for the District's year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities and generally focuses on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. This statement describes four fiduciary funds that should be reported, if applicable, and requires presentation of a statement of fiduciary net position and a statement of changes in fiduciary net position for each.
- GASB Statement No. 87, *Leases*, is effective for the District's year ending June 30, 2021. It requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as income or expenditures, based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for the District's year ending June 30, 2019. It requires disclosure in the footnotes for additional information related to debt, including unused lines of credit, assets pledged as collateral, and terms specified in debt agreements related to significant events of default, termination events with finance-related consequences, and significant acceleration clauses.

### PRIOR YEAR RECOMMENDATIONS

Included in our current year procedures is an update of the status of recommendations made in previous audits. In 2017, the unassigned and committed fund balance in the general fund exceeded 4% of the 2018 budget. In the current year, the District is in compliance with the 4% requirement.

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We have discussed these comments with District personnel and would be pleased to discuss them in further detail, perform any additional studies, or assist you in implementing the recommendations.

This communication is intended solely for the information and use of the District's management, Audit Committee, and Board of Education; others within the District; the NYS Education Department Office of Audit Services; and the Office of the NYS Comptroller, Division of Local Government and School Accountability. It is not intended to be, and should not be, used by anyone other than these specified parties.

*Rumadan & McCormick LLP*

# Maryvale School System

1050 Maryvale Drive • Cheektowaga NY 14225-2386

Dr. Stephen J. Lunden  
Assistant Superintendent for Administrative Services

Phone: (716) 631-7472  
Fax: (716) 631-7408  
E-mail: Lunden@maryvaleufsd.org

To: Audit Committee Members  
From: Dr. Stephen J. Lunden *SL*  
Date: September 25, 2018  
Re: Corrective Action Plan for June 30, 2018 Audit

The External Auditor completed the audit of our June 30, 2018 financial statements. The report includes one observation. I am preparing this memo to formalize the District's response.

### **Extraclassroom Activities:**

The audit noted that one club did not have any financial activity and to close any inactive clubs. The District reviews inactive clubs on an annual basis and will continue to do so.

The audit recommended that management consider a change in the software program used for the extraclassroom activities. The District will review these options during the 2018-19 school year.

The audit discovered that one club disbursed more money than its available balance. This will be reviewed with the individuals involved in the extraclassroom activities to prevent this from happening in the future.

### **Interfund Accounting:**

The audit recommended that amounts owed between funds be liquidated. The District will liquidate these existing balances during the 2018-19 school year.

### **Use of Reserves:**

The audit recommended that the District continue to monitor the tax reduction reserve in order to spend it down within the required timeframe. The District has had a spending plan in place since this reserve was created that will continue to be used to spend these funds within the required time frame.

If you have any questions or comments, please let me know.