

***SOUTHWESTERN CENTRAL SCHOOL DISTRICT***

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***FOR THE FISCAL YEAR ENDED JUNE 30, 2019***

***WITH REPORT OF  
CERTIFIED PUBLIC ACCOUNTANTS***

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**2019 FINANCIAL STATEMENTS**  
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**INDEPENDENT AUDITOR'S REPORT**

**To the President and Members of  
The Board of Education  
Southwestern Central School District  
Jamestown, New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of **Southwestern Central School District** as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the **Southwestern Central School District's** basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the **Southwestern Central School District** as of June 30, 2019, as displayed in the District's basic financial statements.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate remaining fund information of **Southwestern Central School District** as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the **Southwestern Central School District's** June 30, 2018 financial statements, and our report dated October 9, 2018, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-9), budgetary comparison information (pages 36-37), schedule of changes in the District's net OPEB liability and related ratios (page 43), schedule of District contributions – OPEB (page 44), the schedule of District contributions for defined benefit pension plans (page 45) and the schedule of the District's proportionate share of the net pension asset/liability (page 46) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Southwestern Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019 on our consideration of **Southwestern Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 **Southwestern Central School District's** internal control over financial reporting and compliance.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
October 8, 2019**

**I. Discussion and Analysis**

The following is a discussion and analysis of the *Southwestern Central School District's* financial performance for the year ended June 30, 2019. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

**II. Financial Highlights**

The following items are the financial highlights experienced by the *Southwestern Central School District* during the fiscal year ended June 30, 2019:

- Overall net position from operations of the District increased during the current year in the amount of \$1,015,000 as compared to an increase of \$1,602,000 during the prior fiscal year.
- The District's total revenue increased 2% from \$28,246,000 during the year ended June 30, 2018 to \$28,841,000 during the year ended June 30, 2019. This increase was primarily the result of an increase in state aid and property taxes.
- The District's total expenses increased approximately 4% from \$26,644,000 during the year ended June 30, 2018 to \$27,826,000 during the year ended June 30, 2019. This increase was primarily the result of an increase in salaries, contractual expenses and depreciation. This increase was offset by a decrease in teachers' retirement system expense and OPEB expense resulting from an updated actuarial study.
- The District had capital outlays totaling \$8,269,000 during the current year related to Phases V and VI, and transportation vehicles.

**III. Overview of the Financial Statements**

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

**III. Overview of the Financial Statements (continued)**

**A. Reporting the School District as a Whole (District-wide Financial Statements):**

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

**1. Statement of Net Position**

The Statement of Net Position (page 10) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

**2. Statement of Activities**

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**III. Overview of the Financial Statements (continued)**

**B. Reporting the District's Most Significant Funds (Fund Financial Statements):**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

**1. Governmental Funds**

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds

**III. Overview of the Financial Statements (continued)**

**B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):**

**1. Governmental Funds (continued)**

statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

**2. Fiduciary Funds**

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

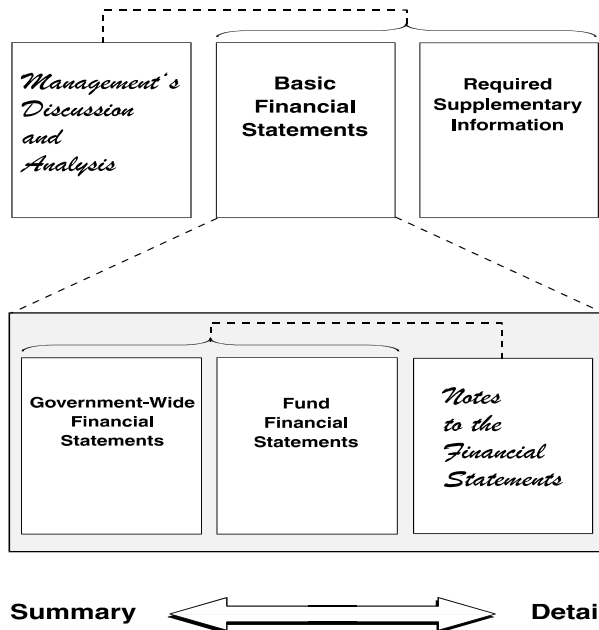
**Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements**

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources /liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**III. Overview of the Financial Statements (continued)**

**B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):**

**Figure A-2 - Required Components of the District's Annual Financial Report**



**IV. Financial Analysis of the School District as a Whole (continued)**

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 4% to \$27,826,000. The District's expenses cover a range of services, with 75% related to instruction and 15% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 2%, while total expenses increased 4%. The District's total net position from operations increased approximately \$1,015,000 during the fiscal year ended June 30, 2019.

Revenue

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$28,841,000 for the fiscal year ended June 30, 2019. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 45% of the District's total revenue for governmental activities increased approximately 1% during the year ended June 30, 2019 as a result of an increase in the tax levy.
- One of the District's most significant revenue is from state sources which represent \$13,991,000 or 48% of total governmental revenue. State sources increased by approximately 1%.
- During the year ended June 30, 2019, the District saw an increase in program revenue, which mostly resulted from an increase in operating grants of \$159,000 and an increase of charges for services which decreased by \$25,000, as compared with the prior year revenue. The increase in operating grants was the result of a shared fuel station grant.

**IV. Financial Analysis of the School District as a Whole**

Net Position

The District's total reporting entity net position was approximately \$10,822,000. The components of net position include: net investment in capital assets of \$24,424,000; restricted net position of \$2,302,000; and unrestricted net deficit of \$15,904,000.

Changes in Net Position

The District's total government-wide revenue increased by approximately 2% to \$28,841,000. Approximately 45%, 4% and 48% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 3% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

**IV. Financial Analysis of the School District as a Whole  
(continued)**

Expenses

Figure A-8 presents the cost of each of the District's six largest expenditure-type, which include; general support, instruction, transportation, debt service, community services and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$27,826,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$248,000 or 6% which was primarily the result of an increase in depreciation, contractual costs and materials and supplies.
- The District's instruction costs increased by approximately \$397,000 or 2%. This increase was primarily the result of an increase in salaries, contractual expenses and depreciation. This increase was offset by a decrease in teachers' retirement system expense and OPEB expense resulting from an updated actuarial studies.
- Debt service of the District increased approximately \$171,000 during the year ended June 30, 2019. This increase was primarily the result of an increase in interest costs.
- Transportation costs of the District increased 25% or \$314,000 during the year ended June 30, 2019 as a result of an increase in depreciation expense and costs related to the shared fuel station grant.
- The District's cost of sales (food service fund) totaled \$398,000 during the current year as compared to \$358,000 during the fiscal year ended June 30, 2018. This increase is primarily caused by the increase in meals served.
- The District received approximately \$1,353,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$26 million) were financed by real property taxes and state aid.

**IV. Financial Analysis of the School District as a Whole (continued)**

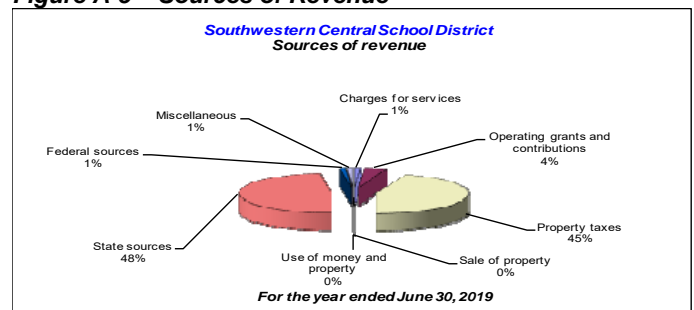
**Figure A-3 – Condensed Statement of Net Position**

<i>Southwestern Central School District</i>			
<b>Condensed Statement of Net Position (in thousands of dollars)</b>			
	Governmental Activities and Total District-wide		
	2019	2018	% Change
<b>Assets</b>			
Current and other assets	\$ 6,845	\$ 12,663	-46%
Capital assets	53,915	47,487	14%
Total assets	60,760	60,150	1%
<b>Deferred Outflows of Resources</b>			
Total	\$ 9,228	\$ 10,456	-12%
	<b>\$ 69,988</b>	<b>\$ 70,606</b>	<b>-1%</b>
<b>Liabilities</b>			
Other liabilities	\$ 18,219	\$ 16,413	11%
Long-term debt outstanding	38,612	41,505	-7%
Total liabilities	56,831	57,918	-2%
<b>Deferred Inflows of Resources</b>			
Total	2,335	2,881	-19%
<b>Net position</b>			
Invested in capital assets, net of related debt	24,424	21,874	12%
Restricted	2,302	2,707	-15%
Unrestricted (deficit)	(15,904)	(14,774)	8%
Total net position	10,822	9,807	10%
Total	<b>\$ 69,988</b>	<b>\$ 70,606</b>	<b>-1%</b>

**Figure A-4 – Changes in Net Position**

<i>Southwestern Central School District</i>			
<b>Changes in Net Position from Operating Results (in thousands of Dollars)</b>			
	Governmental Activities and Total District-wide		
	2019	2018	% Change
<b>Revenue</b>			
Program revenue			
Charges for services	\$ 164	\$ 139	18%
Operating grants and contributions	1,189	1,030	15%
General revenue			
Real property taxes	12,953	12,845	1%
Use of money & property	54	23	135%
Sale of property & comp for loss	(25)	15	-267%
State sources	13,991	13,794	1%
Federal sources	161	73	121%
Miscellaneous	354	327	8%
Total revenue	28,841	28,246	2%
<b>Expenses</b>			
General support	4,261	4,013	6%
Instruction	20,774	20,377	2%
Transportation	1,589	1,275	25%
Community services	38	26	46%
Debt service - interest	766	595	29%
Cost of sales	398	358	11%
Total expenses	27,826	26,644	4%
<b>Change in net position</b>	<b>\$ 1,015</b>	<b>\$ 1,602</b>	<b>-37%</b>

