

**YORKSHIRE-PIONEER CENTRAL  
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

# YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

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June 30, 2017

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## INDEPENDENT AUDITORS' REPORT

The Board of Education  
Yorkshire-Pioneer Central School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Yorkshire-Pioneer Central School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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, 2017, 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 2017, 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 19, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

*Linmoden & McCormick, LLP*

September 19, 2017

**Yorkshire-Pioneer Central School District**  
**Management's Discussion and Analysis**  
**June 30, 2017**  
***Unaudited***

**Introduction**

Management's Discussion and Analysis (MD&A) of Yorkshire-Pioneer Central School District (the District) provides an overview of the District's financial performance and activities for the year ended June 30, 2017. 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 2017, 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 the 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 statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and the difference between them is 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 Department of Education.

Condensed Statement of Net Position	2017	2016	Change	
			\$	%
Current assets	\$ 17,534,000	\$ 18,417,000	\$ (883,000)	-4.8%
Net pension asset	-	12,552,000	(12,552,000)	-100.0%
Capital assets	57,790,000	59,661,000	(1,871,000)	-3.1%
Total assets	75,324,000	90,630,000	(15,306,000)	-16.9%
Deferred outflows of resources	14,375,000	4,648,000	9,727,000	209.3%
Long-term liabilities	49,942,000	25,404,000	24,538,000	96.6%
Other liabilities	3,906,000	29,063,000	(25,157,000)	-86.6%
Total liabilities	53,848,000	54,467,000	(619,000)	-1.1%
Deferred inflows of resources	730,000	4,634,000	(3,904,000)	-84.2%
Net position				
Net investment in capital assets	16,830,000	15,100,000	1,730,000	11.5%
Restricted	4,234,000	4,659,000	(425,000)	-9.1%
Unrestricted	14,057,000	16,418,000	(2,361,000)	-14.4%
Total net position	\$ 35,121,000	\$ 36,177,000	\$ (1,056,000)	-2.9%

Net position at June 30, 2017 and 2016 was \$35,121,000 and \$36,177,000, 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 represents resources that are subject to external restrictions on how they may be used, which includes reserve set aside for specific purposes governed by statutory laws and regulations. These items consist of the debt service reserve, which is required to be used for the repayment of bonds issued to finance capital projects; the capital reserve, which is set aside to pay for future renovations in concert with the District's long-term capital plan; the employee benefit accrued liability reserve, which is restricted to pay for future accumulated vacation and sick pay of current employees; the retirement contribution reserve, which can only be used to fund required District contributions to the New York State and Local Employees' Retirement System (ERS); and the unemployment insurance reserve, which is restricted to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants.

Total assets decreased by \$15,306,000 (\$665,000 decrease in 2016) primarily as a result of a change in actuarial assumptions by the New York State Teachers' Retirement System (TRS), resulting in a net pension liability which is included in long-term liabilities. In 2016, the District's proportionate share of the net pension position resulted in an asset of \$12,552,000 compared to a liability of \$1,304,000 in 2017. This change was largely caused by a decrease in the discount rate from 8.0% to 7.5%. The net pension liability also includes \$1,263,000 for the District's share of the ERS net pension position.

Current assets decreased \$883,000 (\$6,784,000 decrease in 2016) primarily as a result of cash used for principal payments on outstanding short-term and long-term debt. A decrease of \$1,871,000 in capital assets (\$6,819,000 increase in 2016) is the result of depreciation exceeding current year additions.

Long-term liabilities increased \$24,538,000 (\$293,000 decrease in 2016) primarily due to issuance of bonds totaling \$34,755,000, offset by refunding of bonds of \$12,295,000 and required principal payments totaling \$2,120,000. Also included in long-term liabilities is the total OPEB liability which increased \$2,323,000 due to the District's implementation of GASB 75. Other liabilities decreased by \$25,157,000 (\$221,000 decrease in 2016) due to conversion of short-term bond anticipation notes (BANs) of \$25,147,000 BANs into permanent financing.

Changes in deferred outflows and deferred inflows of resources primarily reflect changes in pension activity at the State level which is required to be reflected on the District's financial statements. Deferred outflows of resources include contributions required to be paid by the District to the State pension systems after the measurement date, and as such are not included in the current net pension position. Deferred outflows of resources and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions. The District has no control or authority over these transactions.

Condensed Statement of Activities	2017	2016	Change	
			\$	%
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 724,000	\$ 778,000	\$ (54,000)	-6.9%
Operating and capital grants and contributions	4,109,000	4,278,000	(169,000)	-4.0%
General revenues				
Taxes and related items	12,636,000	12,552,000	84,000	0.7%
State aid	36,306,000	35,308,000	998,000	2.8%
Other	743,000	1,050,000	(307,000)	-29.2%
Total revenue	54,518,000	53,966,000	552,000	1.0%
<b>Expenses</b>				
Instruction	41,725,000	36,902,000	4,823,000	13.1%
Support services				
General support	6,293,000	5,824,000	469,000	8.1%
Pupil transportation	3,127,000	3,181,000	(54,000)	-1.7%
Food service	1,139,000	1,127,000	12,000	1.1%
Interest and other	1,218,000	1,390,000	(172,000)	-12.4%
Total expenses	53,502,000	48,424,000	5,078,000	10.5%
Change in net position	1,016,000	5,542,000	(4,526,000)	-81.7%
Net position - beginning	36,177,000	30,635,000	5,542,000	18.1%
Restatement- GASB 75	(2,072,000)			
Net position - ending	\$ 35,121,000	\$ 36,177,000	\$ (1,056,000)	-2.9%

District revenues increased by \$552,000 from 2016 (\$2,400,000 or 4.7% increase in the prior year). The increase in revenues is a result of increases in State aid of \$998,000 (increase of \$3,101,000 or 9.6% in 2016), due to an increase in Foundation aid. The increase was offset by a decrease of \$307,000 in other revenue (\$382,000 or 57.2% increase in 2016) as a result of premiums received in 2016 on bond anticipation notes (BANs) and not repeated in 2017.

Total expenses increased \$5,078,000 (increase of \$2,001,000 or 4.3% in 2016). Payroll expenses increased \$808,000 as a result of regular annual wage increases. Employee benefits increased \$3,307,000 primarily as a result of actuarial changes in the State's pension systems that increased pension expense by \$2,927,000 over 2016 and an increase in health insurance expense of \$281,000.

