

***SOUTHWESTERN CENTRAL SCHOOL DISTRICT***

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***FOR THE FISCAL YEAR ENDED JUNE 30, 2016***

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

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**2016 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, 2016, 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, 2016, 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, and each major fund of *Southwestern Central School District* as of June 30, 2016, 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, 2015 financial statements, and our report dated October 13, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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, budgetary comparison information, schedule of funding progress, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans on pages 3 through 9, 37 through 38, and 46 through 48 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 11, 2016 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 11, 2016**

**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, 2016. 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, 2016:

- Overall net position from operations of the District increased during the current year in the amount of \$4,106,000 as compared to an increase of \$4,398,000 during the prior fiscal year.
- The District's enrollment was 1,478 students as compared with 1,423 during the prior year.
- The District's total revenue increased 2% from \$26,338,000 during June 30, 2015 to \$26,781,000 during June 30, 2016. This increase was primarily the result of an increase in state aid.
- The District's total expenses increased approximately 3% from \$21,940,000 during the year ended June 30, 2015 to \$22,675,000 during the year ended June 30, 2016. This increase was primarily the result of an increase in BOCES expenditures.
- The District had capital outlays totaling \$333,000 during the current year.

**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.

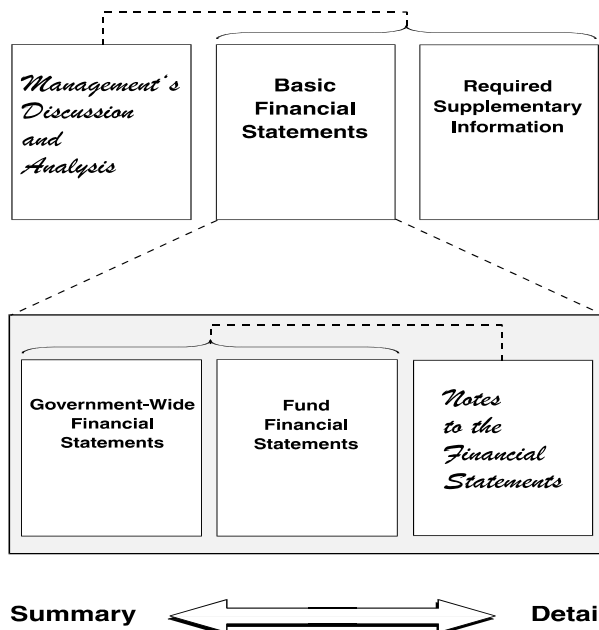
**Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements**

	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**

Net Position

The District's total reporting entity net position was approximately \$23,141,000. The components of net position include: net investment in capital assets of \$15,841,000; restricted net position of \$2,675,000; and unrestricted net position of \$4,625,000.

Changes in Net Position

The District's total government-wide revenue increased by approximately 2% to \$26,781,000. Approximately 48%, 4% and 47% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 1% 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)**

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 3% to \$22,675,000. The District's expenses cover a range of services, with 76% 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 3%. The District's total net position from operations increased approximately \$4,106,000 during the fiscal year ended June 30, 2016.

Revenue

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$26,781,000 for the fiscal year ended June 30, 2016. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 48% of the District's total revenue for governmental activities increased approximately 1% during the year ended June 30, 2016 as a result of an increase in the tax levy.
- One of the District's most significant revenue is from state sources which represent \$12,492,000 or 47% of total governmental revenue. State sources increased by approximately 5% and was the result of increases in basic state aid received in the current year.
- During the year ended June 30, 2016, the District saw a decrease in program revenue, which mostly resulted from a decrease in operating grants of \$51,000 and an decrease of charges for services which decreased by \$86,000, as compared with the prior year revenue. The decrease in operating grants resulted from a decrease in federal grants, specifically the Title I and IDEA grants. The decrease in charges for services resulted from a decrease in tuition charged to other districts.

**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 \$22,675,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$519,000 or 18% which was primarily the result of an increase in BOCES expenditures.
- The District's instruction costs increased by approximately \$233,000 or 1% which was primarily the result of an increase in BOCES expenditures and tuition paid to other districts.
- Debt service of the District decreased approximately \$7,000 during the year ended June 30, 2016. This decrease was primarily the result of a decrease in interest costs related to serial bonds.
- Transportation costs of the District decreased 0% or \$3,000 during the year ended June 30, 2016.
- The Districts cost of sales (food service fund) totaled \$316,000 during the current year as compared to \$328,000 during the fiscal year ended June 30, 2015. This decrease is primarily caused by the decrease in meals served.
- The District received approximately \$1,202,000 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 (\$21 million) were financed by real property taxes and state aid.

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

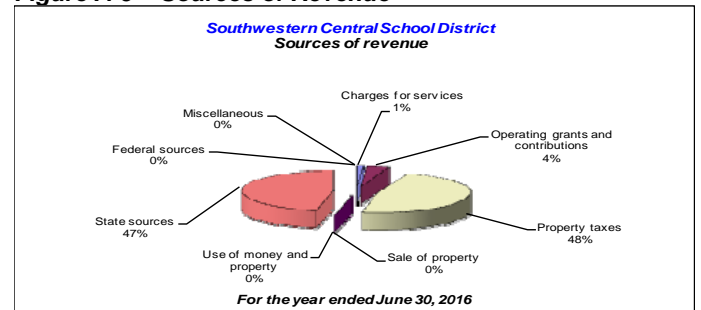
**Figure A-3 – Condensed Statement of Net Position**

<i>Southwestern Central School District Condensed Statement of Net Position (in thousands of dollars)</i>			
Governmental Activities and Total District-wide			
	2016	2015	% Change
<b>Assets</b>			
Current and other assets	\$ 15,104	\$ 14,575	4%
Capital assets	37,450	38,526	-3%
Total assets	52,554	53,101	-1%
<b>Deferred Outflows of Resources</b>			
Total	\$ 2,660	\$ 1,769	50%
<b>Liabilities</b>			
Other liabilities	\$ 2,728	\$ 2,863	-5%
Long-term debt outstanding	27,166	28,477	-5%
Total liabilities	29,894	31,340	-5%
<b>Deferred Inflows of Resources</b>			
Total	2,179	4,494	-52%
<b>Net position</b>			
Invested in capital assets, net of related debt	15,841	12,942	22%
Restricted	2,675	3,766	-29%
Unrestricted (deficit)	4,625	2,328	99%
Total net position	23,141	19,036	22%
Total	<b>\$ 55,214</b>	<b>\$ 54,870</b>	<b>1%</b>

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

<i>Southwestern Central School District Changes in Net Position from Operating Results (in thousands of Dollars)</i>			
Governmental Activities and Total District-wide			
	2016	2015	% Change
<b>Revenue</b>			
Program revenue			
Charges for services	\$ 186	\$ 272	-32%
Operating grants and contributions	1,016	1,067	-5%
General revenue			
Real property taxes	12,911	12,837	1%
Use of money & property	8	9	-11%
Sale of property & comp for loss	2	37	-95%
State sources	12,492	11,901	5%
Federal sources	46	63	-27%
Miscellaneous	120	152	-21%
Total revenue	26,781	26,338	2%
<b>Expenses</b>			
General support	3,464	2,945	18%
Instruction	16,956	16,723	1%
Transportation	1,127	1,130	0%
Community services	31	26	19%
Debt service - interest	781	788	-1%
Cost of sales	316	328	-4%
Total expenses	22,675	21,940	3%
<b>Change in net position</b>	<b>\$ 4,106</b>	<b>\$ 4,398</b>	<b>-7%</b>

**Figure A-5 – Sources of Revenue**

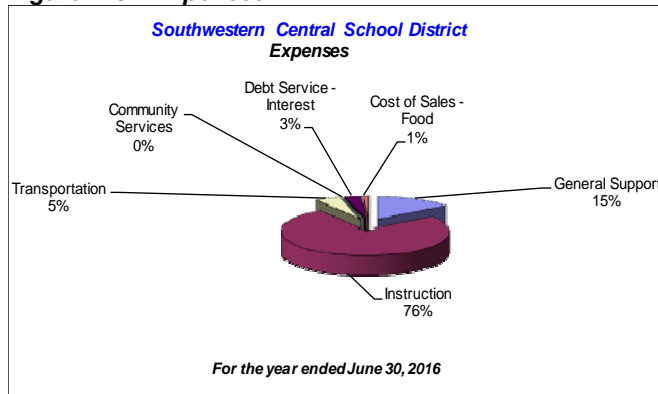




**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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	
	2016	2015
Expenditures supported with general revenue (from taxes & other sources)	\$ 21,473 95%	\$ 20,601 94%
Expenditures supported with program revenue	1,202 5%	1,339 6%
<b>Total expenditures related to governmental activities</b>	<b>\$ 22,675 100%</b>	<b>\$ 21,940 100%</b>

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

	Total cost of services			Net cost of services		
	2016	2015	Change	2016	2015	Change
General support	\$ 3,464	\$ 2,945	\$ 519	\$ 3,464	\$ 2,945	\$ 519
Instruction	16,956	16,723	233	16,109	15,762	347
Transportation	1,127	1,130	(3)	1,121	1,125	(4)
Community Services	31	26	5	31	26	5
Debt service - interest	781	788	(7)	781	788	(7)
Cost of sales - food	316	328	(12)	(33)	(45)	12
<b>Total</b>	<b>\$ 22,675</b>	<b>\$ 21,940</b>	<b>\$ 735</b>	<b>\$ 21,473</b>	<b>\$ 20,601</b>	<b>\$ 872</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 that reported in the previous year.