**Figure A-5 – Sources of Revenue**

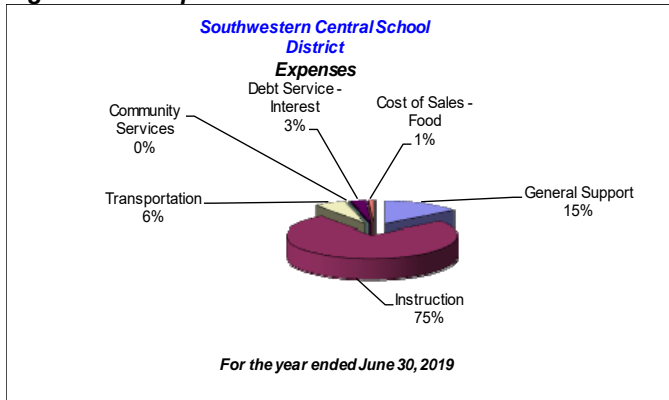




**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**IV. Financial Analysis of the School District as a Whole  
(continued)**

**Figure A-6 – Expenses**



**Figure A-7 – Expenditures Supported with Program Revenue**

	Governmental Activities & Total District			
	2019		2018	
Expenditures supported with general revenue (from taxes & other sources)	\$ 26,473	95%	\$ 25,475	96%
Expenditures supported with program revenue	1,353	5%	1,169	4%
<b>Total expenditures related to governmental activities</b>	<b>\$ 27,826</b>	<b>100%</b>	<b>\$ 26,644</b>	<b>100%</b>

**Figure A-8 – Net Cost of Governmental Activities**

	Total cost of services			Net cost of services		
	2019	2018	Change	2019	2018	Change
General support	\$ 4,261	\$ 4,013	\$ 248	\$ 4,261	\$ 4,013	\$ 248
Instruction	20,774	20,377	397	19,881	19,552	329
Transportation	1,589	1,275	314	1,466	1,267	199
Community services	38	26	12	38	26	12
Debt service - interest	766	595	171	766	595	171
Cost of sales - food	398	358	40	61	22	39
<b>Total</b>	<b>\$ 27,826</b>	<b>\$ 26,644</b>	<b>\$ 1,182</b>	<b>\$ 26,473</b>	<b>\$ 25,475</b>	<b>\$ 998</b>

**V. Financial Analysis of the School District's Funds**

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from those reported in the previous year.

General Fund

- The District's general fund expenditures and other uses exceeded its revenues and other sources by approximately \$505,000.
- The District's general fund unassigned fund balance equated to approximately \$1,074,000 as of June 30, 2019.
- The District had many fund balance reserves which totaled approximately \$1,511,000 as of June 30, 2019.
- The District's total assets decreased approximately \$6,527,000 as of June 30, 2019 primarily due to a decrease in cash on hand. The District's liabilities decreased approximately \$6,023,000 primarily due to a decrease in amounts owed to other funds.
- Total revenue in the District's general fund increased \$788,000 due to an increase in state aid and property taxes.
- Total expenditures in the District's general fund increased by approximately \$1,023,000 due to an increase in salaries, benefits and debt service costs.

Food Service Fund

- The District's food service fund experienced a \$97,000 decrease in fund equity during the current fiscal year.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**V. Financial Analysis of the School District's Funds  
(continued)**

Food Service Fund (continued)

- Revenue in the District's food service fund was \$337,000 during 2019 as compared with \$335,000 in 2018. Expenditures increased approximately \$76,000 as compared with the prior year. The increase in expenditures was related to an increase in payments to the third-party provider and an increase in equipment purchases.

Special Aid Fund

- The District's special aid fund revenue and expenditures increased approximately \$166,000 or 21% which was primarily related to the shared fuel station grant.

Capital Projects Fund

- Total expenditures incurred during the current year amounted to was approximately \$ 7,797,000 and was related to Phases V and VI and the purchase of transportation vehicles.

Miscellaneous Special Revenue

- During the year ended June 30, 2019, the District transferred \$34,000 of these funds to the general fund to offset debt service costs.

**VI. General Fund Budgetary Highlight**

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$1,480,000 below the revised budget. The most significant positive variance was in the area of instruction which totaled \$708,000 below that budgeted. Resources available for appropriations were approximately \$417,000 below the final budgeted amount.

**Figure A-9 – Budget vs. Actual Comparison**

<i>Southwestern Central School District</i>				
<i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i>				
	Revised Budget	Actual	Difference	%
<b>Revenue</b>				
Local sources	\$ 13,195	\$ 13,276	\$ 81	1%
State sources	14,595	13,991	(604)	-4%
Federal sources	55	161	106	193%
Other sources	208	208	-	0%
<b>Total revenue</b>	<b>\$ 28,053</b>	<b>\$ 27,636</b>	<b>\$ (417)</b>	<b>-1%</b>
<b>Expenditures</b>				
General support	\$ 3,770	\$ 3,512	\$ 258	7%
Instruction	14,272	13,564	708	5%
Transportation	930	876	54	6%
Community services	38	38	-	0%
Employee benefits	6,077	6,046	31	1%
Debt service	4,535	4,106	429	9%
Operating transfers	-	-	-	0%
<b>Total expenditures</b>	<b>\$ 29,622</b>	<b>\$ 28,142</b>	<b>\$ 1,480</b>	<b>5%</b>

**VII. Capital Assets and Debt Administration**

Capital Assets

As depicted in Figure A-10, as of June 30, 2019, the District had invested approximately \$53,915,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2019, totaled approximately \$8,269,000. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Liabilities

As depicted in Figure A-11, as of June 30, 2019, the District had approximately \$38,611,000 in bonds payable, net pension liability and other post-employment benefits, a decrease of approximately 7% as compared with the previous year. The decrease in bonds payable was the result of the District making regular principal payments during the year. With regards to the increase in the net pension liability and other post-employment benefits, during the current year the District received updated actuarial studies.

**Figure A-10 – Capital Assets**

<i>Southwestern Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2019	2018	Change
Land	\$ 2,265,450	\$ 2,265,450	0%
Cost basis	72,249,783	56,440,376	28%
Construction in progress	2,866,918	10,483,747	-73%
Accumulated depreciation	(23,467,188)	(21,702,119)	8%
<b>Total Capital Assets, net</b>	<b>\$ 53,914,963</b>	<b>\$ 47,487,454</b>	<b>14%</b>

**Figure A-11 – Outstanding Long-term Debt**

<i>Southwestern Central School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2019	2018	Change
Bonds payable	\$ 13,220,337	\$ 16,387,446	-19%
Net pension liability	454,300	195,338	133%
Other post-employment benefits	24,936,805	24,922,298	0%
<b>Total Long-Term Debt</b>	<b>\$ 38,611,442</b>	<b>\$ 41,505,082</b>	<b>-7%</b>

**VIII. Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The economic status of the State could put additional strain upon the District.

**IX. Contacting the District's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Southwestern Central School District  
District Administrative Offices  
600 Hunt Road  
Jamestown, New York 14701

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2019**

**Schedule 1**

**Page 10**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash		
Unrestricted	\$ 1,203,835	\$ 1,707,175
Restricted	2,302,583	2,706,736
Receivables		
State and federal aid	1,732,914	1,710,878
Accounts receivable	1,610	-
Due from other governments	19,170	15,598
Due from fiduciary funds	144,515	239,611
Inventories	9,862	13,240
Cash to be used for capital assets	417,427	5,839,701
Net pension asset	1,013,628	429,265
Capital assets, net	53,914,963	47,487,454
Total assets	<u>60,760,507</u>	<u>60,149,658</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to long-term debt	243,199	329,955
Deferred outflows related to OPEB	3,213,619	3,780,295
Deferred outflows related to pensions	5,770,766	6,345,778
Total deferred outflows of resources	<u>9,227,584</u>	<u>10,456,028</u>
Total assets and deferred outflows of resources	<u>\$ 69,988,091</u>	<u>\$ 70,605,686</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 606,724	\$ 902,558
Accrued liabilities	124,373	101,220
Accrued interest	98,000	110,000
Due to other governments	106,388	-
Due to retirement systems	1,095,981	1,006,445
Unearned revenue	15,071	39,180
Bond anticipation notes payable	16,172,531	14,253,433
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	3,005,000	2,920,000
Portion due or payable after one year		
Bonds payable	10,215,337	13,467,446
Net pension liability	454,300	195,338
Other post-employment benefits	24,936,805	24,922,298
Total liabilities	<u>56,830,510</u>	<u>57,917,918</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to OPEB	920,467	1,075,938
Deferred inflows related to pensions	1,414,935	1,805,265
Total deferred inflows of resources	<u>2,335,402</u>	<u>2,881,203</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	24,424,095	21,874,226
Restricted	2,302,583	2,706,736
Unrestricted (deficit)	(15,904,499)	(14,774,397)
Total net position	<u>10,822,179</u>	<u>9,806,565</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 69,988,091</u>	<u>\$ 70,605,686</u>

**See accompanying independent auditor's report and notes to financial statements.**

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Schedule 2**

**Page 11**

	Expenses	Indirect Expenses Allocation	Program Revenues		2019 Net (Expense) Revenue and Changes in Net Position	2018 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
<b>Functions/Programs</b>						
General support	\$ 3,966,665	\$ 294,853	\$ -	\$ -	\$ (4,261,518)	\$ (4,013,057)
Instruction	19,640,772	1,133,458	51,885	841,432	(19,880,913)	(19,552,071)
Pupil transportation	1,202,961	385,987	-	122,956	(1,465,992)	(1,266,462)
Community services	37,743	-	-	-	(37,743)	(25,845)
Debt service	765,621	-	-	-	(765,621)	(594,840)
Food service program	398,049	-	112,613	224,574	(60,862)	(22,324)
Depreciation	1,814,298	(1,814,298)	-	-	-	-
<b>Total functions and programs</b>	<b>\$ 27,826,109</b>	<b>\$ -</b>	<b>\$ 164,498</b>	<b>\$ 1,188,962</b>	<b>(26,472,649)</b>	<b>(25,474,599)</b>
<b>General Revenues</b>						
Real property taxes					12,952,708	12,845,077
Use of money and property					54,069	22,517
Sale of property and compensation for loss					(25,253)	15,058
Miscellaneous and donations					354,178	326,830
State sources					13,991,209	13,794,077
Federal sources					161,352	73,319
<b>Total general revenues</b>					<b>27,488,263</b>	<b>27,076,878</b>
<b>Change in net position</b>					<b>1,015,614</b>	<b>1,602,279</b>
Net position - beginning of year					9,806,565	7,999,286
Prior period adjustment					-	205,000
<b>Net position - end of year</b>					<b>\$ 10,822,179</b>	<b>\$ 9,806,565</b>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2019**