## Financial Analysis of the District's Funds

Total fund balances for the governmental funds increased from a deficit of \$10,524,000 to a fund balance of \$13,683,000 as described below:

- The capital projects fund experienced an increase in fund balance of \$24,785,000 (\$5,566,000 decrease in 2016) as a result of the issuance of bonds of \$23,200,000 and \$1,899,000 of BANs redeemed from general fund appropriations. Such amounts are recognized as revenue on a fund basis.
- Total fund revenue increased \$468,000 or 0.9% (increase of \$2,421,000 or 4.7% in 2016) and total fund expenditures decreased \$6,376,000 or 10.3% (decrease of \$6,416,000 or 9.4% in 2016). The increase in revenue is the result of increases in State aid as mentioned previously. The decrease in expenditures is a reflection of \$1,541,000 in capital outlays in 2017, compared to \$8,622,000 in 2016. Other expenditures increased as a result of employee wage increases of \$808,000.
- The general fund experienced a decrease in fund balance of \$635,000 during 2017 compared to a \$972,000 decrease for 2016. The decrease is primarily due to operating transfers to the capital projects fund of \$1,180,000, offset by the increase mentioned previously related to State aid revenues.

## General Fund Budgetary Highlights

The total revenue budget for 2017 was \$49,951,000. Actual revenue was \$299,000 more than budget due primarily to BOCES refunds in excess of expected amounts.

Actual expenditures and carryover encumbrances were \$3,116,000 or 5.9% less than the \$52,888,000 revised spending plan. Significant positive variances occurred in teaching regular school, programs for children with handicapping conditions, and employee benefits.

## Capital Assets

	2017	2016
Land	\$ 161,000	\$ 161,000
Construction in progress	1,065,000	-
Buildings and improvements	87,066,000	86,590,000
Furniture and equipment	4,360,000	4,302,000
Vehicles	776,000	631,000
	93,428,000	91,684,000
Accumulated depreciation	(35,638,000)	(32,023,000)
	<u>\$ 57,790,000</u>	<u>\$ 59,661,000</u>

Capital asset additions of \$1,765,000 were offset by depreciation of \$3,636,000.

## Debt

At June 30, 2017, the District had \$40,130,000 in bonds outstanding, with \$3,965,000 due within one year (\$19,790,000 outstanding at June 30, 2016). Compensated absences totaled \$2,567,000, with \$430,000 expected to be paid within one year (\$2,503,000 outstanding at June 30, 2016).

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 political pressures imposed on 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 mitigate the impact of rising costs of education on the overall budget, including using reserve funds as permitted by law to lessen the budgetary impact. The property tax levy cap emphasizes the importance of using reserves judiciously and implementing creative cost cutting measures. These issues and concerns require management to plan carefully and prudently to provide the education 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 Nicholas Silvaroli, School Business Administrator, Yorkshire-Pioneer Central School District, P.O. Box 579, Yorkshire, New York 14173.

# YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

## Statement of Net Position

June 30, 2017

(With summarized comparative totals as of June 30, 2016)

	2017	2016
<b>Assets</b>		
Cash	\$ 12,647,834	\$ 15,542,340
Due from other governments	86,811	196,430
State and federal aid receivable	4,749,316	2,628,162
Due from fiduciary funds	186	-
Inventory	49,619	50,088
Net pension asset	-	12,552,081
Capital assets (Note 6)	93,427,827	91,684,016
Accumulated depreciation	(35,637,592)	(32,022,800)
<b>Total assets</b>	<b>75,324,001</b>	<b>90,630,317</b>
<b>Deferred Outflows of Resources</b>		
Defeasance loss	579,265	-
Deferred outflows of resources related to pensions	13,634,727	4,648,315
Deferred outflows of resources related to OPEB	161,259	-
	<b>14,375,251</b>	<b>4,648,315</b>
<b>Liabilities</b>		
Accounts payable	640,485	216,854
Accrued liabilities	434,880	654,467
Due to retirement systems	2,559,108	2,780,999
Due to other governments	271,770	264,220
Bond anticipation notes	-	25,146,697
Long-term liabilities		
Due within one year:		
Bonds	3,965,000	2,120,000
Workers' compensation liability	90,000	88,000
Compensated absences	430,000	368,000
Due beyond one year:		
Bonds and related premium	37,588,696	17,670,000
Workers' compensation liability	511,281	501,166
Compensated absences	2,137,000	2,135,000
Net pension liability	2,567,107	2,191,462
Total OPEB liability	2,653,027	330,474
<b>Total liabilities</b>	<b>53,848,354</b>	<b>54,467,339</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	730,184	4,634,094
<b>Net Position</b>		
Net investment in capital assets	16,829,961	15,100,339
Restricted	4,234,212	4,659,097
Unrestricted	14,056,541	16,417,763
<b>Total net position</b>	<b>\$ 35,120,714</b>	<b>\$ 36,177,199</b>

See accompanying notes.

# YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

## Statement of Activities

For the year ended June 30, 2017

(With summarized comparative totals for June 30, 2016)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	2017	2016
<b>Governmental activities</b>					
General support	\$ 6,292,731	\$ 299,353	\$ -	\$ (5,993,378)	\$ (5,523,004)
Instruction	41,725,124	120,172	3,231,000	(38,373,952)	(33,316,613)
Pupil transportation	3,127,305	-	-	(3,127,305)	(3,180,515)
Community services	20,407	-	-	(20,407)	(16,779)
Interest expense	1,197,287	-	-	(1,197,287)	(1,374,342)
School food service	1,139,062	304,040	877,475	42,453	44,019
	<u>\$ 53,501,916</u>	<u>\$ 723,565</u>	<u>\$ 4,108,475</u>	<u>(48,669,876)</u>	<u>(43,367,234)</u>
<b>General revenues</b>					
Real property taxes				12,435,308	12,367,767
Sales tax				200,885	184,391
Other				743,095	1,049,451
State aid				36,306,342	35,307,548
<b>Total general revenues</b>				<u>49,685,630</u>	<u>48,909,157</u>
<b>Change in net position</b>				<u>1,015,754</u>	<u>5,541,923</u>
<b>Net position - beginning</b>				36,177,199	30,635,276
Cumulative effect of a change in accounting principle (Note 2)				(2,072,239)	-
<b>Net position - beginning, as restated</b>				<u>34,104,960</u>	<u>30,635,276</u>
<b>Net position - ending</b>				<u>\$ 35,120,714</u>	<u>\$ 36,177,199</u>

# YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

## Balance Sheet - Governmental Funds

June 30, 2017

(With summarized comparative totals as of June 30, 2016)

						Total	
	General	Capital Projects	Debt Service	Special Aid	School Lunch	Governmental Funds	
						2017	2016
<b>Assets</b>							
Cash	\$ 6,872,708	\$ 4,006,578	\$ -	\$ 1,160,817	\$ 607,731	\$ 12,647,834	\$ 15,542,340
Due from other governments	85,573	-	-	-	1,238	86,811	196,430
State and federal aid receivable	3,474,548	-	-	1,216,467	58,301	4,749,316	2,628,162
Due from other funds, net	3,443,307	-	2,394,399	-	-	5,837,706	5,336,329
Inventory	-	-	-	-	49,619	49,619	50,088
<b>Total assets</b>	<b>\$ 13,876,136</b>	<b>\$ 4,006,578</b>	<b>\$ 2,394,399</b>	<b>\$ 2,377,284</b>	<b>\$ 716,889</b>	<b>\$ 23,371,286</b>	<b>\$ 23,753,349</b>
<b>Liabilities and Fund Balances</b>							
Accounts payable	\$ 328,739	\$ 284,336	\$ -	\$ 25,482	\$ 1,928	\$ 640,485	\$ 216,854
Accrued liabilities	126,087	-	-	15,500	7,293	148,880	331,467
Due to retirement systems	2,559,108	-	-	-	-	2,559,108	2,780,999
Due to other funds, net	-	3,708,085	-	2,070,327	59,108	5,837,520	5,336,329
Due to other governments	4,264	-	-	265,975	1,531	271,770	264,220
Bond anticipation notes	-	-	-	-	-	-	25,146,697
Unearned revenue	230,356	-	-	-	-	230,356	201,033
<b>Total liabilities</b>	<b>3,248,554</b>	<b>3,992,421</b>	<b>-</b>	<b>2,377,284</b>	<b>69,860</b>	<b>9,688,119</b>	<b>34,277,599</b>
<b>Fund Balances</b>							
Nonspendable:							
Inventory	-	-	-	-	49,619	49,619	50,088
Workers' compensation escrow	383,176	-	-	-	-	383,176	490,735
Restricted:							
Unemployment insurance	7,177	-	-	-	-	7,177	7,167
Retirement contribution	356,077	-	-	-	-	356,077	355,662
Capital	753,518	14,157	-	-	-	767,675	722,679
Debt service	-	-	2,394,399	-	-	2,394,399	2,851,391
Employee benefit accrued liability	723,041	-	-	-	-	723,041	722,198
Assigned:							
Designated for subsequent year's expenditures	3,365,000	-	-	-	-	3,365,000	3,391,136
Other purposes	153,135	-	-	-	597,410	750,545	745,604
Unassigned	4,886,458	-	-	-	-	4,886,458	(19,860,910)
<b>Total fund balances (deficit)</b>	<b>10,627,582</b>	<b>14,157</b>	<b>2,394,399</b>	<b>-</b>	<b>647,029</b>	<b>13,683,167</b>	<b>(10,524,250)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,876,136</b>	<b>\$ 4,006,578</b>	<b>\$ 2,394,399</b>	<b>\$ 2,377,284</b>	<b>\$ 716,889</b>	<b>\$ 23,371,286</b>	<b>\$ 23,753,349</b>

## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

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

June 30, 2017

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Total fund balances - governmental funds \$ 13,683,167

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. 57,790,235

Sales tax revenue received in the current year is used to offset property tax revenue received in the following year and is therefore recorded as unearned revenue in the governmental funds. 230,356

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

Deferred outflows of resources related to pensions	13,634,727	
Net pension liability	(2,567,107)	
Deferred inflows of resources related to pensions	<u>(730,184)</u>	10,337,436

Defeasance losses associated with bond refundings are recognized as deferred outflows of resources in the government-wide statements. 579,265

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

Deferred outflows of resources related to OPEB	161,259	
Total OPEB liability	<u>(2,653,027)</u>	(2,491,768)

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

Bonds and related premium	(41,553,696)	
Accrued interest	(286,000)	
Workers' compensation liability	(601,281)	
Compensated absences	<u>(2,567,000)</u>	(45,007,977)

Net position - governmental activities \$ 35,120,714

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# YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2017

(With summarized comparative totals for June 30, 2016)