General Fund

- The District's general fund expenditures and other uses exceeded its revenues and other sources by approximately \$334,000.
- The District's general fund unassigned fund balance equated to approximately \$1,552,000 as of June 30, 2016.
- The District had many fund balance reserves which totaled approximately \$1,931,000 as of June 30, 2016.
- The District's total assets decreased approximately \$390,000 as of June 30, 2016 primarily due to a decrease in cash on hand. The District's liabilities decreased approximately \$55,000 primarily due to a decrease in the Teacher's Retirement System accrual and accrued payroll, which was partially offset by an increase in amounts owed to BOCES at year end.
- Total revenue in the District's general fund increased \$508,000 due to an increase in state aid.
- Total expenditures in the District's general fund increased by approximately \$1,730,000 due to an increase in BOCES expenses and the transfer to the capital project fund.

Food Service Fund

- The District's food service fund experienced a \$21,000 increase in fund equity during the current fiscal year. Revenue in the District's food service fund was \$349,000 during 2016 as compared with \$374,000 in 2015. Expenditures decreased approximately \$1,000 as compared with the prior year. The decrease in expenditures was related to a decrease in food costs due to a drop in meals served to students.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$43,000 or 5% which was primarily related to a decrease in the Title I and Special Education revenues.

Capital Projects Fund

- Total expenditures incurred during the current year amounted to \$300,871 related to a new capital project.

Miscellaneous Special Revenue

- During the year ended June 30, 2016, the District transferred \$42,000 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 \$709,000 below the revised budget. The most significant positive variance was in the area of instruction which totaled \$369,000 below that budgeted. Resources available for appropriations were approximately \$73,000 below the final budgeted amount. Significant variance of revenue items consisted of other sources which was approximately \$125,000 below that budgeted and was the result of a budgeted transfer from the debt service fund that was not made during the 2015-16 year.

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

<i>Southwestern Central School District General Fund - Budget vs Actual Comparison (in thousands of dollars)</i>				
	Revised Budget	Actual	Difference	%
<b>Revenue</b>				
Local sources	\$ 13,055	\$ 13,110	\$ 55	0%
State sources	12,516	12,492	(24)	0%
Federal sources	25	46	21	84%
Other sources	167	42	(125)	-75%
<b>Total revenue</b>	<b>\$ 25,763</b>	<b>\$ 25,690</b>	<b>\$ (73)</b>	<b>0%</b>
<b>Expenditures</b>				
General support	\$ 3,211	\$ 2,891	\$ 320	10%
Instruction	11,915	11,546	369	3%
Transportation	681	659	22	3%
Community services	31	31	-	0%
Employee benefits	5,353	5,361	(8)	0%
Debt service	3,910	3,910	-	0%
Operating transfers	1,632	1,626	6	0%
<b>Total expenditures</b>	<b>\$ 26,733</b>	<b>\$ 26,024</b>	<b>\$ 709</b>	<b>3%</b>

**VII. Capital Assets and Debt Administration**

Capital Assets

As depicted in Figure A-10, as of June 30, 2016, the District had invested approximately \$37,450,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2016, totaled approximately \$333,000. 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, 2016, the District had approximately \$27,166,000 in bonds payable, energy performance bonds, net pension liability and other post-employment benefits, a decrease of approximately 5% as compared with the previous year. The decrease in bonds payable and energy performance bonds was the result of the District making regular principal payments during the year. The increase in the net pension liability was the result of a change in the plans actuarial assumptions. The other post-employment benefits increased approximately \$314,000 as a result of the District choosing to amortize the total liability over a period of years.

**Figure A-10 – Capital Assets**

<i>Southwestern Central School District Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2016	2015	Change
Land	\$ 2,265,450	\$ 2,265,450	0%
Cost basis	54,305,135	54,273,215	0%
Construction in progress	300,871	-	n/a
Accumulated depreciation	(19,421,242)	(18,012,827)	8%
<b>Total Capital Assets, net</b>	<b>\$ 37,450,214</b>	<b>\$ 38,525,838</b>	<b>-3%</b>

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

<i>Southwestern Central School District Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2016	2015	Change
Bonds payable	\$ 22,612,338	\$ 24,860,332	-9%
Energy performance bonds	-	135,995	-100%
Net pension liability	978,917	220,150	345%
Other post-employment benefits	3,574,640	3,261,079	10%
<b>Total Long-Term Debt</b>	<b>\$ 27,165,895</b>	<b>\$ 28,477,556</b>	<b>-5%</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, 2016**

**Schedule 1**

**Page 10**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash		
Unrestricted	\$ 3,426,844	\$ 2,689,115
Restricted	2,675,084	3,765,592
Receivables		
State and federal aid	1,047,748	917,692
Accounts receivable	2,272	918
Due from other governments	18,883	103,176
Due from fiduciary funds	97,569	-
Inventories	12,624	13,394
Cash to be used for capital assets	1,847,674	536,136
Net pension asset - TRS	5,975,067	6,549,450
Capital assets, net	37,450,214	38,525,838
Total assets	<u>52,553,979</u>	<u>53,101,311</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to long-term debt	471,338	-
Deferred outflows related to pensions	2,188,295	1,768,602
Total deferred outflows of resources	<u>2,659,633</u>	<u>1,768,602</u>
Total assets and deferred outflows of resources	<u>\$ 55,213,612</u>	<u>\$ 54,869,913</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 990,000	\$ 127,767
Accrued liabilities	90,215	377,645
Accrued interest	67,000	133,000
Due to retirement systems	1,293,472	1,670,146
Due to fiduciary funds	-	18,807
Unearned revenue	7,868	48,801
Bond anticipation notes payable	279,500	486,500
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	2,830,000	2,540,000
Energy performance contract	-	135,995
Portion due or payable after one year		
Bonds payable	19,782,338	22,320,332
Net pension liability - ERS	978,917	220,150
Other post-employment benefits	3,574,640	3,261,079
Total liabilities	<u>29,893,950</u>	<u>31,340,222</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	2,179,343	4,494,442
<b>Net Position</b>		
Invested in capital assets, net of related debt	15,840,728	12,941,216
Restricted	2,675,084	3,765,592
Unrestricted	4,624,507	2,328,441
Total net position	<u>23,140,319</u>	<u>19,035,249</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 55,213,612</u>	<u>\$ 54,869,913</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule 2**

**Page 11**

	Expenses	Indirect Expenses Allocation	Program Revenues		2016 Net (Expense) Revenue and Changes in Net Position	2015 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
<b>Functions/Programs</b>						
General support	\$ 3,244,077	\$ 219,961	\$ -	\$ -	\$ (3,464,038)	\$ (2,945,016)
Instruction	16,054,243	901,350	69,546	777,529	(16,108,518)	(15,762,776)
Pupil transportation	839,737	287,104	-	5,457	(1,121,384)	(1,125,265)
Community services	31,218	-	-	-	(31,218)	(26,467)
Debt service	781,235	-	-	-	(781,235)	(788,269)
Food service program	316,166	-	116,051	232,616	32,501	45,369
Depreciation	1,408,415	(1,408,415)	-	-	-	-
Total functions and programs	<u>\$ 22,675,091</u>	<u>\$ -</u>	<u>\$ 185,597</u>	<u>\$ 1,015,602</u>	<u>(21,473,892)</u>	<u>(20,602,424)</u>
<b>General Revenues</b>						
Real property taxes					12,910,597	12,837,387
Use of money and property					8,388	8,861
Sale of property and compensation for loss					2,313	37,254
Miscellaneous and donations					120,497	151,810
State sources					12,491,569	11,901,313
Federal sources					45,598	62,554
Total general revenues					<u>25,578,962</u>	<u>24,999,179</u>
<b>Change in net position</b>					4,105,070	4,396,755
Net position - beginning of year					19,035,249	12,573,823
Prior period adjustment					-	2,064,671
<b>Net position - end of year</b>					<u>\$ 23,140,319</u>	<u>\$ 19,035,249</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2016**