**Schedule 3**

**Page 12**

	Governmental Funds						2019	2018
	General	Special Aid	Food Service	Debt Service	Capital Projects	Miscellaneous Special Revenue	(Memo only) Total	(Memo only) Total
<b>Assets</b>								
Unrestricted cash	\$ 1,293,553	\$ 14,849	\$ 30,135	\$ -	\$ -	\$ -	\$ 1,338,537	\$ 7,665,678
Restricted cash	1,511,327	-	-	391,550	417,427	265,004	2,585,308	2,587,934
Accounts receivable	(1,112)	-	2,722	-	-	-	1,610	-
Due from other funds	1,113,734	-	77,851	134,702	-	-	1,326,287	7,174,720
State and federal aid receivable	1,271,747	267,448	15,012	-	178,707	-	1,732,914	1,710,878
Due from other governments	19,170	-	-	-	-	-	19,170	15,598
Inventories	-	-	9,862	-	-	-	9,862	13,240
Total assets	\$ 5,208,419	\$ 282,297	\$ 135,582	\$ 526,252	\$ 596,134	\$ 265,004	\$ 7,013,688	\$ 19,168,048
<b>Liabilities and Fund Equity</b>								
<b>Liabilities</b>								
Accounts payable	\$ 181,683	\$ -	\$ 26,266	\$ -	\$ 398,775	\$ -	\$ 606,724	\$ 902,558
Accrued liabilities	117,040	-	7,333	-	-	-	124,373	101,220
Bond anticipation notes payable	-	-	-	-	16,172,531	-	16,172,531	14,253,433
Due to other funds	190,976	282,297	153	-	708,346	-	1,181,772	6,935,109
Unearned revenue	15,071	-	-	-	-	-	15,071	39,180
Due to other governments	104,057	-	2,331	-	-	-	106,388	-
Due to Teachers' Retirement System	1,022,647	-	-	-	-	-	1,022,647	933,404
Due to Employees' Retirement System	73,334	-	-	-	-	-	73,334	73,041
Total liabilities	1,704,808	282,297	36,083	-	17,279,652	-	19,302,840	23,237,945
<b>Fund Equity</b>								
Nonspendable	-	-	9,862	-	-	-	9,862	13,240
Restricted	1,511,327	-	-	526,252	-	265,004	2,302,583	2,706,736
Assigned	917,851	-	89,637	-	-	-	1,007,488	1,409,472
Unassigned (deficit)	1,074,433	-	-	-	(16,683,518)	-	(15,609,085)	(8,199,345)
Total fund equity (deficit)	3,503,611	-	99,499	526,252	(16,683,518)	265,004	(12,289,152)	(4,069,897)
Total liabilities and fund equity	\$ 5,208,419	\$ 282,297	\$ 135,582	\$ 526,252	\$ 596,134	\$ 265,004	\$ 7,013,688	\$ 19,168,048

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Schedule 4**

**Page 13**

	Governmental Funds						2019	2018
	General	Special Aid	Food Service	Debt Service	Capital Projects	Miscellaneous Special Revenue	(Memo only) Total	(Memo only) Total
<b>Revenue</b>								
Real property taxes	\$ 12,952,708	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,952,708	\$ 12,845,077
Charges for services	51,885	-	-	-	-	-	51,885	35,640
Use of money and property	34,018	-	-	19,359	-	692	54,069	22,517
Sale of property compensation for loss	2,145	-	-	-	-	-	2,145	15,058
Miscellaneous	234,783	-	-	-	-	-	234,783	210,353
State sources	13,991,209	307,331	6,806	-	-	-	14,305,346	13,984,848
Federal sources	161,352	657,057	194,695	-	-	-	1,013,104	891,227
Surplus food	-	-	23,073	-	-	-	23,073	21,230
Sales (school food service)	-	-	112,613	-	-	-	112,613	103,384
<b>Total revenue</b>	<b>27,428,100</b>	<b>964,388</b>	<b>337,187</b>	<b>19,359</b>	<b>-</b>	<b>692</b>	<b>28,749,726</b>	<b>28,129,334</b>
<b>Expenditures</b>								
General support	3,511,785	-	-	-	-	-	3,511,785	3,371,706
Instruction	13,563,796	642,980	-	-	-	-	14,206,776	13,454,862
Pupil transportation	876,396	122,956	-	-	364,793	-	1,364,145	1,212,876
Community services	37,743	-	-	-	-	-	37,743	25,845
Employee benefits	6,045,814	198,452	-	-	-	-	6,244,266	5,892,085
Debt service	4,105,974	-	-	-	-	-	4,105,974	3,757,759
Capital outlay	-	-	-	-	7,431,960	-	7,431,960	8,989,112
Cost of sales	-	-	333,546	-	-	-	333,546	295,822
Other expenses	-	-	100,181	-	-	-	100,181	61,834
<b>Total expenditures</b>	<b>28,141,508</b>	<b>964,388</b>	<b>433,727</b>	<b>-</b>	<b>7,796,753</b>	<b>-</b>	<b>37,336,376</b>	<b>37,061,901</b>
Excess (deficiency) of revenue over expenditures	(713,408)	-	(96,540)	19,359	(7,796,753)	692	(8,586,650)	(8,932,567)
<b>Other sources and uses</b>								
Premiums earned from financing	-	-	-	119,395	-	-	119,395	116,477
BANs redeemed from appropriations	-	-	-	-	248,000	-	248,000	148,000
Operating transfers in	208,000	-	-	18,983	-	-	226,983	605,560
Operating transfers out	-	-	-	(174,000)	(18,983)	(34,000)	(226,983)	(605,560)
<b>Total other sources (uses)</b>	<b>208,000</b>	<b>-</b>	<b>-</b>	<b>(35,622)</b>	<b>229,017</b>	<b>(34,000)</b>	<b>367,395</b>	<b>264,477</b>
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	<b>(505,408)</b>	<b>-</b>	<b>(96,540)</b>	<b>(16,263)</b>	<b>(7,567,736)</b>	<b>(33,308)</b>	<b>(8,219,255)</b>	<b>(8,668,090)</b>
Fund equity (deficit), beginning of year	4,009,019	-	196,039	542,515	(9,115,782)	298,312	(4,069,897)	4,598,193
<b>Fund equity (deficit), end of year</b>	<b>\$ 3,503,611</b>	<b>\$ -</b>	<b>\$ 99,499</b>	<b>\$ 526,252</b>	<b>\$ (16,683,518)</b>	<b>\$ 265,004</b>	<b>\$ (12,289,152)</b>	<b>\$ (4,069,897)</b>

**See accompanying independent auditor's report and notes to financial statements.**

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AS OF JUNE 30, 2019**

**Schedule 5**

**Page 14**

	Private Purpose Trusts	Agency Funds	Total 6/30/2019	Total 6/30/2018
<b>Assets</b>				
Cash	\$ 953	\$ 519,797	\$ 520,750	\$ 508,267
Other assets	-	-	-	129
Total assets	\$ 953	\$ 519,797	\$ 520,750	\$ 508,396
<b>Liabilities</b>				
Accrued liabilities	\$ -	\$ 298,052	\$ 298,052	\$ 189,778
Due to other funds	-	144,515	144,515	239,611
Student extraclassroom activity funds	-	77,230	77,230	78,615
Total liabilities	-	519,797	519,797	508,004
<b>Net position</b>				
Reserved for scholarships	953	-	953	392
Total net position	953	-	953	392
Total liabilities and net position	\$ 953	\$ 519,797	\$ 520,750	\$ 508,396



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Schedule 6

**Page 15**

	6/30/2019	6/30/2018
<b>Additions</b>		
Gifts and contributions	\$ 1,000	\$ -
Total additions	1,000	-
<b>Deductions</b>		
Scholarships awarded	439	539
Total deductions	439	539
<b>Change in net position</b>	561	(539)
Net position - beginning of year	392	931
<b>Net position - end of year</b>	<u>\$ 953</u>	<u>\$ 392</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2019**

<b>Total fund balances - governmental funds</b>		\$ (12,289,152)
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 therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:		
Cost of the assets	\$ 77,382,151	
Accumulated depreciation	<u>(23,467,188)</u>	53,914,963
The net difference in an advanced bond refunding between the acquisition price of the refunding bonds and the remaining principal of the refunded bonds is reported as a defeasement loss on the statement of net position and amortized		243,199
District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds, pension costs are based on required contributions		1,013,628
Net deferred outflows (inflows) of resources related to actuarial pension/OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, pension and OPEB expense is based on required contributions		6,648,983
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(98,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:		
Bonds payable, net	(13,220,337)	
Net pension liability	(454,300)	
Other post-employment benefits	<u>(24,936,805)</u>	<u>(38,611,442)</u>
<b>Total net position - governmental activities</b>		<u>\$ 10,822,179</u>

	Total Governmental Funds	Long-term Asset & Outflow Transactions	Long-term Liability & Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
<b>Assets</b>					
Cash	\$ 3,923,845	\$ -	\$ -	\$ (417,427)	\$ 3,506,418
Due from other funds	1,326,287	-	-	(1,181,772)	144,515
State and federal aid receivable	1,732,914	-	-	-	1,732,914
Accounts receivable	1,610	-	-	-	1,610
Due from other governments	19,170	-	-	-	19,170
Inventories	9,862	-	-	-	9,862
Cash to be used for capital assets	-	-	-	417,427	417,427
Net pension asset	-	1,013,628	-	-	1,013,628
Capital assets, net	-	53,914,963	-	-	53,914,963
Total assets	7,013,688	54,928,591	-	(1,181,772)	60,760,507
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to long-term debt	-	243,199	-	-	243,199
Deferred outflows related to OPEB	-	3,213,619	-	-	3,213,619
Deferred outflows related to pensions	-	5,770,766	-	-	5,770,766
Total deferred outflows of resources	-	9,227,584	-	-	9,227,584
Total assets and deferred outflows of resources	\$ 7,013,688	\$ 64,156,175	\$ -	\$ (1,181,772)	\$ 69,988,091
<b>Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position</b>					
<b>Liabilities</b>					
Accounts payable	\$ 606,724	\$ -	\$ -	\$ -	\$ 606,724
Accrued liabilities	124,373	-	-	-	124,373
Accrued interest	-	-	98,000	-	98,000
Due to other funds	1,181,772	-	-	(1,181,772)	-
Unearned revenue	15,071	-	-	-	15,071
Due to other governments	106,388	-	-	-	106,388
Due to retirement systems	1,095,981	-	-	-	1,095,981
Bond anticipation notes payable	16,172,531	-	-	-	16,172,531
Bonds payable, net	-	-	13,220,337	-	13,220,337
Net pension liability	-	-	454,300	-	454,300
Other post-employment benefits	-	-	24,936,805	-	24,936,805
Total liabilities	19,302,840	-	38,709,442	(1,181,772)	56,830,510
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to OPEB	-	-	920,467	-	920,467
Deferred inflows related to pensions	-	-	1,414,935	-	1,414,935
Total deferred inflows of resources	-	-	2,335,402	-	2,335,402
<b>Fund equity and net position</b>	(12,289,152)	64,156,175	(41,044,844)	-	10,822,179
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 7,013,688	\$ 64,156,175	\$ -	\$ (1,181,772)	\$ 69,988,091