	General	Capital Projects	Debt Service	Special Aid	School Lunch	Total Governmental Funds	
						2017	2016
<b>Revenues</b>							
Real property taxes	\$ 10,034,164	\$ -	\$ -	\$ -	\$ -	\$ 10,034,164	\$ 9,911,531
Real property tax items	2,401,144	-	-	-	-	2,401,144	2,456,236
Nonproperty taxes	171,562	-	-	-	-	171,562	193,396
Charges for services	120,172	-	-	-	-	120,172	161,246
Use of money and property	315,430	-	10,518	-	164	326,112	780,744
Sale of property and compensation for loss	30,648	-	-	-	-	30,648	12,968
Miscellaneous	638,276	137	-	60,046	25,926	724,385	725,900
Interfund revenue	10,641	-	-	-	-	10,641	9,496
State sources	36,306,342	-	-	1,511,655	28,677	37,846,674	36,896,621
Federal sources	222,171	-	-	1,437,128	848,798	2,508,097	2,549,998
Sales	-	-	-	-	278,114	278,114	285,942
<b>Total revenues</b>	<b>50,250,550</b>	<b>137</b>	<b>10,518</b>	<b>3,008,829</b>	<b>1,181,679</b>	<b>54,451,713</b>	<b>53,984,078</b>
<b>Expenditures</b>							
General support	5,312,846	-	104,431	975,738	541,815	6,934,830	6,876,122
Instruction	27,576,719	-	-	1,921,603	-	29,498,322	28,881,385
Pupil transportation	2,787,383	-	-	8,804	-	2,796,187	3,078,593
Community services	20,407	-	-	-	-	20,407	16,779
Employee benefits	8,668,227	-	-	189,162	165,302	9,022,691	8,918,434
Debt service							
Principal	4,019,423	-	-	-	-	4,019,423	3,585,000
Interest	1,234,287	-	-	-	-	1,234,287	1,408,342
Cost of sales	-	-	-	-	426,301	426,301	450,963
Capital outlay	-	1,541,411	-	-	1,566	1,542,977	8,656,052
<b>Total expenditures</b>	<b>49,619,292</b>	<b>1,541,411</b>	<b>104,431</b>	<b>3,095,307</b>	<b>1,134,984</b>	<b>55,495,425</b>	<b>61,871,670</b>
<b>Excess revenues (expenditures)</b>	<b>631,258</b>	<b>(1,541,274)</b>	<b>(93,913)</b>	<b>(86,478)</b>	<b>46,695</b>	<b>(1,043,712)</b>	<b>(7,887,592)</b>
<b>Other financing sources (uses)</b>							
Proceeds from advance refunding	-	-	12,978,696	-	-	12,978,696	-
Payment to escrow agent	-	-	(12,874,265)	-	-	(12,874,265)	-
Bond premium	-	47,275	-	-	-	47,275	-
Proceeds from issuance of bonds	-	23,200,000	-	-	-	23,200,000	-
BANs redeemed from appropriations	-	1,899,423	-	-	-	1,899,423	1,300,000
Operating transfers	(1,266,088)	1,179,610	-	86,478	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,266,088)</b>	<b>26,326,308</b>	<b>104,431</b>	<b>86,478</b>	<b>-</b>	<b>25,251,129</b>	<b>1,300,000</b>
<b>Net change in fund balances</b>	<b>(634,830)</b>	<b>24,785,034</b>	<b>10,518</b>	<b>-</b>	<b>46,695</b>	<b>24,207,417</b>	<b>(6,587,592)</b>
<b>Fund balances (deficit) - beginning</b>	<b>11,262,412</b>	<b>(24,770,877)</b>	<b>2,383,881</b>	<b>-</b>	<b>600,334</b>	<b>(10,524,250)</b>	<b>(3,936,658)</b>
<b>Fund balances - ending</b>	<b>\$ 10,627,582</b>	<b>\$ 14,157</b>	<b>\$ 2,394,399</b>	<b>\$ -</b>	<b>\$ 647,029</b>	<b>\$ 13,683,167</b>	<b>\$ (10,524,250)</b>

## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

### 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, 2017

Total net change in fund balances - governmental funds		\$	24,207,417
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 and disposals exceed capital outlays.			
			(1,870,981)
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:			
2017 TRS and ERS contributions	2,853,064		
2017 ERS accrued contribution	161,107		
2016 ERS accrued contribution	(149,361)		
2017 TRS net pension expense	(2,142,414)		
2017 ERS net pension expense	<u>(759,800)</u>		(37,404)
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.			
			(89,055)
Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position.			
			2,120,000
Debt proceeds are recorded as other financing sources in governmental funds but increase long-term liabilities in the statement of net position.			
			(23,200,000)
Net effect of refunding.			
			(104,431)
Sales tax revenue received in the current year is used to offset property tax revenue received in the following year. In the governmental funds, this sales tax revenue is recognized at the same time as the property tax revenue. In the statement of activities, these amounts are recognized when earned.			
			29,323
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:			
Interest	37,000		
Workers' compensation	(12,115)		
Compensated absences	<u>(64,000)</u>		(39,115)
Change in net position - governmental activities		\$	1,015,754

# YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2017

	Budgeted Amounts		Actual		Variance with
	Original	Final	(Budgetary Basis)	Encumbrances	Final Budget Over/(Under)
<b>Revenues</b>					
Local sources					
Real property taxes	\$ 12,338,199	\$ 10,046,292	\$ 10,034,164		\$ (12,128)
Real property tax items	65,000	2,185,345	2,401,144		215,799
Nonproperty taxes	-	171,562	171,562		-
Charges for services	203,500	203,500	120,172		(83,328)
Use of money and property	234,000	234,000	315,430		81,430
Sale of property and compensation for loss	-	-	30,648		30,648
Miscellaneous	215,699	215,699	638,276		422,577
Interfund revenue	-	-	10,641		10,641
State sources	36,729,882	36,729,882	36,306,342		(423,540)
Federal sources	165,000	165,000	222,171		57,171
<b>Total revenues</b>	<b>49,951,280</b>	<b>49,951,280</b>	<b>50,250,550</b>		<b>299,270</b>
<b>Expenditures</b>					
General support					
Board of education	35,796	32,327	28,939	-	(3,388)
Central administration	221,201	222,556	220,302	2,640	386
Finance	467,245	442,045	409,091	264	(32,690)
Staff	308,269	331,667	325,375	245	(6,047)
Central services	3,348,112	3,647,456	3,540,643	81,915	(24,898)
Special items	799,921	789,232	788,496	-	(736)
Instruction					
Instruction, administration, and improvement	1,975,235	2,053,404	1,978,283	231	(74,890)
Teaching - regular school	13,583,342	13,811,647	12,265,115	18,008	(1,528,524)
Programs for children with handicapping conditions	7,798,475	7,622,442	6,868,829	16,143	(737,470)
Occupational education	1,622,635	1,624,444	1,604,314	133	(19,997)
Teaching - special schools	903,500	903,500	940,730	-	37,230
Instructional media	2,000,932	2,123,730	1,984,240	13,442	(126,048)
Pupil services	2,106,591	2,149,738	1,935,208	20,114	(194,416)
Pupil transportation	3,555,042	2,875,315	2,787,383	-	(87,932)
Community services	14,500	14,500	20,407	-	5,907
Employee benefits	10,189,483	9,826,666	8,668,227	-	(1,158,439)
Debt service					
Principal	4,037,278	3,317,278	4,019,423	-	702,145
Interest	1,100,217	1,100,217	1,234,287	-	134,070
<b>Total expenditures</b>	<b>54,067,774</b>	<b>52,888,164</b>	<b>49,619,292</b>	<b>153,135</b>	<b>(3,115,737)</b>
<b>Excess revenues (expenditures)</b>	<b>(4,116,494)</b>	<b>(2,936,884)</b>	<b>631,258</b>	<b>(153,135)</b>	<b>3,415,007</b>
<b>Other financing sources (uses)</b>					
Operating transfers in	500,000	500,000	-		(500,000)
Operating transfers out	(40,000)	(1,219,610)	(1,266,088)		46,478
Appropriated fund balance, reserves, and carryover encumbrances	3,656,494	3,656,494	-		(3,656,494)
<b>Total other financing sources (uses)</b>	<b>4,116,494</b>	<b>2,936,884</b>	<b>(1,266,088)</b>		<b>(4,202,972)</b>
<b>Excess revenues (expenditures) and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (634,830)</b>	<b>\$ (153,135)</b>	<b>\$ (787,965)</b>

See accompanying notes.



## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

### Statement of Fiduciary Net Position

June 30, 2017

	Private-Purpose Trusts	Agency
<b>Assets</b>		
Cash	\$ 309,914	\$ 1,432,509
Investments	327,733	-
Accounts receivable	-	3,487
<b>Total assets</b>	<b>637,647</b>	<b>\$ 1,435,996</b>
<b>Liabilities</b>		
Agency liabilities	-	\$ 1,301,731
Due to governmental funds	-	186
Extracurricular activities balances	-	134,079
<b>Total liabilities</b>	<b>-</b>	<b>\$ 1,435,996</b>
<b>Net Position</b>		
Restricted for scholarships	<b>\$ 637,647</b>	

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## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

### Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2017

	Private-Purpose Trusts
<b>Additions</b>	
Gifts and donations	\$ 8,928
Net investment gain	9,103
	<b>18,031</b>
<b>Deductions</b>	
Scholarship awards	46,885
Other expenses	809
	<b>47,694</b>
<b>Change in net position</b>	<b>(29,663)</b>
<b>Net position - beginning</b>	<b>667,310</b>
<b>Net position - ending</b>	<b>\$ 637,647</b>

See accompanying notes.

# YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

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## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### Reporting Entity

Yorkshire-Pioneer Central 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. In addition, the District's reporting entity does not contain any component units as defined by accounting standards.

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

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, 2017, the District was billed \$7,786,000 for BOCES administrative and program costs. The District also recognized revenue of \$589,000 as a refund from prior year expenditures paid to BOCES and \$499,000 for substitute reimbursements, rental income, and other miscellaneous reimbursements. Audited financial statements are available from BOCES' administrative offices.

## Public Entity Risk Pools

The District participates in the Cattaraugus/Allegany Workers' Compensation Plan, Wyoming County Workers' Compensation Self-Insurance Plan, and the NY44 Health Benefits Plan Trust, which are public entity risk pools. These plans are designed to provide workers' compensation and health insurance coverage for participating entities. These activities are further discussed in Note 11.

## 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.
- *Debt service fund.* This fund is used to account for resources that are restricted to expenditure for principal and interest. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund.
- *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.

The District also elected to display the following as a major fund:

- *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 reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit various third party scholarship 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 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, 2016, 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, 2017, the tax lien was issued on August 2, 2016 for collection from September 1 through November 15, 2016. Thereafter, uncollected amounts became the responsibility of Wyoming, Cattaraugus, Allegany, and Erie Counties. Such amounts were submitted to the District by April 1<sup>st</sup> of the following year as required by law.

The District is subject to tax abatements granted by the Erie County Industrial Development Agency (ECIDA) and Wyoming County Industrial Development Agency (WCIDA). ECIDA and WCIDA are public benefit corporations created by an act of the New York State Legislature to promote and assist private sector industrial and business development.

Through ECIDA and WCIDA, companies promise to expand or maintain facilities or employment within the Towns and Villages that are included within the District, to establish a new business within these localities, or to relocate an existing business. Economic development agreements entered into by ECIDA and WCIDA can include the abatement of county, town, and school district taxes, in addition to other assistance. In the case of the District, these abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreement stipulates a percentage reduction of property taxes, which can be as much as 100%.

For the year ended June 30, 2017, the District's taxes were abated \$104,000 under these agreements, \$103,000 of which was granted through WCIDA. However, because the abated amounts are spread across the District's entire tax base, there is no impact on the overall property taxes collected.

## **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, 2016 was approved by a majority of the voters in a general election held on May 17, 2016.

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.

## Investments

Investments held in private-purpose trusts are stated at fair value on a recurring basis as determined by quoted prices in active markets.

## 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 appraisal. 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:

	Capitalization Policy	Estimated Useful Life
Buildings and improvements	\$1,000	20-40
Furniture and fixtures	\$1,000	5-15
Vehicles	\$1,000	5

## 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 benefits 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 the net pension asset (liability), 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 or the option of converting this vested amount to provide for the payment of health insurance at retirement until exhausted.

The government-wide financial statements reflect the entire 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, and certain deferred outflows reduced by outstanding balances of any related debt obligations 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 required by 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. The District withdrew from a workers' compensation public entity risk pool, as discussed in Note 11, and was required to fund an escrow account held by the workers' compensation plan to pay for claims. The escrow is classified as nonspendable as the District is contractually required to maintain the account until all claims are settled.

Fund balance restrictions consist of the following reserves:

- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the District has elected to use the benefit reimbursement method.
- *Retirement contribution* – is used to finance retirement contributions payable to ERS.
- *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. In 2008, District voters approved the creation of a capital reserve of \$10,000,000. To date, \$3,700,000 of this reserve has been funded.

- *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 by §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.

## Interfund Balances

The operations of the District include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are normally repaid within one year with the exception of transfers from the capital projects to the debt service fund, which are reimbursed when needed for debt service payments. Permanent transfers of funds include transfers to 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, 2016, 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 10) and required supplementary information. As a result, beginning of year net position has been restated as follows:

Net position previously reported, July 1, 2016	\$ 36,177,199
OPEB previously reported	330,474
Total OPEB liability	(2,402,713)
Amounts paid by the District subsequent to the measurement date	-
Net position as restated	<u>\$ 34,104,960</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’s unassigned fund balance in the general fund exceeds the 4% limit of the 2018 expenditure budget, which is a limitation imposed by New York State Real Property Tax Law §1318.



#### 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, 2017, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's agent in the District's name.

#### 5. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 5,702,417	\$ 2,259,110	\$ -	\$ 1,266,088
Capital projects	460,118	4,168,203	1,179,610	-
Debt service	2,394,399	-	-	-
Special aid	-	2,070,327	86,478	-
School lunch	-	59,108	-	-
Fiduciary	-	186	-	-
	<b>\$ 8,556,934</b>	<b>\$ 8,556,934</b>	<b>\$ 1,266,088</b>	<b>\$ 1,266,088</b>

The District's general fund provides cash flow to the various other funds; these amounts are repaid in the subsequent year when funds are received from the State after final expenditure requests have been submitted and approved or when permanent financing is obtained. Amounts due the debt service fund will be paid when needed to make principal and interest payments on outstanding debt. Transfers from the general fund to the special aid fund are considered permanent and represent costs of programs required to be paid for with general fund appropriations. Transfers from the general fund to the capital projects fund are also considered permanent and are used to finance the District's capital projects.