**Schedule 3**

**Page 12**

	Governmental Funds						2016	2015
	General	Special Aid	Food Service	Debt Service	Capital Projects	Miscellaneous Special Revenue	(Memo only) Total	(Memo only) Total
<b>Assets</b>								
Unrestricted cash	\$ 2,215,236	\$ 737,598	\$ 475,254	\$ -	\$ -	\$ -	\$ 3,428,088	\$ 2,558,425
Restricted cash	1,930,838	-	-	377,280	1,847,674	365,722	4,521,514	4,432,418
Accounts receivable	1,260	-	1,012	-	-	-	2,272	918
Due from other funds	1,707,932	-	-	1,244	-	-	1,709,176	1,458,495
State and federal aid receivable	872,409	160,647	14,692	-	-	-	1,047,748	917,692
Due from other governments	18,883	-	-	-	-	-	18,883	103,176
Inventories	-	-	12,624	-	-	-	12,624	13,394
Total assets	<u>\$ 6,746,558</u>	<u>\$ 898,245</u>	<u>\$ 503,582</u>	<u>\$ 378,524</u>	<u>\$ 1,847,674</u>	<u>\$ 365,722</u>	<u>\$ 10,740,305</u>	<u>\$ 9,484,518</u>
<b>Liabilities and Fund Equity</b>								
<b>Liabilities</b>								
Accounts payable	\$ 955,121	\$ 3,014	\$ 18,185	\$ -	\$ 13,680	\$ -	\$ 990,000	\$ 127,767
Accrued liabilities	83,409	-	6,806	-	-	-	90,215	377,645
Bond anticipation notes payable	-	-	-	-	279,500	-	279,500	486,500
Due to other funds	-	895,231	231,734	-	484,642	-	1,611,607	1,477,302
Unearned revenue	7,868	-	-	-	-	-	7,868	48,801
Due to Teachers' Retirement System	1,224,056	-	-	-	-	-	1,224,056	1,586,923
Due to Employees' Retirement System	69,416	-	-	-	-	-	69,416	83,223
Total liabilities	<u>2,339,870</u>	<u>898,245</u>	<u>256,725</u>	<u>-</u>	<u>777,822</u>	<u>-</u>	<u>4,272,662</u>	<u>4,188,161</u>
<b>Fund Equity</b>								
Nonspendable	-	-	12,624	-	-	-	12,624	13,394
Restricted	1,930,838	-	-	378,524	-	365,722	2,675,084	3,765,592
Assigned	923,551	-	234,233	-	1,069,852	-	2,227,636	931,541
Unassigned	1,552,299	-	-	-	-	-	1,552,299	585,830
Total fund equity	<u>4,406,688</u>	<u>-</u>	<u>246,857</u>	<u>378,524</u>	<u>1,069,852</u>	<u>365,722</u>	<u>6,467,643</u>	<u>5,296,357</u>
Total liabilities and fund equity	<u>\$ 6,746,558</u>	<u>\$ 898,245</u>	<u>\$ 503,582</u>	<u>\$ 378,524</u>	<u>\$ 1,847,674</u>	<u>\$ 365,722</u>	<u>\$ 10,740,305</u>	<u>\$ 9,484,518</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule 4**

**Page 13**

	Governmental Funds						2016	2015
	General	Special Aid	Food Service	Debt Service	Capital Projects	Miscellaneous Special Revenue	(Memo only) Total	(Memo only) Total
<b>Revenue</b>								
Real property taxes	\$ 12,910,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,910,597	\$ 12,837,387
Charges for services	69,546	-	-	-	-	-	69,546	141,548
Use of money and property	7,243	-	-	424	418	303	8,388	8,861
Sale of property compensation for loss	2,313	-	-	-	-	-	2,313	37,254
Miscellaneous	120,497	-	-	-	-	-	120,497	151,910
State sources	12,491,569	161,693	7,479	-	-	-	12,660,741	12,079,138
Federal sources	45,598	621,293	198,493	-	-	-	865,384	919,244
Surplus food	-	-	26,644	-	-	-	26,644	32,378
Sales (school food service)	-	-	116,051	-	-	-	116,051	130,467
<b>Total revenue</b>	<b>25,647,363</b>	<b>782,986</b>	<b>348,667</b>	<b>424</b>	<b>418</b>	<b>303</b>	<b>26,780,161</b>	<b>26,338,187</b>
<b>Expenditures</b>								
General support	2,891,334	-	-	-	-	-	2,891,334	2,445,209
Instruction	11,545,749	588,159	-	-	-	-	12,133,908	11,985,870
Pupil transportation	658,895	5,457	-	-	-	-	664,352	667,490
Community services	31,218	-	-	-	-	-	31,218	26,467
Employee benefits	5,360,633	196,624	-	-	-	-	5,557,257	5,998,728
Debt service	3,909,562	-	-	-	-	-	3,909,562	3,994,085
Capital outlay	-	-	-	-	300,871	-	300,871	-
Cost of sales	-	-	272,683	-	-	-	272,683	294,030
Other expenses	-	-	54,690	-	-	-	54,690	34,413
<b>Total expenditures</b>	<b>24,397,391</b>	<b>790,240</b>	<b>327,373</b>	<b>-</b>	<b>300,871</b>	<b>-</b>	<b>25,815,875</b>	<b>25,446,292</b>
Excess (deficiency) of revenue over expenditures	1,249,972	(7,254)	21,294	424	(300,453)	303	964,286	891,895
<b>Other sources and uses</b>								
Proceeds from bond refunding	-	-	-	7,770,000	-	-	7,770,000	-
Premiums earned on bond refunding	-	-	-	265,698	-	-	265,698	-
Payment to escrow agent and fees	-	-	-	(8,035,698)	-	-	(8,035,698)	-
BANs redeemed from appropriations	-	-	-	-	207,000	-	207,000	270,853
Operating transfers in	42,000	7,254	-	-	1,618,600	-	1,667,854	51,996
Operating transfers out	(1,625,854)	-	-	-	-	(42,000)	(1,667,854)	(51,996)
<b>Total other sources (uses)</b>	<b>(1,583,854)</b>	<b>7,254</b>	<b>-</b>	<b>-</b>	<b>1,825,600</b>	<b>(42,000)</b>	<b>207,000</b>	<b>270,853</b>
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	<b>(333,882)</b>	<b>-</b>	<b>21,294</b>	<b>424</b>	<b>1,525,147</b>	<b>(41,697)</b>	<b>1,171,286</b>	<b>1,162,748</b>
Fund equity (deficit), beginning of year	4,740,570	-	225,563	378,100	(455,295)	407,419	5,296,357	3,683,768
Prior period adjustment	-	-	-	-	-	-	-	449,841
<b>Fund equity (deficit), end of year</b>	<b>\$ 4,406,688</b>	<b>\$ -</b>	<b>\$ 246,857</b>	<b>\$ 378,524</b>	<b>\$ 1,069,852</b>	<b>\$ 365,722</b>	<b>\$ 6,467,643</b>	<b>\$ 5,296,357</b>

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

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**AS OF JUNE 30, 2016**

**Schedule 5**

**Page 14**

	Private Purpose Trusts	Agency Funds	Total 6/30/2016	Total 6/30/2015
<b>Assets</b>				
Cash	\$ 1,344	\$ 351,445	\$ 352,789	\$ 314,082
Other assets	-	129	129	129
Due from other funds	-	-	-	18,807
Total assets	\$ 1,344	\$ 351,574	\$ 352,918	\$ 333,018
<b>Liabilities</b>				
Accrued liabilities	\$ -	\$ 179,365	\$ 179,365	\$ 255,169
Due to other funds	-	97,569	97,569	-
Student extraclassroom activity funds	-	74,640	74,640	76,008
Total liabilities	-	351,574	351,574	331,177
<b>Net position</b>				
Reserved for scholarships	1,344	-	1,344	1,841
Reserved for foundation endowment	-	-	-	-
Total net position	1,344	-	1,344	1,841
Total liabilities and net position	\$ 1,344	\$ 351,574	\$ 352,918	\$ 333,018



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule 6**

**Page 15**

	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>Additions</b>		
Gifts and contributions	\$ 300	\$ 1,000
Interest earnings	-	-
	<hr/>	<hr/>
Total additions	300	1,000
	<hr/>	<hr/>
<b>Deductions</b>		
Scholarships awarded	797	638
	<hr/>	<hr/>
Total deductions	797	638
	<hr/>	<hr/>
<b>Change in net position</b>	(497)	362
Net position - beginning of year	1,841	451,320
Prior period adjustment	-	(449,841)
	<hr/>	<hr/>
<b>Net position - end of year</b>	<u>\$ 1,344</u>	<u>\$ 1,841</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016**