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Total net change in fund balances - governmental funds** \$ (8,219,255)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 8,269,205	
Depreciation expense	<u>(1,814,298)</u>	6,454,907

Proceeds from the sale of assets are recorded as revenue in the governmental funds, whereas in the statement of activities a gain or loss is reported. (27,398)

Repayment of bonds, bond anticipation notes and energy performance contract principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, debt issuance costs are expensed when incurred. 3,168,000

Bond anticipation notes redeemed from appropriations is recorded as revenue and other sources in the governmental funds, whereas the repayment reduces short-term liabilities in the statement of net position. (248,000)

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, pension expense is based on the District's contribution to pension plans. 140,719

District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows are recorded in the statement of activities, whereas in the governmental funds, OPEB expense is based on the District's contributions to the OPEB plan. (425,712)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, premiums earned from the issuance of long-term debt are recorded as revenue in governmental funds. However, in the statement of activities, premiums earned are deferred and amortized over the life of the debt through interest expense. This also includes the amortization of defeasement losses from bond refundings. 172,353

**Change in net position of governmental activities** \$ 1,015,614

	Total Governmental Funds	Long-term Asset & Outflow Transactions	Long-term Liability & Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
<b>Revenue</b>					
Real property taxes	\$ 12,952,708	\$ -	\$ -	\$ -	\$ 12,952,708
Charges for services	51,885	-	-	(51,885)	-
Use of money and property	54,069	-	-	-	54,069
Sale of property compensation for loss	2,145	(27,398)	-	-	(25,253)
Miscellaneous	234,783	-	-	119,395	354,178
State sources	14,305,346	-	-	(314,137)	13,991,209
Federal sources	1,013,104	-	-	(851,752)	161,352
Surplus food	23,073	-	-	(23,073)	-
Sales (school food service)	112,613	-	-	(112,613)	-
Total revenue	28,749,726	(27,398)	-	(1,234,065)	27,488,263
<b>Expenditures</b>					
General support	3,511,785	169,068	-	580,665	4,261,518
Instruction	14,206,776	909,742	425,712	4,338,683	19,880,913
Pupil transportation	1,364,145	(66,079)	-	167,926	1,465,992
Community services	37,743	-	-	-	37,743
Employee benefits	6,244,266	-	(140,719)	(6,103,547)	-
Debt service	4,105,974	-	(3,340,353)	-	765,621
Capital outlay	7,431,960	(7,431,960)	-	-	-
Cost of sales	333,546	-	-	(272,684)	60,862
Other expenses	100,181	(35,678)	-	(64,503)	-
Total expenditures	37,336,376	(6,454,907)	(3,055,360)	(1,353,460)	26,472,649
Excess (deficiency) of revenue over expenditures	(8,586,650)	6,427,509	3,055,360	119,395	1,015,614
<b>Other sources and uses</b>					
Premiums earned from financing	119,395	-	-	(119,395)	-
BANs redeemed from appropriations	248,000	-	(248,000)	-	-
Operating transfers in	226,983	-	-	(226,983)	-
Operating transfers out	(226,983)	-	-	226,983	-
Total other sources (uses)	367,395	-	(248,000)	(119,395)	-
<b>Net change for year</b>	\$ (8,219,255)	\$ 6,427,509	\$ 2,807,360	\$ -	\$ 1,015,614

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Significant Accounting Policies**

The accompanying financial statements of the **Southwestern Central School District** have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

**1. The Extraclassroom Activity Funds**

The extraclassroom activity funds of the **Southwestern Central School District** represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are available in the District's offices.

**B. Joint Venture**

The **Southwestern Central School District** is one of 27 component school districts in the Erie 2 – Chautauqua-Cattaraugus Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Joint Venture (continued)**

Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year, the District was billed approximately \$3,955,000 for BOCES administration, capital, and program costs. The District's share of BOCES aid and refunds amounted to \$1,771,000 for the year ended June 30, 2019. Financial statements for the Erie 2 – Chautauqua-Cattaraugus BOCES are available at the BOCES administrative offices in Angola, New York

**C. Basis of Presentation**

**1. District-wide Statements**

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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 and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**2. Fund Financial Statements**

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

The District reports the following major governmental funds:

**General** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

**Special Aid** - is used to account for the proceeds of specific revenue sources such as Federal and State grants that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

**Food Service** - is used to account for all revenue and expenditures pertaining to the cafeteria operations.

**Capital Projects** - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

**Debt Service** - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

**Miscellaneous Special Revenue** - is used to account for and report those revenues that are restricted and committed to expenditures for specified purposes.

**Fiduciary Fund Types** - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. Included in the Fiduciary Fund are Private Purpose Trust Funds and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting. Private Purpose Trust Funds are accounted for on the accrual basis of accounting.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Measurement Focus and Basis of Accounting**

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

**E. Cash and Cash Equivalents**

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Investments**

Investments are stated at the lower of cost or current market value.

**G. Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts have been provided since it is believed that such allowances would not be material.

**H. Inventory**

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

**I. Due To/From Other Funds**

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

**J. Interfund Transfers**

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

**K. Capital Assets**

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. During the current year, the District had a full independent appraisal of its fixed assets and as a result restated its fixed assets to reflect estimated historical cost and accumulated depreciation as determined by the appraisal group.

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

	Capitalization Threshold	Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	40 years
Site improvements	5,000	Straight-line	20 years
Furniture and equipment	5,000	Straight-line	10-15 years
Transportation Vehicles	5,000	Straight-line	5-8 years

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government typically has several items that qualify for reporting in this category and is related to pensions and long-term debt reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also, the District contributions to the pension (TRS and ERS Systems) and OPEB systems subsequent to the measurement date qualifies as a deferred outflows or resources. Additionally, the District reports actuarial differences related to OPEB which are deferred and amortized as a deferred outflow. Finally, the net difference in an advanced bond refunding between the acquisition price of the refunding bonds and the remaining principal of the refunded bonds is reported as a deferred outflow on the statement of net position and is amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category and is related to pensions in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS and TRS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents actuarial differences which are deferred and amortized.



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Compensated Absences**

Sick leave – the District’s employee groups received a negotiated number of sick days which are earned on an annual basis. These sick days may be accumulated to a maximum of 200 days under the professionals and support staff contracts and 225 days for the administrators. Administrators and teachers hired after October 1, 2014 can convert unused sick leave towards the purchase of health insurance. Teachers hired after October 1, 2014 must meet a minimum of 10 years of service requirement and give notification by January 1<sup>st</sup> of the active school year prior to retirement.

**N. Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

**O. Unearned Revenue**

Unearned revenue is reported on the District’s combined balance sheet. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

**P. Post-Employment Benefits**

In addition to the retirement benefits described elsewhere in the notes to the financial statements, the District provides post-employment health insurance coverage to certain retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups.

Professional staff may become eligible for these benefits if they are eligible to retire pursuant to the New York State Teacher’s Retirement System. Support staff, hired before July 1, 2006, may become eligible for these benefits if they are employed with the District for 8 years prior to retirement. The agreements give such employee groups the following options:

1. Option A: For professional staff hired before October 1, 2014, the District will pay 50% of the premium for single plans and 40% for family plans for a maximum of twenty five years. For support staff, the District will pay 55% of the premium for both single and family plans for life.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. Post-Employment Benefits (continued)**

2. Option B: Provided the District receives notice of the intent to retire and if the professional retires during the initial year he or she is eligible to retire, the District will pay 100% of the premium for single and family plans, until the retiree reaches the age of 65 years old.
3. Option C: Provided 10 years of service with the District the employee can convert accumulated unused sick leave up to a maximum of 200 days at a rate of \$165 per day.

Employees hired after October 1, 2014 are only eligible for option C above. Also, certain administrators have also negotiated provisions of post-employment benefits into their contract.

**Q. Fund Equity**

**1. Governmental Funds**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

**A. Nonspendable**

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

**1. Inventory Reserve**

This reserve is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Food Service Fund.

**B. Restricted**

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**1. Capital Reserve**

This reserve 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 reserves and payments from the reserves. This reserve is accounted for in the General Fund.

**2. Reserve for Retirement Contributions**

This reserve is used to accumulate funds for employee retirement system contributions. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

**3. Unemployment Reserve**

Unemployment Insurance Reserve is used to pay the cost of reimbursement to the State Unemployment Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may be either transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

**4. Tax Certiorari Reserve**

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

**5. Reserve for Debt Service**

This reserve is used to account for proceeds from the sale of property that was financed by

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**5. Reserve for Debt Service**

obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated. Their reserve is accounted for in the Debt Service Fund.

**6. Endowment Scholarships and Foundation Endowment Reserve**

This reserve is used to account for endowments, scholarships and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution. This reserve is accounted for in the Private Purpose Trust fund.

**C. Committed**

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2019.

**D. Assigned**

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

**1. Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Reserve for encumbrances totaled \$267,851 as of June 30, 2019.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**D. Assigned (continued)**

**2. Appropriated Fund Equity**

General Fund - The amount of \$650,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2020 as allowed by Section 1318 of the Real Property Tax Law.