## 6. Capital Assets

	July 1, 2016	Increases	Retirements/ Reclassifications	June 30, 2017
Non-depreciable capital assets:				
Land	\$ 161,170	\$ -	\$ -	\$ 161,170
Construction in progress	-	1,065,365	-	1,065,365
Total non-depreciable assets	161,170	1,065,365	-	1,226,535
Depreciable capital assets:				
Buildings and improvements	86,589,880	476,046	-	87,065,926
Furniture and fixtures	4,302,325	78,301	(20,862)	4,359,764
Vehicles	630,641	144,961	-	775,602
Total depreciable assets	91,522,846	699,308	(20,862)	92,201,292
Less accumulated depreciation:				
Buildings and improvements	28,371,389	3,348,944	-	31,720,333
Furniture and fixtures	3,153,902	252,829	(18,614)	3,388,117
Vehicles	497,509	31,633	-	529,142
Total accumulated depreciation	32,022,800	3,633,406	(18,614)	35,637,592
Total depreciable assets, net	59,500,046	(2,934,098)	(2,248)	56,563,700
	<b>\$ 59,661,216</b>	<b>\$ (1,868,733)</b>	<b>\$ (2,248)</b>	<b>\$ 57,790,235</b>

Depreciation expense has been allocated to the following functions: general support \$460,400, instruction \$2,883,206, pupil transportation \$285,722, and food service \$4,078.

As of June 30, 2017, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 57,790,235
Cash restricted for capital projects net of related payables	14,157
Defeasance loss	579,265
Bonds and related premium	(41,553,696)
	<b>\$ 16,829,961</b>

## 7. Short-Term Debt

Bond anticipation notes (BANs) outstanding at June 30, 2016 amounted to \$25,146,697 at 2.0% interest. In 2017, \$1,899,423 of BANs were redeemed from appropriations and the remaining balance was refunded with the issuance of the 2017 bonds in the amount of \$23,200,000.

## 8. Long-Term Liabilities

	July 1, 2016	Increases	Decreases	June 30, 2017	Amount Due in One Year
Bonds	\$ 19,790,000	\$ 34,755,000	\$ 14,415,000	\$ 40,130,000	\$ 3,965,000
Bond premium	-	1,423,696	-	1,423,696	-
Workers' compensation liability	589,166	12,115	-	601,281	90,000
Compensated absences	2,503,000	64,000	-	2,567,000	430,000
	<b>\$ 22,882,166</b>	<b>\$ 36,254,811</b>	<b>\$ 14,415,000</b>	<b>\$ 44,721,977</b>	<b>\$ 4,485,000</b>

### Existing Obligations

Description	Maturity	Rate	Balance
2008 Bonds	July 2019	3.63-4.00%	\$ 4,270,000
2012 Bonds	June 2026	2.25-3.00%	1,105,000
2017 Refunding Bonds	July 2023	2.00-5.00%	11,555,000
2017 Bonds	June 2030	2.00-3.00%	23,200,000
			<b>\$ 40,130,000</b>

### Debt Service Requirements

Years ending June 30,	Principal	Interest
2018	\$ 3,965,000	\$ 956,656
2019	3,895,000	1,047,182
2020	3,840,000	937,694
2021	3,955,000	827,469
2022	4,070,000	702,769
2023-2027	14,420,000	1,746,095
2028-2030	5,985,000	362,700
	<b>\$ 40,130,000</b>	<b>\$ 6,580,565</b>

### Advance Refunding of Debt

In June 2017, the District issued \$11,555,000 in general obligation bonds with an average coupon rate of 4.2% to advance refund \$12,295,000 of outstanding serial bonds bearing an average rate of 4.0%. The net proceeds of \$12,978,695 (including a premium of \$1,423,696) were used for payment of \$104,431 for underwriting, insurance and other issuance costs and the remainder to purchase U.S. Government Securities. Those securities were placed in an irrevocable trust with an escrow agent to pay all future debt service payments of the original bonds. As a result, the original bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding including the premium decreased the total debt service payment for the next 7 years by \$2,308,647, resulting in an economic impact of approximately \$838,845 at net present value. At June 30, 2017, remaining principal of the defeased debt was \$12,295,000 and is callable July 15, 2018.

## 9. 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 11.72% for 2017. 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 2017, these rates ranged from 9.4% - 21.8%.

The amount outstanding and payable to TRS for the year ended June 30, 2017 was \$2,274,250. A liability to ERS of \$161,107 is accrued based on the District's legally required contribution for employee services rendered from April 1, 2017 through June 30, 2017.

### **Net Pension Asset (Liability), Pension Expense, and Deferred Outflows and Deferred Inflows of Resources**

At June 30, 2017, the District reported net pension liabilities of \$1,304,520 and \$1,262,587 for its proportionate share of the TRS and ERS net pension liabilities, respectively.

The TRS net pension liability was measured as of June 30, 2016, and the total pension liability was determined by an actuarial valuation as of June 30, 2015, with update procedures applied to roll forward the net pension position to June 30, 2016. The District's proportion of the net pension liability 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, 2016, the District's proportion was 0.121799%, an increase of 0.000953% from its proportion measured as of June 30, 2015.

The ERS net pension liability was measured as of March 31, 2017, and the total pension liability was determined by an actuarial valuation as of April 1, 2016. The District's proportion of the net pension liability 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, 2017 measurement date, the District's proportion was 0.0134372%, a decrease of 0.0002165% from its proportion measured as of March 31, 2016.