<b>Total fund balances - governmental funds</b>	\$	6,467,643
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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:</p>		
Cost of the assets	\$ 56,871,456	
Accumulated depreciation	<u>(19,421,242)</u>	37,450,214
<p>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</p>		
		471,338
<p>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</p>		
		5,975,067
<p>Net deferred outflows (inflows) of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, pension expense is based on required contributions</p>		
		8,952
<p>Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
		(67,000)
<p>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:</p>		
Bonds payable, net	(22,612,338)	
Net pension liability	(978,917)	
Other post-employment benefits	<u>(3,574,640)</u>	<u>(27,165,895)</u>
<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u>23,140,319</u></b>

	Total Governmental Funds	Long-term Asset & Outflow Transactions	Long-term Liability & Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
<b>Assets</b>					
Cash	\$ 7,949,602	\$ -	\$ -	\$ -	\$ 7,949,602
Due from other funds	1,709,176	-	-	(1,611,607)	97,569
State and federal aid receivable	1,047,748	-	-	-	1,047,748
Accounts receivable	2,272	-	-	-	2,272
Due from other governments	18,883	-	-	-	18,883
Inventories	12,624	-	-	-	12,624
Net pension asset - TRS	-	5,975,067	-	-	5,975,067
Capital assets, net	-	37,450,214	-	-	37,450,214
Total assets	10,740,305	43,425,281	-	(1,611,607)	52,553,979
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to long-term debt	-	471,338	-	-	471,338
Deferred outflows related to pensions	-	2,188,295	-	-	2,188,295
Total deferred outflows of resources	-	2,659,633	-	-	2,659,633
Total assets and deferred outflows of resources	\$ 10,740,305	\$ 46,084,914	\$ -	\$ (1,611,607)	\$ 55,213,612
<b>Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position</b>					
<b>Liabilities</b>					
Accounts payable	\$ 990,000	\$ -	\$ -	\$ -	\$ 990,000
Accrued liabilities	90,215	-	-	-	90,215
Accrued interest	-	-	67,000	-	67,000
Due to other funds	1,611,607	-	-	(1,611,607)	-
Unearned revenue	7,868	-	-	-	7,868
Due to retirement systems	1,293,472	-	-	-	1,293,472
Bond anticipation notes payable	279,500	-	-	-	279,500
Bonds payable, net	-	-	22,612,338	-	22,612,338
Net pension liability - ERS	-	-	978,917	-	978,917
Other post-employment benefits	-	-	3,574,640	-	3,574,640
Total liabilities	4,272,662	-	27,232,895	(1,611,607)	29,893,950
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pensions	-	-	2,179,343	-	2,179,343
<b>Fund equity and net position</b>	6,467,643	46,084,914	(29,412,238)	-	23,140,319
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 10,740,305	\$ 46,084,914	\$ -	\$ (1,611,607)	\$ 55,213,612

**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, 2016**

<b>Total net change in fund balances - governmental funds</b>	\$ 1,171,286
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	\$ 332,791
Adjustments/disposals	-
Depreciation expense	<u>(1,408,415)</u>
	(1,075,624)
Repayment of bonds, BANs 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.	2,758,635
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.	(207,000)
Premiums earned from the issuance of long-term debt are recorded as revenue in governmental funds. However, in the statement of activities, premiums earned the issuance of long-term debt is not recorded as revenue but rather the amount is recorded as a liability in the statement of net position. This liability is amortized over the life of the debt instrument.	303,692
District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts from changes in proportion are recorded in the statement of activities, whereas in the governmental funds, pension expense is based on the District's contribution to pension plans.	1,401,642
In the statement of activities, other post-employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, other post-employment benefits earned changed by this amount.	(313,561)
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.	<u>66,000</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 4,105,070</u></u>

	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	\$ 12,910,597	\$ -	\$ -	\$ -	\$ 12,910,597
Charges for services	69,546	-	-	(69,546)	-
Use of money and property	8,388	-	-	-	8,388
Sale of property compensation for loss	2,313	-	-	-	2,313
Miscellaneous	120,497	-	-	-	120,497
State sources	12,660,741	-	-	(169,172)	12,491,569
Federal sources	865,384	-	-	(819,786)	45,598
Surplus food	26,644	-	-	(26,644)	-
Sales (school food service)	116,051	-	-	(116,051)	-
Total revenue	26,780,161	-	-	(1,201,199)	25,578,962
<b>Expenditures</b>					
General support	2,891,334	213,886	-	358,818	3,464,038
Instruction	12,133,908	886,712	313,561	2,774,337	16,108,518
Pupil transportation	664,352	287,104	-	169,928	1,121,384
Community services	31,218	-	-	-	31,218
Employee benefits	5,557,257	-	(1,401,642)	(4,155,615)	-
Debt service	3,909,562	-	(3,128,327)	-	781,235
Capital outlay	300,871	(300,871)	-	-	-
Cost of sales	272,683	-	-	(305,184)	(32,501)
Other expenses	54,690	(11,207)	-	(43,483)	-
Total expenditures	25,815,875	1,075,624	(4,216,408)	(1,201,199)	21,473,892
Excess (deficiency) of revenue over expenditures	964,286	(1,075,624)	4,216,408	-	4,105,070
<b>Other sources and uses</b>					
Proceeds from bond refunding	7,770,000	-	(7,770,000)	-	-
Premiums earned on bond refunding	265,698	-	(265,698)	-	-
Payment to escrow agent	(8,035,698)	-	8,035,698	-	-
BANs redeemed from appropriations	207,000	-	(207,000)	-	-
Operating transfers in	1,667,854	-	-	(1,667,854)	-
Operating transfers out	(1,667,854)	-	-	1,667,854	-
Total other sources (uses)	207,000	-	(207,000)	-	-
<b>Net change for year</b>	\$ 1,171,286	\$ (1,075,624)	\$ 4,009,408	\$ -	\$ 4,105,070

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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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 included as supplementary information to these audited financial statements, located on pages 60-63 of this report.

**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.

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

**B. Joint Venture (continued)**

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. 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 \$3,098,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$1,189,000 for the year ended June 30, 2016. 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, 2016**

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**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.

**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, 2016**

**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 systems (TRS and ERS Systems) subsequent to the measurement date qualifies as a deferred outflows or resources. 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 one item that qualifies 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 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.



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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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. For professional staff, 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. 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.

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, 2016**

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**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.

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

**Q. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**5. Reserve for Debt Service**

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

**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, 2016.

**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 \$373,551 as of June 30, 2016.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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 \$550,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2017 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 no supplemental appropriations in the General Fund during the fiscal year ended June 30, 2016.

**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, 2016**

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

**S. Property Taxes (continued)**

**2. Enforcement**

Uncollected real property taxes are subsequently enforced by the Counties, 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.

**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.

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

Total financial institution (bank) balances at June 30, 2016 per the bank were approximately \$8,497,000. Deposits are categorized as follows:

Category 1	Category 2	Category 3	Value
\$ 830,000	\$ 7,667,000	\$ -	\$ 8,497,000

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, 2016, the District's bank deposits were fully collateralized.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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

**II. Interfund Transactions**

Interfund balances as of June 30, 2016 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 1,707,932	\$ -
Food Service Fund	-	231,734
Special Aid Fund	-	895,231
Private Purpose Trust	-	-
Agency Fund	-	97,569
Miscellaneous Special Revenue Fund	-	-
Debt Service Fund	1,244	-
Capital Fund	-	484,642
<b>Total</b>	<b>\$ 1,709,176</b>	<b>\$ 1,709,176</b>

Interfund transactions for the year ended June 30, 2016 are as follows:

	Interfund Revenue	Interfund Expenditures
General Fund	\$ 42,000	\$ 1,625,854
Special Aid Fund	7,254	-
Capital Projects Fund	1,618,600	-
Miscellaneous Special Revenue Fund	-	42,000
<b>Total</b>	<b>\$ 1,667,854</b>	<b>\$ 1,667,854</b>

During the current year, the general fund transferred \$7,254 to the special aid fund to cover the local share of certain Federal and State grant programs. The District also transferred \$42,000 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. Finally, the District transferred \$1,618,600 from the general fund to the capital project fund related to a new capital project.