**E. Unassigned**

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

**2. Government-wide financial statements**

**A. Net Investment in Capital Assets**

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**B. Restricted**

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

**C. Unrestricted**

This category represents net position of the District not restricted for any other purpose.

**3. Order of Fund Balance Spending Policy**

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. Budgetary Procedures and Budgetary Accounting**

**1. Budget Policies**

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District had supplemental appropriations which amounted to \$257,661 in the General Fund during the fiscal year ended June 30, 2019. Supplemental appropriations in the current year were primarily related to capital purchases and use of reserve funds and approved by the Board of Education.

**2. Budget Basis for Accounting**

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for Special Revenue Funds, reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special revenue (other than School Food Service Fund) and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, expenditures and changes in fund equity - budget and actual.

**S. Property Taxes**

**1. Calendar**

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on October 31.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**S. Property Taxes (continued)**

**2. Enforcement**

Uncollected real property taxes are subsequently enforced by the County, in which the School District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

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

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

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

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

**B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities**

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

**1. Long-term Revenue Differences**

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

**2. Capital Related Differences**

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

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

**B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (continued)**

**3. Long-term Debt Transaction Differences**

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

**4. Pension Differences**

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

**5. OPEB Differences**

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**I. Cash**

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

Collateral is required for demand 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.

**A. Deposits are valued at cost or cost plus interest and are categorized as either:**

- (1) Insured through the Federal Deposit Insurance Corporation, collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**I. Cash (continued)**

Total financial institution (bank) balances at June 30, 2019 per the bank were approximately \$4,612,000. Deposits are categorized as follows:

Category 1	Category 2	Category 3	Value
\$ 326,000	\$ 4,286,000	\$ -	\$4,612,000

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2019, the District's bank deposits were fully collateralized.

**II. Interfund Transactions**

Interfund balances as of June 30, 2019 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 1,113,734	\$ 190,976
Food Service Fund	77,851	153
Special Aid Fund	-	282,297
Agency Fund	-	144,515
Miscellaneous Special Revenue Fund	-	-
Debt Service Fund	134,702	-
Capital Fund	-	708,346
<b>Total</b>	<b>\$ 1,326,287</b>	<b>\$ 1,326,287</b>

Interfund transactions for the year ended June 30, 2019 are as follows:

	Interfund Revenue	Interfund Expenditures
General Fund	\$ 208,000	\$ -
Debt Service Fund	18,983	174,000
Capital Projects Fund	-	18,983
Miscellaneous Special Revenue Fund	-	34,000
<b>Total</b>	<b>\$ 226,983</b>	<b>\$ 226,983</b>

The District transferred \$34,000 from the miscellaneous special revenue fund to the general fund which represents the local share of a previous District capital project, utilized to offset related debt service costs. The District transferred \$18,983 from the capital project fund to the debt service fund to close out a capital project. Finally the District transferred \$174,000 from the debt service fund to the general fund to offset principal and interest payments on outstanding debt obligations, as budgeted.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**III. Receivables**

Receivables at June 30, 2019 consisted of the following, which are stated at gross value. District management has deemed the amounts to be fully collectible.

Fund	Description	Amount
Food Service	Accounts receivable	\$ 2,772
Food Service	State and Federal Aid	15,012
Special Aid	State and Federal Aid	267,448
General	Accounts receivable	(1,112)
General	State and Federal Aid	1,271,747
General	Due from Other Governments	19,170
Capital	State and Federal Aid	178,707
		<u>\$ 1,753,744</u>

**IV. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Beginning Balance 06/30/18	Change	Ending Balance 06/30/19
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 2,265,450	\$ -	\$ 2,265,450
Construction-in-Progress	10,483,747	(7,616,829)	2,866,918
<b>Subtotal</b>	<b>12,749,197</b>	<b>(7,616,829)</b>	<b>5,132,368</b>
Capital assets that are depreciated:			
Buildings and improvements	52,199,409	15,112,789	67,312,198
Furniture and equipment	4,240,967	696,618	4,937,585
<b>Total historical cost</b>	<b>69,189,573</b>	<b>\$ 8,192,578</b>	<b>77,382,151</b>
Less accumulated depreciation:			
Buildings and improvements	19,378,423	\$ 1,382,336	20,760,759
Furniture and equipment	2,323,696	382,733	2,706,429
<b>Total accumulated depreciation</b>	<b>21,702,119</b>	<b>\$ 1,765,069</b>	<b>23,467,188</b>
<b>Total net book value</b>	<b>\$ 47,487,454</b>		<b>\$ 53,914,963</b>

Additions totaling approximately \$8,269,000 during the current year related to Phases V and VI, and transportation vehicles and other miscellaneous equipment.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**IV. Capital Assets (continued)**

Depreciation expense was charged to governmental functions as follows:

General support	\$	294,853
Instruction		1,133,458
Pupil transportation		385,987
	\$	<u>1,814,298</u>

**V. Liabilities**

**A. Pension Plans**

**1. Plan Descriptions and Benefits Provided**

**a. Teachers' Retirement System (TRS)**

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

**b. Employees' Retirement System (ERS)**

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**1. Plan Descriptions and Benefits Provided (continued)**

**b. Employees' Retirement System (ERS) (continued)**

Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**2. Contributions**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

	ERS		TRS	
2019	\$	293,000	\$	987,000
2018	\$	286,000	\$	895,000
2017	\$	265,000	\$	1,049,000

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

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Measurement date	ERS		TRS	
	3/31/2019		6/30/2018	
Net pension asset (liability)	\$	(454,300)	\$	1,013,628
District's portion of the Plan's total net pension liability		.0064119%		.056055%

For the year ended June 30, 2019, the District's recognized pension expense of \$333,985 for ERS and \$806,543 for TRS. At June 30, 2019 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 89,461	\$ -	\$ 30,496	\$ 137,208
Changes of assumptions	114,192	3,543,295	-	-
Net difference between projected and actual earnings on pension plan investments	-	757,476	116,598	1,125,204
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	96,886	109,089	5,429	-
District's contributions subsequent to the measurement date	73,334	987,033	-	-
<b>Total</b>	<b>\$ 373,873</b>	<b>\$ 5,396,893</b>	<b>\$ 152,523</b>	<b>\$ 1,262,412</b>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension asset (liability) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending:	ERS	TRS
2020	120,681	1,035,864
2021	(61,237)	709,671
2022	14,960	92,617
2023	73,612	707,283
2024	-	485,053
Thereafter	-	116,960

**4. Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/19	6/30/18
Actuarial valuation date	4/1/18	6/30/17
Interest rate	7%	7.25%
Salary scale	4.2% average 4/1/10 – 3/31/15	1.90% - 4.72% 7/1/09 – 6/30/14
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	2.25%

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**4. Actuarial Assumptions (continued)**

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

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Measurement date	ERS 3/31/19	Expected Rate of Return	TRS 6/30/18	Expected Rate of Return
<b>Asset Type:</b>				
Domestic Equity	36%	4.55%	33%	5.8%
International Equity	14%	6.35%	16%	7.3%
Global Equity	-%	-%	4%	6.7%
Private Equity	10%	7.50%	8%	8.9%
Real Estate	10%	5.55%	11%	4.9%
Absolute return strategies	2%	3.75%	-%	-%
Opportunistic portfolio	3%	5.68%	-%	-%
Real assets	3%	5.29%	-%	-%
Domestic fixed income securities	-%	-%	16%	1.3%
Global fixed income securities	-%	-%	2%	.9%
High-yield fixed income	-%	-%	1%	3.5%
Bonds and Mortgages	17%	1.31%	-%	-%
Cash and short term	1%	(.25%)	1%	.3%
Inflation-indexed bond funds	4%	1.25%	-%	-%
Real estate debt	-%	-%	7%	2.8%
Private debt	-%	-%	1%	6.8%
<b>Total:</b>	<b>100%</b>		<b>100%</b>	



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**5. Discount Rate**

The discount rate used to calculate the total pension asset (liability) was 7% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

**6. Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption**

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6% for ERS and 6.25% for TRS) or 1-percentage point higher (8% for ERS and 8.25% for TRS) than the current rate:

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (1,986,272)	\$ (454,300)	\$ 832,665

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**6. Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption (continued)**

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (6,963,789)	\$ 1,013,628	\$ 7,696,487

**7. Pension Plan Fiduciary Net Position**

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

Measurement date	(Dollars in Thousands)	
	ERS 3/31/19	TRS 6/30/18
Employers' total pension liability	\$ 189,803,429	\$ 118,107,253
Plan net position	\$ 182,718,124	\$ 119,915,517
Employers' net pension asset (liability)	\$ (7,085,305)	\$ 1,808,264
Ratio of plan net position to Employers' total pension asset (liability)	96.27%	101.53%

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**8. Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$73,334.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$1,022,647 (employer contribution of \$987,033 and employee contribution of \$35,614).

**B. Other Post-Employment Benefits**

**Plan Description**

The District maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

**Employees Covered by Benefit Terms**

For the fiscal year ended June 30, 2019 the plan had total active employees of 211 and retirees of 233.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**B. Other Post-Employment Benefits (continued)**

**Total OPEB Liability**

The District's total OPEB liability of \$24,936,805, was measured as of March 31, 2019 and was determined by an actuarial valuation as of July 1, 2018 and rolled forward to the measurement date.

**Actuarial Methods and Other Inputs**

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

Inflation	2.2% per year
Salary increases	3.36% per year
Discount rate	3.61% for 2018 and 3.44% for 2019
Healthcare cost trend rates	2019 – 5.2% reduced to an ultimate rate of 4.32% after 2070.
Retirees' share of benefit-related costs	Varies based on year employed by District

The discount rate was based on a yield for 20 year tax-exempt general obligation municipal bonds.

Mortality rates were based on the RP-2000 Combined Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the valuation were chosen to be consistent with the requirements of GASB 75 and Actuarial Standards of Practice.