For the year ended June 30, 2017, the District recognized net pension expense of \$2,902,214 on the government-wide statements (TRS expense of \$2,142,414 and ERS expense of \$759,800). At June 30, 2017, the District reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 423,781	\$ 31,639	\$ 191,732
Changes of assumptions	7,431,378	-	431,346	-
Net difference between projected and actual earnings on pension plan investments	2,933,247	-	252,190	-
Changes in proportion and differences between District contributions and proportionate share of contributions	7,739	107,620	111,831	7,051
District contributions subsequent to the measurement date	2,274,250	-	161,107	-
	<b>\$ 12,646,614</b>	<b>\$ 531,401</b>	<b>\$ 988,113</b>	<b>\$ 198,783</b>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	TRS	ERS
2018	\$ 892,434	\$ 275,544
2019	892,434	275,544
2020	3,170,475	238,811
2021	2,461,710	(161,676)
2022	1,120,951	-
Thereafter	1,302,959	-
	<b>\$ 9,840,963</b>	<b>\$ 628,223</b>

### Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2015 valuation, with update procedures used to roll forward the total pension liability to June 30, 2016, 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** – 7.5% compounded annually, net of investment expense, including inflation

**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** – 7.5%

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, 2016 valuation, with update procedures used to roll forward the total pension liability to March 31, 2017, 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 the 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	37%	6.1%	36%	4.6%
International equities	18%	7.3%	14%	6.4%
Private equities	7%	9.2%	10%	7.8%
Real estate	10%	5.4%	10%	5.8%
Inflation-indexed bonds	-	-	4%	1.5%
Domestic fixed income securities	17%	1.0%	-	-
Global fixed income securities	2%	0.8%	-	-
Bonds and mortgages	8%	3.1%	17%	1.3%
Short-term	1%	0.1%	1%	(0.3)%
Other	-	-	8%	4.0%-5.9%
	<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 7.5% (TRS) and 7.0% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
District's proportionate share of the TRS net pension asset (liability)	\$ (17,020,432)	\$ (1,304,520)	\$ 11,877,162
District's proportionate share of the ERS net pension asset (liability)	\$ (4,032,451)	\$ (1,262,587)	\$ 1,079,329

## 10. 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 District pays fixed monthly amounts for life to five retirees. The District also pays for one retiree's family coverage until 2018. Benefit provisions are based on individual contracts with the District, as negotiated from time to time. The Plan also provides an implicit rate subsidy for retirees that choose to remain on the District's healthcare subsequent to retirement. Eligibility for benefits is based on covered employees who retire from the District at age 55 or older and have met vesting requirements. The Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2017, employees covered by the Plan include:

Active employees	485
Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	-
	<u>561</u>

## Total OPEB Liability

The District's total OPEB liability of \$2,653,027 was measured as of July 1, 2016 and was determined by an actuarial valuation as of June 30, 2017.

The total OPEB liability in the June 30, 2017 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 combination of employer history, national trend surveys, and professional judgment, initially 9.0% and reduced to an ultimate rate of 5.0% after 2025

**Salary increases** – 1.76% to 10.30%

**Mortality** – RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015

**Discount rate** – 2.92% based on a range of indices of 20-year bonds rated AA/Aa or higher as of the measurement date

**Inflation rate** – 1.3%

## Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance at June 30, 2016	\$ 2,402,713
Changes for the year:	
Service cost	159,209
Interest	91,291
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	172,778
Benefit payments	(172,964)
Net changes	250,314
Balance at June 30, 2017	\$ 2,653,027

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:

	<b>1.0% Decrease (1.92%)</b>	<b>Discount Rate (2.92%)</b>	<b>1.0% Increase (3.92%)</b>
Total OPEB liability	\$ (2,829,062)	\$ (2,653,027)	\$ (2,483,562)

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 a discount rate that is 1% higher or lower than the current healthcare cost trend rates:

	<b>1.0% Decrease (4.0% to 8.0%)</b>	<b>Healthcare Cost Trend Rate (5.0% to 9.0%)</b>	<b>1.0% Increase (6.0% to 10.0%)</b>
Total OPEB liability	\$ (2,369,188)	\$ (2,653,027)	\$ (2,989,678)



## **OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2017, the District recognized OPEB expense of \$262,019. At June 30, 2017, the District reported deferred outflows of resources related to OPEB of \$161,259 which resulted from changes of assumptions.

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

<b>Years ending June 30,</b>		
	2018	\$ 11,519
	2019	11,519
	2020	11,519
	2021	11,519
	2022	11,519
	Thereafter	103,664
		<b>\$ 161,259</b>

## **11. Risk Management**

### **General Liability**

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

### **Health Insurance**

The District participates in the NY44 Health Benefits Plan Trust (the Plan), sponsored by Erie 1 BOCES. The Plan administers a health insurance program to lower the costs of such coverage to the 57 participating members as of June 30, 2016 (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, 2016, which can be obtained from Erie 1 BOCES, 355 Harlem Road, West Seneca, New York 14224.

### **Workers' Compensation**

The District participates in the Cattaraugus/Allegany Workers' Compensation Plan (the Plan) sponsored by Cattaraugus-Allegany-Erie-Wyoming BOCES. The Plan administers a workers' compensation insurance fund pursuant to Article 5 of the Workers' Compensation Law to finance the liability and risk related to workers' compensation claims and to lower the costs of coverage to the participating members. The Plan includes 22 school districts and BOCES as of June 30, 2016 (the most recent information available).

The District has transferred partial 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. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. No such supplemental assessments have been required in the past three years.

The Plan information for the year ended June 30, 2016 is included in the financial statements of Cattaraugus-Allegany-Erie-Wyoming BOCES, which can be obtained from Cattaraugus-Allegany-Erie-Wyoming BOCES, 1825 Windfall Road, Olean, New York 14760.

The District participated in the Wyoming County Workers' Compensation Self-Insurance Plan (the Wyoming Plan) sponsored by Wyoming County (the County) through December 31, 2015. The District was required to fund an actuarially determined liability of \$642,417 upon withdrawal from the Wyoming Plan. This amount was placed in escrow and is being used to cover the costs of prior claims. The amount of cash in escrow at June 30, 2017 amounted to \$383,176 (\$490,735 as of June 30, 2016).

## **12. 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 any such amounts to be immaterial.

### **Construction Commitments**

The District has received voter approval and plans to spend up to \$10,352,000 for various renovations of District buildings and site improvements. Amounts outstanding under this project totaled \$9,287,000 at June 30, 2017.

## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

### Required Supplementary Information Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) New York State Teachers' Retirement System

As of the measurement date of June 30,	2016	2015	2014	2013
District's proportion of the net pension asset or liability	0.121799%	0.120846%	0.118967%	0.120678%
District's proportionate share of the net pension asset (liability)	\$ (1,304,520)	\$ 12,552,081	\$ 13,252,234	\$ 794,364
District's covered payroll	\$ 18,794,842	\$ 18,152,755	\$ 17,573,348	\$ 17,674,764
District's proportionate share of the net pension asset or liability as a percentage of its covered payroll	6.94%	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%	100.70%

*Data prior to 2013 is unavailable.*

The following is a summary of changes of assumptions:

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

## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

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

June 30,	2017	2016	2015	2014	2013
Contractually required contribution	\$ 2,274,250	\$ 2,492,196	\$ 3,182,178	\$ 2,855,669	\$ 2,092,692
Contribution in relation to the contractually required contribution	(2,274,250)	(2,492,196)	(3,182,178)	(2,855,669)	(2,092,692)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 19,404,863	\$ 18,794,842	\$ 18,152,755	\$ 17,573,348	\$ 17,674,764
Contributions as a percentage of covered payroll	11.72%	13.26%	17.53%	16.25%	11.84%

*Data prior to 2013 is unavailable.*

## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

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

As of the measurement date of March 31,	2017	2016	2015
District's proportion of the net pension liability	0.0134372%	0.0136537%	0.0133658%
District's proportionate share of the net pension liability	\$ 1,262,587	\$ 2,191,462	\$ 451,530
District's covered payroll	\$ 3,887,108	\$ 3,741,937	\$ 3,761,565
District's proportionate share of the net pension liability as a percentage of its covered payroll	32.48%	58.56%	12.00%
Plan fiduciary net position as a percentage of the total pension liability	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%

## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

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

June 30,	2017	2016	2015	2014	2013
Contractually required contribution	\$ 578,814	\$ 663,526	\$ 720,917	\$ 720,430	\$ 752,414
Contribution in relation to the contractually required contribution	(578,814)	(663,526)	(720,917)	(720,430)	(752,414)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,887,108	\$ 3,741,937	\$ 3,761,565	\$ 3,742,496	\$ 3,891,545
Contributions as a percentage of covered payroll	14.89%	17.73%	19.17%	19.25%	19.33%

*Data prior to 2013 is unavailable.*

## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

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

**June 30, 2017**

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Total OPEB liability - beginning	\$ 2,402,713
Changes for the year:	
Service cost	159,209
Interest	91,291
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	172,778
Benefit payments	(172,964)
Net change in total OPEB liability	250,314
Total OPEB liability - ending	\$ 2,653,027
Covered-employee payroll	\$ 22,102,876
Total OPEB liability as a percentage of covered-employee payroll	12.00%

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*Data prior to 2017 is unavailable.*

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

## YORKSHIRE-PIONEER CENTRAL 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, 2017

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Original expenditure budget	\$ 53,912,416
Encumbrances carried over from prior year	<u>195,358</u>
Revised budget	<u>\$ 54,107,774</u>

\* \* \*

#### Unrestricted Fund Balance

Assigned	\$ 3,518,135
Unassigned	<u>4,886,458</u>
	8,404,593

Encumbrances included in assigned fund balance	(153,135)
Appropriated fund balance used for tax levy	<u>(3,365,000)</u>

Amount subject to 4% limit pursuant to Real Property Tax Law §1318	<u>\$ 4,886,458</u>
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#### §1318 of Real Property Tax Law - unrestricted fund balance limit calculation

2018 expenditure budget (unaudited)	\$ 54,617,182
4% of budget	<u>2,184,687</u>

Actual percentage of 2018 expenditure budget	<u>8.9%</u>
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## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

### Supplementary Information Schedule of Capital Project Expenditures

June 30, 2017

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
2013 Capital Project	\$ 31,030,580	\$ 31,031,609	\$ 30,441,100	\$ 476,046	\$ 30,917,146	\$ 114,463
2016 Capital Project	10,352,000	10,352,000	-	1,065,365	1,065,365	9,286,635
	\$ 41,382,580	\$ 41,383,609	\$ 30,441,100	\$ 1,541,411	\$ 31,982,511	\$ 9,401,098

# YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

## Supplementary Information Schedule of Expenditures of Federal Awards

For the year ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
<b>U.S. Department of Education:</b>			
<b>Passed Through New York State Department of Education:</b>			
<b>Special Education Cluster:</b>			
Special Education_Grants to States	84.027	0032-17-0085	\$ 708,095
Special Education_Preschool Grants	84.173	0033-17-0085	25,558
<b>Total Special Education Cluster</b>			<u>733,653</u>
Title I Grants to Local Educational Agencies	84.010	0021-16-0275	16,844
Title I Grants to Local Educational Agencies	84.010	0021-17-0275	534,188
Career and Technical Education - Basic Grants to States	84.048	8000-17-0086	18,175
Supporting Effective Instruction State Grants	84.367	0147-16-0275	5,790
Supporting Effective Instruction State Grants	84.367	0147-17-0275	128,478
<b>Total U. S. Department of Education</b>			<u>1,437,128</u>
<b>U.S. Department of Agriculture:</b>			
<b>Passed Through New York State Department of Education:</b>			
<b>Child Nutrition Cluster:</b>			
School Breakfast Program	10.553	N/A	162,791
National School Lunch Program	10.555	N/A	592,744
Summer Food Service Program for Children	10.559	N/A	19,073
<b>Total Child Nutrition Cluster</b>			<u>774,608</u>
<b>Passed Through New York State Office of General Services:</b>			
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	74,190
<b>Total U.S. Department of Agriculture</b>			<u>848,798</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,285,926</u>

## **YORKSHIRE-PIONEER CENTRAL 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 Yorkshire-Pioneer Central 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, 2017, the District used \$74,190 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  
Yorkshire-Pioneer Central 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 Yorkshire-Pioneer Central School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 19, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Lumsden & McCormick, LLP*

September 19, 2017

**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  
Yorkshire-Pioneer Central School District

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

We have audited Yorkshire-Pioneer Central 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, 2017. 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, 2017.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 19, 2017

## YORKSHIRE-PIONEER CENTRAL SCHOOL DISTRICT

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### Schedule of Findings and Questioned Costs

For the year ended June 30, 2017

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#### 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>Child Nutrition Cluster</b>		
School Breakfast Program	10.553	\$ 162,791
National School Lunch Program	10.555	592,744
Summer Food Service Program for Children	10.559	19,073
		<u>\$ 774,608</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.