**III. Receivables**

Receivables at June 30, 2016 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	\$ 1,012
Food Service	State and Federal Aid	14,692
Special Aid	State and Federal Aid	160,647
General	Accounts receivable	1,260
General	State and Federal Aid	872,409
General	Due from Other Governments	18,883
		<b>\$ 1,068,903</b>

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

**IV. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Beginning Balance 06/30/15	Change	Ending Balance 06/30/16
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 2,265,450	\$ -	\$ 2,265,450
Construction-in-Progress	-	300,871	300,871
<b>Subtotal</b>	<b>2,265,450</b>	<b>300,871</b>	<b>2,566,321</b>
Capital assets that are depreciated:			
Buildings and improvements	51,052,752	6,075	51,058,827
Furniture and equipment	3,220,463	25,845	3,246,308
<b>Total historical cost</b>	<b>56,538,665</b>	<b>\$ 332,791</b>	<b>56,871,456</b>
Less accumulated depreciation:			
Buildings and improvements	15,973,318	\$ 1,155,365	17,128,683
Furniture and equipment	2,039,509	253,050	2,292,559
<b>Total accumulated depreciation</b>	<b>18,012,827</b>	<b>\$ 1,408,415</b>	<b>19,421,242</b>
<b>Total net book value</b>	<b>\$ 38,525,838</b>		<b>\$ 37,450,214</b>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 219,961
Instruction	901,350
Pupil transportation	287,104
	<b>\$ 1,408,415</b>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2016**

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

**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	
2016	\$	268,000	\$	1,189,000
2015	\$	368,000	\$	1,515,000
2014	\$	363,000	\$	1,411,000

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, 2016**

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

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, 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, 2016 for ERS and June 30, 2015 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 Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Actuarial valuation date	ERS	TRS
	3/31/16	6/30/15
Net pension asset/(liability)	\$ (978,917)	\$ 5,975,067
District's portion of the Plan's total net pension asset/(liability)	.0060991%	.057526%

For the year ended June 30, 2016, the District's recognized pension expense of \$357,748 for ERS and the actuarial value (\$388,924) for TRS. At June 30, 2016 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	\$ 4,947	\$ -	\$ 116,034	\$ 165,595
Changes of assumptions	261,048	-	-	-
Net difference between projected and actual earnings on pension plan investments	580,748	-	-	1,888,749
Changes in proportion and differences between the District's contributions and proportionate share of contributions	31,290	51,991	8,965	-
District's contributions subsequent to the measurement date	69,416	1,188,855	-	-
<b>Total</b>	<b>\$ 947,449</b>	<b>\$ 1,240,846</b>	<b>\$ 124,999</b>	<b>\$ 2,054,344</b>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**3. Pension Liabilities, 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 liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	ERS	TRS
2017	\$ 262,777	\$ 260,281
2018	193,358	(755,574)
2019	193,358	(755,574)
2020	172,957	320,341
2021	-	(14,408)
Thereafter	-	(41,566)

**4. Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/16	6/30/15
Actuarial valuation date	4/1/15	6/30/14
Interest rate	7%	8%
Salary scale	3.8% average 4/1/10 – 3/31/15	4.01% - 10.91% 7/1/05 – 6/30/10
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	3%

**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 AA.

For ERS, the actuarial assumptions used in the April 1, 2015 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, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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 3/31/16	TRS 6/30/15
Asset Type:		
Domestic Equity	38%	37%
International Equity	13%	18%
Private Equity	10%	-%
Real Estate	8%	10%
Other investments	9%	7%
Domestic fixed income securities	-%	17%
Global fixed income securities	-%	2%
Bonds and Mortgages	18%	8%
Cash and short term	2%	1%
Inflation-indexed bonds	2%	-%
Total:	100%	100%



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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 liability was 7% for ERS and 8% 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 liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 8% 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 7% for TRS) or 1-percentage point higher (8% for ERS and 9% 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)	\$ (2,207,388)	\$ (978,917)	\$ 59,087

**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 Liability to the Discount Rate Assumption (continued)**

	1% Decrease (7%)	Current Assumption (8%)	1% Increase (9%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (407,577)	\$ 5,975,067	\$ 11,418,122

**7. Pension Plan Fiduciary Net Position**

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

Valuation date	(Dollars in Thousands)	
	ERS 3/31/16	TRS 6/30/15
Employers' total pension liability	\$ 172,303,544	\$ 99,332,104
Plan net position	\$ 156,253,265	\$ 109,718,917
Employers' net pension (liability)/asset	\$ (16,050,279)	\$ 10,386,813
Ratio of plan net position to the Employers' total pension asset/(liability)	90.7%	110.46%

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$69,416.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 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, 2016 amounted to \$1,224,056 (employer contribution of \$1,188,855 and employee contribution of \$35,201).

**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.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities.

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

**V. Liabilities (continued)**

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

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years.

The following table summarizes the District's annual OPEB cost for 2016, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Normal Cost	\$ 455,357
Amortization of unfunded actuarial accrued liability	911,079
Interest adjustment	130,443
Annual required contribution adjustment	<u>(135,085)</u>
	1,361,794
Contributions made	<u>(1,048,233)</u>
Increase in net OPEB obligation	313,561
Net OPEB obligation - beginning of year	<u>3,261,079</u>
Net OPEB obligation - end of year	<u>\$ 3,574,640</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, and 2014 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/16	\$ 1,361,794	76.97%	\$ 3,574,640
6/30/15	\$ 1,476,584	71.79%	\$ 3,261,079
6/30/14	\$ 1,375,634	63.57%	\$ 2,844,584

Funding Status and Funding Progress

As of June 30, 2016, the actuarial accrued liability for benefits was \$21,962,573, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was \$10,205,332 and the ratio of unfunded actuarial liability to the covered payroll was 215.21%.

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

**V. Liabilities (continued)**

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

Funding Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual ARC of the District are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the Plan as understood by the District and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the District and Plan members. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Valuation assumptions are as follows:

*Retirement age for active employees* – based on the historical average retirement age for the covered group.

*Marital status* – Based on actual health coverage election for active employees and retirees, with male spouses assumed to be three years older than female spouses. 70% of both male and female employees are assumed to be married at retirement.

*Mortality* – Life expectancies were based on the 2014 New York State Teachers' Retirement System rates.

*Turnover* – Utilized 2003 Society of Actuaries small plan withdrawal rates, scaled 50% for teachers and unscaled for non-teachers.

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

**V. Liabilities (continued)**

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

Actuarial Methods and Assumptions (continued)

*Healthcare cost trend rate* – The trend rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances and changes in the health status of the plan participants. A rate of 7.8% initially, reduced to an ultimate rate of 5.3% after ten years was used.

*Health insurance premiums* – 2015-16 health insurance premiums are used as the basis for calculation of the present value of total benefits to be paid.

*Discount rate and valuation method* - Based on the historical and expected returns of the District's general assets, a discount rate of 4.0% was used. In addition, the valuation method utilized for this plan is called the Entry Age Normal Method.

*Amortization* - The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over thirty years.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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. During the current year, the District redeemed from appropriations \$207,000 in bond anticipation notes related to notes issued for the purchases of transportation vehicles and capital projects. Below is a schedule of outstanding bond anticipation notes as of June 30, 2016.

Description of Issue	Outstanding June 30, 2016
Bond anticipation notes, issued on July 29, 2015 with maturity date of July 28, 2016, bonds carry interest rate of 1.25%	\$ 279,500

**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, 2016.

**c. Short-term interest**

During the fiscal year ended June 30, 2016, the District had interest on short-term debt in the amount of \$3,784, 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, 2016, the total indebtedness represents approximately 30% of its debt limit.