**Changes in the Total OPEB Liability**

Service cost	\$ 552,638
Interest	889,236
Changes of benefit terms	-
Differences between expected and actual experience	(338,137)
Changes in assumptions	(246,871)
Benefit payments	(842,359)
Net changes	14,507
Net OPEB liability – beginning of year	24,922,298
Net OPEB liability – end of year	<u>\$ 24,936,805</u>

Changes in assumptions reflect a change in the discount rate from 3.61% in 2018 to 3.44% in 2019.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**B. Other Post-Employment Benefits (continued)**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current discount rate:

	1% Decrease (2.44%)	Current Assumption (3.44%)	1% Increase (4.44%)
Total OPEB liability	\$ 27,741,999	\$ 24,936,805	\$ 22,512,248

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (4.2% - 3.32%)	Current Assumption (5.2% - 4.32%)	1% Increase (6.2% - 5.32%)
Total OPEB liability	\$ 21,090,212	\$ 24,936,805	\$ 29,820,026

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**B. Other Post-Employment Benefits (continued)**

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,273,661. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,003,029	\$ 112,712
Benefit payments subsequent to the measurement date	210,590	-
Changes in assumptions	-	807,755
<b>Total</b>	<b>\$ 3,213,619</b>	<b>\$ 920,467</b>

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

Year ending:	
2020	\$ 100,786
2021	295,788
2022	295,788
2023	295,788
2024	295,788
Thereafter	798,624

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness**

**1. Short-Term Debt**

**a. Bond Anticipation Notes**

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. The liability for all bond anticipation notes issued by the District is included in the capital project fund. On July 27, 2017, the District issued bond anticipation notes in the amount of \$646,500 which matured on July 26, 2018 and carried interest at 1.89%. On June 28, 2018, the District issued bond anticipation notes in the amount of \$13,606,933 which matured on June 27, 2019 and carried interest at 2.27%. During the current year, the District redeemed from appropriations \$248,000 in bond anticipation notes. Below is a schedule of outstanding bond anticipation notes as of June 30, 2019.

Description of Issue	Outstanding June 30, 2019
Bond anticipation notes, issued on July 26, 2018 with maturity date of July 25, 2019, bonds carry interest rate of 2.75%	\$ 665,598
Bond anticipation notes, issued on June 27, 2019 with maturity date of June 25, 2020, bonds carry interest rate of 2.25%	15,506,933
	<u>\$ 16,172,531</u>

**b. Revenue Anticipation Note**

Notes issued in the anticipation of revenue is recorded as a current liability of the fund that will actually receive proceeds from the issuance of the notes. The revenue anticipation note represents a liability that will be extinguished through the use of expendable available resources of the fund. There were no revenue anticipation notes issued or redeemed during the fiscal year ended June 30, 2019.

**c. Short-term interest**

During the fiscal year ended June 30, 2019, the District had interest on short-term debt in the amount of \$403,211, which is included in the General Fund.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**2. Long-Term Debt**

**a. Debt Limit**

At June 30, 2019, the total indebtedness represents approximately 39% of its debt limit.

**b. Changes**

The changes in the School District's indebtedness during the year ended June 30, 2019 are summarized as follows:

	Balance June 30, 2019	Balance June 30, 2018	Amounts Due Within One Year
General obligation bonds, net	\$ 13,220,337	\$ 16,387,446	\$ 3,005,000
Net pension liability	454,300	195,338	-
Other post-employment benefit liability	24,936,805	24,922,298	-
	<u>\$ 38,611,442</u>	<u>\$ 41,505,082</u>	<u>\$ 3,005,000</u>

During the year, the District made principal payments in the amount of \$2,920,000 and recorded amortization of bond premiums in the amount of \$247,109. The increase in the other post-employment benefit liability of \$14,507 and increase in the net pension liability to the New York State Employees' Retirement System of \$258,962 were primarily related to updated actuarial studies.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**2. Long-Term Debt (continued)**

**c. Summary**

The following is a summary of maturity of indebtedness:

Description of Issue	Outstanding June 30, 2019
General Obligation Bonds, issued in 2001 (refunded in 2010) with a maturity date of June 2021, bonds carry interest from 2.25%-5%.	\$ 340,000
General Obligation Bonds, issued in 2012 (which refunded 2003 bond) with a maturity date of June 2028, bonds carry interest of 5%.	5,805,000
General Obligation Bonds, issued in 2015-16 (which refunded 2008 and 2010 bonds) with a maturity date of January 2025, bonds carry interest of 1.5%-2%.	6,470,000
	12,615,000
Plus: premiums earned on refunding, net of amortization	605,337
	<u>\$ 13,220,337</u>

**d. Maturity**

1. The following is a summary of maturity of serial bonds indebtedness on June 30, 2019.

Year	General Obligation Bond- 2001 Refunded in 2010	
	Principal	Interest
2020	\$ 250,000	\$ 14,925
2021	90,000	3,050
Total	<u>\$ 340,000</u>	<u>\$ 17,975</u>

Year	General Obligation Bond- 2012	
	Principal	Interest
2020	\$ 1,480,000	\$ 290,250
2021	1,555,000	216,250
2022	1,630,000	138,500
2023	170,000	57,000
2024	175,000	48,500
2025-2028	795,000	101,750
Total	<u>\$ 5,805,000</u>	<u>\$ 852,250</u>

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**2. Long-Term Debt (continued)**

**d. Maturity (continued)**

Year	General Obligation Bond- 2016 (refunded 2008 and 2010 bonds)	
	Principal	Interest
2020	\$ 1,275,000	\$ 123,025
2021	1,295,000	103,900
2022	1,320,000	78,000
2023	1,345,000	51,600
2024	845,000	24,700
2025	390,000	7,800
Total	<u>\$ 6,470,000</u>	<u>\$ 389,025</u>

**e. Long-Term Debt Interest**

Interest on long-term debt for the year ended June 30, 2019 amounted to approximately \$534,763 and is included in the General Fund.

**3. Bond Premiums and amortization**

Premiums resulting from bond and other debt refinancing are being amortized over the life of the relating debt using the effective interest rate method.

**4. Refunding of Long-Term Debt**

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

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VI. Fund Equity**

**A. Classification**

The District's fund equity is comprised of various components.

Category / Fund	Description	Balance June 30, 2019
<b>Nonspendable:</b>	Reserve for inventory	\$ 9,862
<b>Restricted:</b>		
General	Reserve for retirement contributions	\$ 1,177,368
	Tax Certiorari reserve	86,045
	Capital reserve	78
	Unemployment reserve	247,836
		\$ 1,511,327
Debt Service	Reserve for debt service	\$ 526,252
Miscellaneous Special Revenue	Reserve for foundation endowment	\$ 265,004
Trust and Agency	Reserve for endowment scholarships	\$ 953
<b>Assigned:</b>		
General	Appropriated Fund Balance	\$ 650,000
	Encumbrances	267,851
		\$ 917,851
Food Service	Fund equity	\$ 89,637

**B. District-wide Net Position**

Net position of the District include restricted net position of \$2,302,583 which represent restricted amounts in the general, debt service and miscellaneous special revenue funds as presented above.

**C. Deficit Fund Balance**

The District's capital project fund had an accumulated deficit in the amount of \$ 16,683,518 as of June 30, 2019. It is not uncommon for school districts to have deficit fund balances in the capital projects fund as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or are redeemed at which time such proceeds are recorded as other financing sources revenue.

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

**A. Risk Financing and Related Insurance**

**1. General Information**

The *Southwestern Central School District* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

**2. Risk Sharing Pools**

For its employee health and accident coverage, the *Southwestern Central School District* is a participant in the Chautauqua County School Districts' Medical Health Plan, a public entity risk pool operated for the benefit of various governmental units located within Chautauqua County. The School District pays monthly premiums to the Plan for this health coverage. The Plan is authorized to assess supplemental premiums to the participating districts. The Chautauqua County School Districts' Medical Health Plan obtains independent coverage for insured events in excess of this amount.

The *Southwestern Central School District* also participates in a risk sharing pool, Erie 2 – Chautauqua-Cattaraugus BOCES, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 4 - COMMITMENTS AND CONTINGENCIES  
(continued)**

**B. Federal and State Grants**

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

**C. Compensated Absences**

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability.

**D. Litigation**

The District, in the normal course of its operations, is involved in litigation. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the District's financial position.

**NOTE 5 – MISCELLANOUS SPECIAL REVENUE FUND**

Funds raised during the year ended June 30, 2007 from local foundations and donors amounted to \$595,149 of which \$490,000 represents the District's best current estimate of the local share of the cost of the athletic facilities complex project. Funds in excess of the determined local share represent the amount to be set aside for turf replacement. The total funds held, which also includes accumulated interest earned, amounted to \$265,004 as of June 30, 2019.

During the year ended June 30, 2019, the District transferred \$34,000 of these funds to the general fund to offset debt service costs. In future years, the District intends to transfer additional funds from the miscellaneous special revenue fund to the general fund to offset debt service costs not covered by state building aid (local share).

**NOTE 6 – TAX ABATEMENTS**

The County of Chautauqua, New York, enters into various property tax abatement programs for the purpose of economic development. The total amount of taxes abated from these abatement programs during the year ended June 30, 2019 was approximately \$421,000. The District received payment in lieu of tax (PILOT) payments totaling approximately \$151,000 for the year ended June 30, 2019.

**NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLE  
AND PRIOR PERIOD ADJUSTMENT**

For the fiscal year ended June 30, 2018, the District recorded a prior period adjustment in the amount of \$205,000 as an addition to the District's net position as a result of a change in accounting principle that occurred in the year ended June 30, 2017. The prior period adjustment made in 2018 adjusted the deferred outflow related to the OPEB liability to the amount that should have been recorded at June 30, 2017.

**NOTE 8 – CAPITAL PROJECT**

The voters of *Southwestern Central School District* approved a resolution authorizing a capital project with a maximum amount of \$15,900,000 (Phase V) to be financed with serial bonds, state excel aid and District funds. During the year ended June 30, 2019, the District expended a total of \$4,563,371 related to the project.

The voters of *Southwestern Central School District* approved a resolution authorizing a capital project with a maximum amount of \$12,600,000 (Phase VI) to be financed with serial bonds, state excel aid and District funds. During the year ended June 30, 2019, the District expended a total of \$2,868,589 related to the project.

Also during the year ended June 30, 2019 the District incurred \$364,793 for the purchase of transportation vehicles.

**NOTE 9 - SUBSEQUENT EVENTS**

Subsequent events were evaluated by Management through October 8, 2019, which is the date the financial statements were available to be issued.