**b. Changes**

The changes in the School District's indebtedness, excluding pensions during the year ended June 30, 2016 are summarized as follows:

	Balance June 30, 2016	Balance June 30, 2015	Amounts Due Within One Year
General obligation bonds, net	\$ 22,612,338	\$ 24,860,332	\$ 2,830,000
Energy performance notes, net	-	135,995	-
Pension liability – ERS, net	978,917	220,150	-
Other post-employment benefit liability	3,574,640	3,261,079	-
	<u>\$ 27,165,895</u>	<u>\$ 28,477,556</u>	<u>\$ 2,830,000</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016
General Obligation Bonds, issued in 2001 (refunded in 2010) with a maturity date of June 2021, bonds carry interest from 2.25%-5%.	\$ 1,115,000
General Obligation Bonds, issued in 2008 (refunded in 2015-16) with a maturity date of January 2019, bonds carry interest from 3.75%-4.0%.	595,000
General Obligation Bonds, issued in 2008 (refunded in 2015-16) with a maturity date of June 2018, bonds carry interest from 3.38%-4.0%.	870,000
General Obligation Bonds, issued in 2010 (refunded in 2015-16) with a maturity date of May 2018, bonds carry interest from 2.375%-4%.	360,000
General Obligation Bonds, issued in 2010-2011 (refunded in 2015-16) with a maturity date of April 2018, bonds carry interest from 3.125%-4%.	630,000
General Obligation Bonds, issued in 2012 (which refunded 2003 bond) with a maturity date of June 2028, bonds carry interest of 5%.	9,835,000
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%.	7,770,000
	21,175,000
Plus: premiums earned on refunding, net of amortization	1,437,338
	<u>\$ 22,612,338</u>

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

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

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

**d. Maturity**

1. The following is a summary of maturity of serial bonds indebtedness on June 30, 2016.

Year	General Obligation Bond- 2001 Refunded in 2010	
	Principal	Interest
2017	\$ 260,000	\$ 51,388
2018	260,000	38,387
2019	255,000	27,037
2020	250,000	14,925
2021	90,000	3,050
Total	<u>\$ 1,115,000</u>	<u>\$ 134,787</u>

Year	General Obligation Bond- 2008B	
	Principal	Interest
2017	\$ 190,000	\$ 23,562
2018	200,000	16,200
2019	205,000	8,200
Total	<u>\$ 595,000</u>	<u>\$ 47,962</u>

Year	General Obligation Bond- 2008A	
	Principal	Interest
2017	\$ 425,000	\$ 32,626
2018	445,000	16,688
Total	<u>\$ 870,000</u>	<u>\$ 49,314</u>

Year	General Obligation Bond- 2010A	
	Principal	Interest
2017	\$ 175,000	\$ 11,700
2018	185,000	6,012
Total	<u>\$ 360,000</u>	<u>\$ 17,712</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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-2010B	
	Principal	Interest
2017	\$ 310,000	\$ 19,688
2018	320,000	10,000
Total	\$ 630,000	\$ 29,688

Year	General Obligation Bond-2012	
	Principal	Interest
2017	\$ 1,280,000	\$ 491,750
2018	1,340,000	427,750
2019	1,410,000	360,750
2020	1,480,000	290,250
2021	1,555,000	216,250
2022-2025	2,160,000	283,750
2026-2028	610,000	62,000
Total	\$ 9,835,000	\$ 2,132,500

Year	General Obligation Bond-2016 (refunded 2008 and 2010 bonds)	
	Principal	Interest
2017	\$ 190,000	\$ 86,484
2018	60,000	139,675
2019	1,050,000	138,775
2020	1,275,000	123,025
2021	1,295,000	103,900
2022-2025	3,900,000	162,100
Total	\$ 7,770,000	\$ 753,959

**e. Capital Lease (Energy Performance Contract)**

During the fiscal year ended June 30, 2003, the *Southwestern Central School District* entered into a capital lease with Real Lease. The lease is related to an energy performance contract whereby the District has entered into agreements with contractors who will install equipment necessary for the District to achieve energy efficiencies. The lease was paid in full during the year ended June 30, 2016.

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

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

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

**f. Long-Term Debt Interest**

Interest on long-term debt for the year ended June 30, 2016 amounted to approximately \$1,023,000 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.

In June 2016, the District issued general obligation bond series 2016 of \$7,770,000 (par value) with interest rates ranging from 1.5%-2%, to refund general obligation bonds series 2008A, 2008B, 2010A, and 2010B. The net proceeds of \$7,911,338 (after bond issuance costs of \$124,360 and issue premium of \$265,698) were used to purchase government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the bond. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements.

The difference between the net proceeds of the refunding of \$7,911,338 and the outstanding principal of the refunded bonds of \$7,440,000 resulted in a defeasement loss of \$471,338 which will be amortized over a period of nine years.

The refunding provided net present value debt service savings of approximately \$470,000.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016
<b>Nonspendable:</b>	Reserve for inventory	\$ 12,624
<b>Restricted:</b>		
General	Reserve for retirement contributions	\$ 1,245,849
	Tax Certiorari reserve	433,716
	Unemployment reserve	251,273
		<u>\$ 1,930,838</u>
Debt Service	Reserve for debt service	<u>\$ 378,524</u>
Miscellaneous Special Revenue	Reserve for foundation endowment	<u>\$ 365,722</u>
Trust and Agency	Reserve for endowment scholarships	<u>\$ 1,344</u>
<b>Assigned:</b>		
General	Appropriated Fund Balance	\$ 550,000
	Encumbrances	373,551
		<u>\$ 923,551</u>
Food Service	Fund equity	<u>\$ 234,233</u>
Capital Projects	Fund equity	<u>\$ 1,069,852</u>

**B. District-wide Net Position**

Net position of the District include restricted net position of \$2,675,084 which represent restricted amounts in the general and debt service funds as presented above.

**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.

**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.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2016**

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

**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.

**E. BOCES Capital Improvements**

In December 2015, the District authorized the issuance of \$971,540 of general obligation bonds to pay for the District's share of improvements to various BOCES school facilities.

**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 \$365,722 as of June 30, 2016.

During the year ended June 30, 2016, the District transferred \$42,000 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 – PRIOR PERIOD ADJUSTMENT**

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follows:

**NOTE 6 – PRIOR PERIOD ADJUSTMENT  
 (CONTINUED)**

Net position beginning of year, as previously stated	\$ 12,573,823
GASB Statement No. 68 implementation	
Beginning System asset - Teachers' Retirement System	402,591
Beginning System liability - Employees' Retirement System	(294,481)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:	
Teachers' Retirement System	1,411,319
Employees' Retirement System	95,401
Other changes – see below	<u>449,841</u>
	<u>2,064,671</u>
Net position beginning of year, as restated	<u>\$ 14,638,494</u>

A prior period adjustment was also recorded in the amount of \$449,841 which represents the total amount held at June 30, 2015. This amount was originally recorded in the fiduciary fund/private purpose trust and the prior period adjustment was recorded to move to a governmental - miscellaneous special revenue fund.

**NOTE 7 - SUBSEQUENT EVENTS**

Subsequent events were evaluated by Management through October 11, 2016, 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, 2016**

Schedule SS1

	Original Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
<b>Revenues</b>				
<b>Local Sources:</b>				
Real property taxes and tax items	\$ 12,902,271	\$ 12,902,271	\$ 12,910,597	\$ 8,326
Charges for services	58,200	58,200	69,546	11,346
Use of money and property	4,500	4,500	7,243	2,743
Sale of property and compensation for loss	-	-	2,313	2,313
Miscellaneous	90,000	90,000	120,497	30,497
<b>State Sources:</b>				
Basic formula	11,032,079	11,032,079	11,185,863	153,784
BOCES	1,002,939	1,002,939	1,117,259	114,320
Textbooks	80,618	80,618	80,444	(174)
All other aid	400,360	400,360	108,003	(292,357)
<b>Federal Sources:</b>				
Medicaid reimbursement	25,000	25,000	45,598	20,598
<b>Total revenue</b>	25,595,967	25,595,967	25,647,363	51,396
<b>Other Sources:</b>				
Operating transfer in	167,000	167,000	42,000	(125,000)
<b>Total revenue and other sources</b>	25,762,967	25,762,967	\$ 25,689,363	\$ (73,604)
Appropriated fund equity - reserves	250,000	250,000		
Appropriated fund equity - subsequent years budget	550,000	719,372		
<b>Total revenue, other sources and appropriated fund equity</b>	\$ 26,562,967	\$ 26,732,339		

See accompanying independent auditor's report.

	Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
<b>Expenditures</b>					
<b>General Support:</b>					
Board of education	\$ 26,301	\$ 25,517	\$ 24,432	\$ 753	\$ 332
Central administration	196,817	208,451	206,876	99	1,476
Finance	273,675	270,261	251,624	1,219	17,418
Staff	96,763	71,350	69,619	-	1,731
Central services	1,803,812	2,311,669	2,029,568	236,306	45,795
Special items	323,941	323,941	309,215	1,820	12,906
<b>Instructional:</b>					
Instruction, administration and improvement	814,543	798,305	790,868	103	7,334
Teaching - regular school	7,032,324	6,596,290	6,285,549	129,815	180,926
Programs for children with handicapping conditions	2,094,696	1,575,107	1,581,148	(6,041)	-
Teaching - special schools	7,000	20,015	20,004	-	11
Occupational education	886,957	890,606	890,607	-	(1)
Instructional media	893,637	1,069,306	1,059,375	4,430	5,501
Pupil services	977,649	965,869	918,198	1,635	46,036
<b>Pupil Transportation</b>	847,648	680,551	658,895	3,412	18,244
<b>Community Services</b>	30,765	31,225	31,218	-	7
<b>Employee Benefits</b>	6,333,676	5,352,513	5,360,633	-	(8,120)
<b>Debt Service:</b>					
Debt service principal	2,882,718	2,882,718	2,882,995	-	(277)
Debt service interest	1,026,845	1,026,845	1,026,567	-	278
<b>Total expenditures</b>	<b>26,549,767</b>	<b>25,100,539</b>	<b>24,397,391</b>	<b>373,551</b>	<b>329,597</b>
<b>Other Uses:</b>					
Transfer to other funds	13,200	1,631,800	1,625,854	-	5,946
<b>Total other uses</b>	<b>13,200</b>	<b>1,631,800</b>	<b>1,625,854</b>	<b>-</b>	<b>5,946</b>
<b>Total expenditures and other uses</b>	<b>\$ 26,562,967</b>	<b>\$ 26,732,339</b>	<b>26,023,245</b>	<b>\$ 373,551</b>	<b>\$ 335,543</b>
<b>Excess (deficiency) revenue and other sources over expenditures and other uses</b>			<b>\$ (333,882)</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, 2016**

Schedule SS1A

**Page 38**

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
<b>Revenue</b>			
State sources	\$ 10,000	\$ 7,479	\$ (2,521)
Federal sources	200,000	198,493	(1,507)
Sales	130,000	116,051	(13,949)
Surplus food	35,000	26,644	(8,356)
Total revenue	<u>375,000</u>	<u>348,667</u>	<u>(26,333)</u>
<b>Expenditures</b>			
Cost of sales	295,000	272,683	22,317
Other expenses	80,000	54,690	25,310
Total expenditures	<u>375,000</u>	<u>327,373</u>	<u>47,627</u>
<b>Net Change</b>	<u>\$ -</u>	<u>21,294</u>	<u>\$ 21,294</u>
Fund equity, beginning of year		<u>225,563</u>	
Fund equity, end of year		<u>\$ 246,857</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, 2016**

Schedule SS2

**Page 39**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

<b>Adopted budget</b>	\$ 26,562,967
<b>Additions:</b>	
Prior year's encumbrances	<u>169,372</u>
<b>Original budget</b>	26,732,339
<b>Budget revisions:</b>	<u>-</u>
<b>Final budget</b>	<u><u>\$ 26,732,339</u></u>

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

<b>2016-17 voter-approved expenditure budget</b>	<b>\$ 26,592,758</b>
<b>Maximum allowed (4% of 2016-17 budget)</b>	<b>\$ 1,063,710</b>

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

**Unrestricted fund balance:**

Committed fund balance	\$ -
Assigned fund balance	923,551
Unassigned fund balance	<u>1,552,299</u>
Total unrestricted fund balance	<u>2,475,850</u>

**Less:**

Appropriated fund balance	550,000
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>373,551</u>
Total adjustments	<u>923,551</u>

<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:</b>	<b><u><u>\$ 1,552,299</u></u></b>
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<b>Actual percentage</b>	<b>5.84%</b>
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\* 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, 2016**

**Schedule SS3**

**Page 40**

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended (Overexpended) Balance	Proceeds of Obligations	Methods of financing			Fund Balance June 30, 2016	
			Prior Years	Current Year	Total			State Sources	Local Sources	Total		
School Reconstruction Project (Phase I)	\$ 6,311,218	\$ 6,311,218	\$ 6,311,773	\$ -	\$ 6,311,773	\$ (555)	\$ 6,160,909	\$ -	\$ 150,000	\$ 6,310,909	\$ (864)	
Athletic Facilities (Phase II)	2,872,000	2,872,000	2,702,096	-	2,702,096	169,904	2,872,000	10,000	-	2,882,000	179,904	
School Reconstruction Project (Phase III)	3,161,718	3,161,718	3,161,637	-	3,161,637	81	2,667,871	493,847	-	3,161,718	81	
School Reconstruction Project (Phase IV)	4,810,557	4,810,557	5,022,127	-	5,022,127	(211,570)	4,788,784	21,773	51,786	4,862,343	(159,784)	
School Reconstruction Project (Phase V)	15,900,000	15,900,000	-	300,871	300,871	(300,871)	-	-	1,618,825	1,618,825	1,317,954	
Transportation vehicles - prior years	1,905,728	1,905,728	1,891,066	-	1,891,066	14,662	1,902,934	-	193	1,903,127	12,061	
	<u>\$ 34,961,221</u>	<u>\$ 34,961,221</u>	<u>\$ 19,088,699</u>	<u>\$ 300,871</u>	<u>\$ 19,389,570</u>	<u>\$ (328,349)</u>	<u>\$ 18,392,498</u>	<u>\$ 525,620</u>	<u>\$ 1,820,804</u>	<u>\$ 20,738,922</u>	1,349,352	
											Less: Proceeds recorded as liability - BAN	<u>(279,500)</u>
											Fund equity (deficit) as of June 30, 2016	<u>\$ 1,069,852</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, 2016**

Schedule SS4A

**Page 41**

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
School lunch programs	N/A	2015-16	\$ 5,834	\$ 5,834	\$ 5,834
School breakfast programs	N/A	2015-16	1,645	1,645	1,645
Universal Pre-kindergarten	0409-16-7573	2015-16	132,675	132,675	132,675
Summer school *	N/A	2015-16	36,272	36,272	36,272
<b>Total expenditures and revenue</b>			<b>\$ 176,426</b>	<b>\$ 176,426</b>	<b>\$ 176,426</b>

\* Revenue includes transfer of \$7,254 from general fund for local share toward applicable expenditures.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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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.

**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, 2016, the District reported in the Schedule of Federal Awards \$26,644 of donated commodities at fair market value received and disbursed.



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule SS4C**

**Page 42**

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	0021-16-0315	\$ 286,371	\$ 279,064	\$ 279,064
Title II, Part A	84.367A	0147-16-0315	55,656	25,065	25,065
Title II, Part A	84.367A	0147-15-0315	27,774	27,774	27,774
IDEA, Part B Public Law 94-142 **	84.027A	0032-16-0096	284,726	284,726	284,726
IDEA, Pre-school Public Law 99-457 ***	84.173A	0033-16-0096	4,664	4,664	4,664
Total U.S. Department of Education			659,191	621,293	621,293
<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	167,077	167,077	167,077
National School Breakfast Program ***	10.553	N/A	31,416	31,416	31,416
<b>Passed through NYS</b>					
<b>Office of General Services:</b>					
National School Lunch Program ***					
Non-cash assistance (donated commodities)	10.555	N/A	26,644	26,644	26,644
Total U.S. Department of Agriculture			225,137	225,137	225,137
Total expenditures and revenue			\$ 846,430	\$ 846,430	

\*\* Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures of \$ 289,390

\*\*\* Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 225,137

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF MAJOR PROGRAMS TESTED**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule SS4D

**Page 43**

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Total expenditures of Federal Awards		<u>\$ 846,430</u>
<b>Major Programs Tested:</b>		
U.S. Department of Education - IDEA, Part B Public Law 94-142 **	84.027A	\$ 284,726
U.S. Department of Education - IDEA, Pre-school Public Law 99-457 **	84.173A	4,664
U.S. Department of Education - Title I	84.010A	<u>279,064</u>
Total major programs tested		<u>\$ 568,454</u>
% of Federal programs tested		<u>67.2%</u>

\*\* Constitutes a cluster of Federal programs

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CERTAIN REVENUE AND EXPENDITURES**  
**COMPARED TO ST-3 DATA – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule SS5

**Page 44**

	Account Code	ST-3 Amount	Audited Amount
<b>Revenues</b>			
Property taxes	A-1001	\$ 12,910,597	\$ 12,910,597
Non-property taxes	AT-1199	-	-
State aid	AT-3999	12,491,569	12,491,569
Federal aid	AT-4999	45,598	45,598
Total revenue	AT-5999	25,689,363	25,689,363
<b>Expenditures</b>			
General support	AT-1999	2,891,334	2,891,334
Instruction	AT-2999	11,545,749	11,545,749
Pupil transportation	AT-5599	658,895	658,895
Debt service - principal	AT-9798.6	2,882,995	2,882,995
Debt service - interest	AT-9798.7	1,026,567	1,026,567
Total expenditures	AT-9999	\$ 26,023,245	\$ 26,023,245

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS**  
**AS OF JUNE 30, 2016**

Schedule SS6

**Page 45**

Capital assets	\$	37,450,214
Less:		
Serial bonds, net		(22,612,338)
Bond anticipation notes		(279,500)
Accrued Interest		(67,000)
Plus:		
Net cash to be used for capital improvements		<u>1,349,352</u>
<b>Net Investment in Capital Assets</b>	<b>\$</b>	<b><u>15,840,728</u></b>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**AS OF JUNE 30, 2016, 2015, 2014, 2013 AND 2012**