***SUPPLEMENTARY INFORMATION***



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Schedule SS1

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
<b>Revenues</b>				
<b>Local Sources:</b>				
Real property taxes and tax items	\$ 12,995,548	\$ 12,995,548	\$ 12,952,708	\$ (42,840)
Charges for services	38,000	38,000	51,885	13,885
Use of money and property	15,500	15,500	34,018	18,518
Sale of property and compensation for loss	2,000	2,000	2,145	145
Miscellaneous	143,512	143,512	234,783	91,271
<b>State Sources:</b>				
Basic formula	12,858,100	12,858,100	12,191,350	(666,750)
BOCES	1,607,562	1,607,562	1,645,722	38,160
Textbooks	76,366	76,366	76,239	(127)
All other aid	52,946	52,946	77,898	24,952
<b>Federal Sources:</b>				
Medicaid reimbursement	55,000	55,000	161,352	106,352
<b>Total revenue</b>	<b>27,844,534</b>	<b>27,844,534</b>	<b>27,428,100</b>	<b>(416,434)</b>
<b>Other Sources:</b>				
Operating transfer in	208,000	208,000	208,000	-
<b>Total revenue and other sources</b>	<b>28,052,534</b>	<b>28,052,534</b>	<b>\$ 27,636,100</b>	<b>\$ (416,434)</b>
Appropriated fund equity - reserves	85,000	85,000		
Appropriated fund equity - supplemental appropriation	-	257,661		
Appropriated fund equity - subsequent years budget	550,000	1,226,673		
<b>Total revenue, other sources and appropriated fund equity</b>	<b>\$ 28,687,534</b>	<b>\$ 29,621,868</b>		

See accompanying independent auditor's report.

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
<b>Expenditures</b>					
<b>General Support:</b>					
Board of education	\$ 29,307	\$ 30,365	\$ 29,863	\$ 448	\$ 54
Central administration	229,899	233,073	232,745	185	143
Finance	274,575	284,749	282,628	1,574	547
Staff	112,316	104,759	92,475	-	12,284
Central services	1,964,333	2,298,104	2,101,431	44,350	152,323
Special items	700,454	818,924	772,643	-	46,281
<b>Instructional:</b>					
Instruction, administration and improvement	898,025	911,556	876,335	197	35,024
Teaching - regular school Programs for children with handicapping conditions	7,316,397	7,456,019	7,060,659	148,956	246,404
Teaching - special schools	2,364,448	2,380,219	2,285,418	93	94,708
Occupational education	24,300	24,300	11,885	-	12,415
Instructional media	889,232	887,922	879,515	137	8,270
Pupil services	1,098,317	1,505,311	1,463,574	33,084	8,653
	1,090,803	1,106,602	986,410	18,803	101,389
<b>Pupil Transportation</b>	837,320	930,291	876,396	20,024	33,871
<b>Community Services</b>	32,316	38,261	37,743	-	518
<b>Employee Benefits</b>	6,237,679	6,076,510	6,045,814	-	30,696
<b>Debt Service:</b>					
Debt service principal	3,736,833	3,601,015	3,168,000	-	433,015
Debt service interest	850,980	933,888	937,974	-	(4,086)
<b>Total expenditures</b>	<b>28,687,534</b>	<b>29,621,868</b>	<b>28,141,508</b>	<b>267,851</b>	<b>1,212,509</b>
<b>Other Uses:</b>					
Transfer to other funds	-	-	-	-	-
<b>Total other uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures and other uses</b>	<b>\$ 28,687,534</b>	<b>\$ 29,621,868</b>	<b>28,141,508</b>	<b>\$ 267,851</b>	<b>\$ 1,212,509</b>
<b>Excess (deficiency) revenue and other sources over expenditures and other uses</b>			<b>\$ (505,408)</b>		

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Schedule SS1A

**Page 37**

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
<b>Revenue</b>			
State sources	\$ 7,485	\$ 6,806	\$ (679)
Federal sources	212,000	194,695	(17,305)
Sales	116,000	112,613	(3,387)
Surplus food	27,000	23,073	(3,927)
Total revenue	<u>362,485</u>	<u>337,187</u>	<u>(25,298)</u>
<b>Expenditures</b>			
Cost of sales	340,000	333,546	6,454
Other expenses	135,684	100,181	35,503
Total expenditures	<u>475,684</u>	<u>433,727</u>	<u>41,957</u>
<b>Net Change</b>	<u>\$ (113,199)</u>	<u>(96,540)</u>	<u>\$ 16,659</u>
Fund equity, beginning of year		<u>196,039</u>	
Fund equity, end of year		<u>\$ 99,499</u>	

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**  
**AND THE REAL PROPERTY TAX LIMIT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

<b>Adopted budget</b>	\$ 28,687,534
<b>Additions:</b>	
Prior year's encumbrances	<u>676,673</u>
<b>Adopted budget after prior year encumbrances</b>	<u>29,364,207</u>
<b>Budget revisions:</b>	
Supplemental appropriation - equipment purchase	88,525
Supplemental appropriation - vehicle purchase	33,000
Supplemental appropriation - budgetary adjustment	16,165
Supplemental appropriation - use of tax certiorari reserve	<u>119,971</u>
<b>Total budget revisions:</b>	<u>257,661</u>
<b>Final budget</b>	<u><u>\$ 29,621,868</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

<b>2019-20 voter-approved expenditure budget</b>	<b>\$ 29,207,170</b>
<b>Maximum allowed (4% of 2019-20 budget)</b>	<b>\$ 1,168,287</b>

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

<b>Unrestricted fund balance:</b>	
Committed fund balance	\$ -
Assigned fund balance	917,851
Unassigned fund balance	<u>1,074,433</u>
Total unrestricted fund balance	<u>1,992,284</u>
<b>Less:</b>	
Appropriated fund balance	650,000
Encumbrances included in committed and assigned fund balance	<u>267,851</u>
Total adjustments	<u>917,851</u>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:</b>	<u><u>\$ 1,074,433</u></u>

**Actual percentage** **3.68%**

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

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Schedule SS3**

**Page 39**

Project Title	Original Appropriation	Revised Appropriation	Expenditures				Unexpended (Overexpended) Balance	Proceeds of Obligations	Methods of financing			Fund Balance June 30, 2019	
			Prior Years	Current Year	Interfund Transfer	Total			State Sources	Local Sources	Total		
School Reconstruction Project (Phase I-IV)	\$ 17,155,493	\$ 17,155,493	\$ 17,196,977	\$ -	\$ 18,983	\$ 17,215,960	\$ (60,467)	\$ 16,489,564	\$ 525,620	\$ 200,776	\$ 17,215,960	\$ -	
School Reconstruction Project (Phase V)	15,900,000	15,900,000	10,990,427	4,563,371	-	15,553,798	346,202	13,670,933	-	2,295,500	15,966,433	412,635	
School Reconstruction Project (Phase VI)	12,600,000	12,600,000	248,040	2,868,589	-	3,116,629	9,483,371	2,000,000	-	425,000	2,425,000	(691,629)	
Energy Performance Improvements - 2017	1,325,000	1,325,000	2,137	-	-	2,137	1,322,863	-	-	-	-	(2,137)	
Emergency projects	365,000	365,000	380,976	-	-	380,976	(15,976)	-	-	380,976	380,976	-	
Smart Schools Bond Act	178,707	178,707	178,707	-	-	178,707	-	-	178,707	-	178,707	-	
Transportation vehicles	2,932,728	2,932,728	2,533,644	364,793	-	2,898,437	34,291	2,668,034	-	547	2,668,581	(229,856)	
	<u>\$ 50,456,928</u>	<u>\$ 50,456,928</u>	<u>\$ 31,530,908</u>	<u>\$ 7,796,753</u>	<u>\$ 18,983</u>	<u>\$ 39,346,644</u>	<u>\$ 11,110,284</u>	<u>\$ 34,828,531</u>	<u>\$ 704,327</u>	<u>\$ 3,302,799</u>	<u>\$ 38,835,657</u>	<u>(510,987)</u>	
												Less: Proceeds recorded as liability - BAN	<u>(16,172,531)</u>
												Fund equity (deficit) as of June 30, 2019	<u>\$ (16,683,518)</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**BUDGET COMPARISON STATEMENT FOR STATE AND**  
**OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Schedule SS4A

**Page 40**

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
School lunch programs	N/A	2018-19	\$ 5,380	\$ 5,380	\$ 5,380
School breakfast programs	N/A	2018-19	1,426	1,426	1,426
Universal Pre-kindergarten	0409-19-7573	2018-19	132,675	132,675	132,675
Shared Fuel Station Grant	C1001125	2017-2021	138,585	112,770	112,770
Summer school	N/A	2018-19	61,886	61,886	61,886
Total expenditures and revenue			\$ 339,952	\$ 314,137	\$ 314,137

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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Schedule SS4B

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Southwestern Central School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Basis of Accounting**

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

**Note 2 - Non-monetary Federal Program**

The accompanying **Southwestern Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2019, the District reported in the Schedule of Federal Awards \$23,073 of donated commodities at fair market value received and disbursed.

**Note 2 – Indirect Cost Rate**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Schedule SS4C**

**Page 41**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
<b>US Department of Education:</b>					
<b>Passed through NYS</b>					
<b>Department of Education:</b>					
Title I	84.010A	0021-19-0315	\$ 316,285	\$ 314,387	\$ 314,387
Title I	84.010A	0021-18-0315	424	424	424
Title II, Part A	84.367A	0147-19-0315	60,627	13,558	13,558
Title II, Part A	84.367A	0147-18-0315	33,454	33,454	33,454
Title IV - SSAE	84.424A	0204-19-0315	20,509	16,519	16,519
IDEA, Part B Public Law 94-142 *	84.027A	0032-19-0096	299,158	274,733	274,733
IDEA, Pre-school Public Law 99-457 *	84.173A	0033-19-0096	5,280	3,982	3,982
Total U.S. Department of Education			735,737	657,057	657,057
<b>US Department of Agriculture:</b>					
<b>Passed through NYS</b>					
<b>Department of Education:</b>					
National School Lunch Program **					
Cash assistance	10.555	N/A	165,050	165,050	165,050
National School Breakfast Program **	10.553	N/A	29,645	29,645	29,645
<b>Passed through NYS</b>					
<b>Office of General Services:</b>					
National School Lunch Program **					
Non-cash assistance (donated commodities)	10.555	N/A	23,073	23,073	23,073
Total U.S. Department of Agriculture			217,768	217,768	217,768
Total expenditures and revenue				\$ 874,825	\$ 874,825

\* Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures of \$ 278,715  
\*\* Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 217,768



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS**  
**AS OF JUNE 30, 2019**

Schedule SS5

**Page 42**

Capital assets	\$	53,914,963
Less:		
Serial bonds, net		(13,220,337)
Bond anticipation notes		(16,172,531)
Accrued Interest		<u>(98,000)</u>
<b>Net Investment in Capital Assets</b>	<b>\$</b>	<b><u>24,424,095</u></b>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S NET**  
**OPEB LIABILITY AND RELATED RATIOS**

**Schedule SS6**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 THROUGH AND 2019**

**Page 43**

As of the measurement date of March 31,	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 552,638	\$ 565,904	\$ 490,413
Interest	889,236	916,195	687,167
Changes of benefit terms	-	75,418	4,173,041
Differences between expected and actual experience	(338,137)	(622,339)	-
Changes in assumptions	(246,871)	442,636	(1,008,113)
Benefit payments	(842,359)	(820,060)	(725,610)
Net change in total OPEB liability	14,507	557,754	3,616,898
Total OPEB liability - beginning	24,922,298	24,364,544	3,574,640
Prior period adjustment	-	-	17,173,006
Total OPEB liability - ending	<u>\$ 24,936,805</u>	<u>\$ 24,922,298</u>	<u>\$ 24,364,544</u>

<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 842,359	\$ 820,060	\$ 725,610
Net investment income	-	-	-
Benefit payments	(842,359)	(820,060)	(725,610)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

District's net OPEB liability	<u>\$ 24,936,805</u>	<u>\$ 24,922,298</u>	<u>\$ 24,364,544</u>
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Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
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Covered-employee payroll	\$ 11,005,241	\$ 10,807,498	\$ 10,461,231
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District's net OPEB liability as a percentage of covered-employee payroll	226.59%	230.60%	232.90%
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Notes to Schedule:

Benefit Changes: none

Changes in assumptions: Discount rate from 3.61% to 3.44%  
 Updated mortality tables and healthcare cost trend rates

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB**  
**FOR THE YEARS ENDED JUNE 30, 2017 THROUGH 2019**

**Schedule SS7**

**Page 44**

For the year ended June 30,	2019	2018	2017
Actuarially determined contributions	\$ 842,359	\$ 820,060	\$ 725,610
Contributions in relation to the actuarially determined contribution	(842,359)	(820,060)	(725,610)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,005,241	\$ 10,807,498	\$ 10,461,231
Contributions as a percentage of District's covered-employee payroll	7.65%	7.59%	6.94%

Notes to Schedule

Valuation date: July 1, 2018, rolled forward to March 31, 2019 measurement date

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.61% for 2018 and 3.44% for 2019
Inflation	2.2% per year
Healthcare cost trend rates	2019 - 5.2%. Rates expected to decrease each year thereafter with an ultimate rate of 4.32%
Salary increases	3.36% per year
Mortality	Based on Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, without separate Contingent Survivor mortality, fully generational using scale MP-2018.
Retiree Cost Sharing	Varies based on contract
Participants	211 Active and 233 Retirees

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS**  
**FOR YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2019**

**Schedule SS8**

**Page 45**

***New York State Teachers' Retirement System (TRS)***

For the year ended June 30,	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 987,033	\$ 894,817	\$ 1,048,869	\$ 1,172,053	\$ 1,514,787	\$ 1,411,314	\$ 1,055,228
Contributions in relation to the contractually required contribution	(987,033)	(894,817)	(1,048,869)	(1,172,053)	(1,514,787)	(1,411,314)	(1,055,228)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,294,096	\$ 9,130,786	\$ 8,949,394	\$ 8,839,012	\$ 8,641,112	\$ 8,685,009	\$ 8,912,399
Contributions as a percentage of District's covered-employee payroll	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

***New York State Local Employees' Retirement System (ERS)***

For the year ended March 31,	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 293,457	\$ 285,750	\$ 264,622	\$ 267,504	\$ 367,884	\$ 363,000	\$ 367,239
Contributions in relation to the contractually required contribution	(293,457)	(285,750)	(264,622)	(267,504)	(367,884)	(363,000)	(367,239)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,061,473	\$ 2,001,160	\$ 1,928,998	\$ 1,785,488	\$ 1,743,455	\$ 1,920,518	\$ 2,024,120
Contributions as a percentage of District's covered-employee payroll	14.24%	14.28%	13.72%	14.98%	21.10%	18.90%	18.14%

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET PENSION ASSET (LIABILITY) – NYSTRS AND PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY – NYSLERS**  
**FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2019**

**Schedule SS9**

**Page 46**

***New York State Teachers' Retirement System (TRS)***

As of the measurement date of June 30,	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset (liability)	n/a	0.056055%	0.056475%	0.057281%	0.057526%	0.058795%	0.061161%
District's proportionate share of the net pension asset (liability)	n/a	\$ 1,013,628	\$ 429,265	\$ (613,502)	\$ 5,975,067	\$ 6,549,450	\$ 402,591
District's covered-employee payroll	n/a	\$ 9,130,786	\$ 8,949,394	\$ 8,839,012	\$ 8,641,112	\$ 8,685,009	\$ 8,912,399
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	n/a	11.10%	4.80%	-6.94%	69.15%	75.41%	4.52%
Plan fiduciary net position as a percentage of the total pension asset (liability)	n/a	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

***New York State Local Employees' Retirement System (ERS)***

As of the measurement date of March 31,	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension (liability)	0.0064119%	0.0060524%	0.0059033%	0.0060991%	0.0065167%	n/a	n/a
District's proportionate share of the net pension (liability)	\$ (454,300)	\$ (195,338)	\$ (554,685)	\$ (978,917)	\$ (220,150)	\$ (294,481)	n/a
District's covered-employee payroll	\$ 2,061,473	\$ 2,001,160	\$ 1,928,998	\$ 1,785,488	\$ 1,743,455	\$ 1,920,518	n/a
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	-22.04%	-9.76%	-28.76%	-54.83%	-12.63%	-15.33%	n/a
Plan fiduciary net position as a percentage of the total pension liability	96.20%	98.24%	94.70%	90.70%	97.90%	n/a	n/a

**See accompanying independent auditor's report.**

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

**To the President and  
Members of the Board of Education  
*Southwestern Central School District*  
Jamestown, New York**

We have audited 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, the financial statements of the governmental activities and each major fund of *Southwestern Central School District* as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise *Southwestern Central School District's* basic financial statements and have issued our report thereon dated October 8, 2019.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2019-001 to be a material weakness.

***Compliance and Other Matters***

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

**Southwestern Central School District's Response to Finding**

**Southwestern Central School District's** response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. **Southwestern Central School District's** response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
October 8, 2019**

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

**To the President and  
Members of the Board of Education  
*Southwestern Central School District*  
Jamestown, New York**

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

We have audited *Southwestern Central School District's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of *Southwestern Central School District's* major federal programs for the year ended June 30, 2019. *Southwestern Central School District's* major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, *Southwestern Central School 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, 2019.

***Report on Internal Control Over Compliance***

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



***Report on Internal Control Over Compliance (continued)***

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 award 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 the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Purpose of Report***

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.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
October 8, 2019**

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

**Financial Statements**

Type of auditor's opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?       x       yes                      no  
 Significant deficiency(ies) identified?                      yes       x       none reported

Noncompliance material to financial statements noted?                      yes       x       no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?                      yes       x       no  
 Significant deficiency(ies) identified?                      yes       x       none reported

Type of auditor's opinion 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)                      yes       x       no

Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 874,825</u>
<b>Identification of Major Programs Tested:</b>		
U.S. Department of Education - IDEA, Part B Section 611 *	84.027A	\$ 274,733
U.S. Department of Education - IDEA, Part B Section 619 *	84.173A	3,982
U.S. Department of Education - Title I	84.010A	<u>314,811</u>
Total major programs tested		<u>\$ 593,526</u>
% of Federal programs tested		<u>68%</u>

\* Constitutes a cluster of Federal programs

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

Auditee qualified as low risk?                      yes       x       no

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2019-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements**

**Year ended June 30, 2019**

*Condition and Criteria:* During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditor's and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditor's and accepted by the District.

*Effect:* AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to GAAP.

*Auditor's Recommendation:* Although auditor's may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

*School District's Response:* The District has received, reviewed and accepted all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and has the ability to make informed judgments based on these financial statements.

**B. COMPLIANCE AND OTHER MATTERS**

**Year ended June 30, 2019**

There were no findings related to compliance and other matters during the year ended June 30, 2019.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS**

**A. COMPLIANCE**

**Year ended June 30, 2019**

There were no findings related to compliance during the year ended June 30, 2019.

**B. INTERNAL CONTROL OVER COMPLIANCE**

**Year ended June 30, 2019**

There were no findings related to internal control over compliance during the year ended June 30, 2019.

**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2018-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements (material weakness)**

**Year ended June 30, 2018**

*Summary of Prior Year Finding: Condition and Criteria:* Adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

*Current Status:* Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2019 as item 2019-001.

**B. COMPLIANCE AND OTHER MATTERS**

**2018-002 Encumbrances and Budget Transfers**

**Year ended June 30, 2018**

*Summary of Prior Year Finding:* As of June 30, 2018, the District reported approximately \$676,000 of encumbrances outstanding. However, we noted that in many instances the District did not have enough dollars remaining in the budget to cover the amount of the encumbrance. Also, the District recorded transfers between non-contingent budget codes for equipment purchases. The District also created purchase orders for equipment purchases that were not included in the budget. The District failed to make the necessary budget transfers to cover outstanding encumbrances and did not have sufficient funds in non-contingent codes for one encumbrance.

*Current Status:* Encumbrances and budget transfers were appropriately accounted for during the year ended June 30, 2019.

**III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS**

**A. COMPLIANCE**

**Year ended June 30, 2018**

There were no findings related to compliance during the year ended June 30, 2018.

**B. INTERNAL CONTROL OVER COMPLIANCE**

**Year ended June 30, 2018**

There were no findings related to internal control over compliance during the year ended June 30, 2018.