**Schedule SS7**

**Page 46**

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded Actuarial Accrued Liability ("UAAL")	Funding Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
June 30, 2016	February 2, 2016	\$ -	\$ 21,962,573	\$ 21,962,573	0.00%	\$ 10,205,332	215.21%
June 30, 2015	February 2, 2015	\$ -	\$ 23,142,316	\$ 23,142,316	0.00%	\$ 9,908,089	233.57%
June 30, 2014	May 1, 2014	\$ -	\$ 21,561,581	\$ 21,561,581	0.00%	\$ 10,617,810	203.07%
June 30, 2013	May 1, 2013	\$ -	\$ 20,978,971	\$ 20,978,971	0.00%	\$ 10,308,553	203.51%
June 30, 2012	September 1, 2010	\$ -	\$ 19,243,948	\$ 19,243,948	0.00%	\$ 10,683,696	180.12%

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS**

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

For the year ended June 30,	2016	2015	2014	2013
Contractually required contributions	\$ 1,188,855	\$ 1,514,787	\$ 1,411,314	\$ 1,055,228
Contributions in relation to the contractually required contribution	(1,188,855)	(1,514,787)	(1,411,314)	(1,055,228)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 8,965,724	\$ 8,641,112	\$ 8,685,009	\$ 8,912,399
Contributions as a percentage of District's covered-employee payroll	13.26%	17.53%	16.25%	11.84%

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

For the year ended March 31,	2016	2015	2014	2013
Contractually required contributions	\$ 267,504	\$ 367,884	\$ 363,000	\$ 367,239
Contributions in relation to the contractually required contribution	(267,504)	(367,884)	(363,000)	(367,239)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,785,488	\$ 1,743,455	\$ 1,920,518	\$ 2,024,120
Contributions as a percentage of District's covered-employee payroll	14.98%	21.10%	18.90%	18.14%

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET PENSION ASSET – NYSTRS AND PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY - NYSLERS**

**Schedule SS9**

**Page 48**

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

As of the measurement date of June 30,	2016	2015	2014	2013
District's proportion of the net pension asset	n/a	0.057526%	0.058795%	0.061161%
District's proportionate share of the net pension asset	n/a	\$ 5,975,067	\$ 6,549,450	\$ 402,591
District's covered-employee payroll	n/a	\$ 8,641,112	\$ 8,685,009	\$ 8,912,399
District's proportionate share of the net pension asset as a percentage of its covered employee payroll	n/a	69.15%	75.41%	4.52%
Plan fiduciary net position as a percentage of the total pension liability	n/a	110.46%	111.48%	100.70%

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

As of the measurement date of March 31,	2016	2015	2014	2013
District's proportion of the net pension liability	0.0060991%	0.0065167%	n/a	n/a
District's proportionate share of the net pension liability	\$ 978,917	\$ 220,150	\$ 294,481	n/a
District's covered-employee payroll	\$ 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	54.83%	12.63%	15.33%	n/a
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%	n/a	n/a

**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, 2016, 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 11, 2016.

***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 material weaknesses.

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.2016-001 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 one instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item II.B.2016-002.

***Other***

We noted other matters that we have reported to management of *Southwestern Central School District* in a separate letter dated October 11, 2016.



**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 11, 2016**

**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, 2016. *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 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, 2016.

***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.

**Other**

We noted other matters that we have reported to management of [Southwestern Central School District](#) in a separate letter dated October 11, 2016.

**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 11, 2016**

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**I. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of **Southwestern Central School District**.
2. One material weakness relating to the audit of the financial statements is reported in the 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 "Governmental Auditing Standards". This weakness is described in the accompanying schedule of findings and questioned costs as item II.A.2016-001.
3. One instance of noncompliance material to the financial statements of **Southwestern Central School District** is reported upon in the 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 "Governmental Auditing Standards". This instance of noncompliance is described in the accompanying schedule of findings and questioned costs as item II.B.2016-002.
4. No significant deficiencies relating to the audit of the major federal assistance programs of the **Southwestern Central School District** are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major federal assistance programs for the **Southwestern Central School District** expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The programs tested as major programs include:

Name	CFDA#	Program Type	Expenditures Amounts
IDEA, Part B Public Law 94-142 **	84.027A	Type B	\$ 284,726
IDEA, Pre-school Public Law 99-457 **	84.173A	Type B	4,664
Title I	84.010A	Type B	279,064
Total tested			<u>\$ 568,454</u>
Percentage of total programs tested			<u>67%</u>

\*\* Constitutes a cluster of federal programs.

8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. **Southwestern Central School District** does not qualify as a low-risk auditee.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2016-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements**

**Year ended June 30, 2016**

*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 recording certain capital project fund activity and 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.

**Year ended June 30, 2015**

Similar finding was reported upon during the prior fiscal year.

**B. COMPLIANCE AND OTHER MATTERS**

**2016-002 Unassigned Fund Balance**

**Year ended June 30, 2016**

*Condition and Criteria:* The District's unassigned fund balance as of June 30, 2016 amounted to approximately \$1,552,000. This amount constitutes approximately 5.84% of the 2016-2017 school budget.

*Effect:* The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

*Auditor's Recommendation:* The District should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

*School District's Response:* The District realizes that it's unassigned fund balance as of June 30, 2016 was in excess of the NYS mandated 4% level. While the District benefited from a significant reduction in the Gap Elimination Adjustment and reduced retirement contribution rates in 2015-16, increases in state aid and decreases in fringe benefits cannot be relied on annually. Therefore, the District must be fiscally responsible in its budgeting practices and maintenance of fund balances. The District has and will continue to monitor fund balance while considering the long term fiscal impact of operations and will review all options with regards to reservation and designation of fund balance.

**Year ended June 30, 2015**

There were no findings related to compliance and other matters during the year ended June 30, 2015.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**A. COMPLIANCE**

**Year ended June 30, 2016**

There were no findings related to compliance during the year ended June 30, 2016.

**Year ended June 30, 2015**

There were no findings related to compliance during the year ended June 30, 2015.

**B. INTERNAL CONTROL OVER COMPLIANCE**

**Year ended June 30, 2016**

There were no findings related to internal control over compliance during the year ended June 30, 2016.

**Year ended June 30, 2015**

There were no findings related to internal control over compliance during the year ended June 30, 2015.

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

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2016 of the District's financial statements and have issued our reports thereon dated October 11, 2016. Our audit report expressed an unmodified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Southwestern Central School District* for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the District was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2012 through June 30, 2016. In addition, we have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff.

*Buffamante Whipple Buttafaro PC*

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

**Olean, New York  
October 11, 2016**

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
REVENUE AND EXPENDITURES COMPARISON  
AND ANALYSIS OF FUND EQUITY (AMOUNTS IN \$1,000)**

	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
<b>Revenue and other sources</b>					
Property taxes	\$ 12,911	\$ 12,837	\$ 12,488	\$ 12,227	\$ 11,879
State aid	12,492	11,901	11,497	10,937	10,793
All other	287	444	433	793	499
	<u>25,690</u>	<u>25,182</u>	<u>24,418</u>	<u>23,957</u>	<u>23,171</u>
<b>Expenditures and other uses</b>					
General support	2,891	2,445	2,465	2,394	2,374
Instruction	11,546	11,386	11,492	11,785	11,680
Transportation	659	663	771	766	765
Benefits	5,361	5,771	5,717	5,320	5,110
Debt	3,910	3,994	4,048	4,056	4,372
Community services	31	26	27	28	28
Transfers	1,626	9	13	17	12
	<u>26,024</u>	<u>24,294</u>	<u>24,533</u>	<u>24,366</u>	<u>24,341</u>
<b>Excess (deficiency) of revenue over expenditures</b>	(334)	888	(115)	(409)	(1,170)
<b>Fund equity</b>					
Beginning of year	4,740	3,852	3,967	4,376	5,546
End of year	<u>\$ 4,406</u>	<u>\$ 4,740</u>	<u>\$ 3,852</u>	<u>\$ 3,967</u>	<u>\$ 4,376</u>
<b>Analysis of fund equity</b>					
Reserve for encumbrances	\$ 374	\$ 169	\$ 20	\$ 238	\$ 214
Reserve for capital	-	1,318	368	367	367
Reserve for retirement system	1,246	1,245	1,244	1,077	1,270
Reserve for unemployment insurance	251	251	251	251	285
Reserve for tax certiorari	434	166	77	-	-
Next year's budget	550	550	850	1,050	1,221
Unassigned	1,551	1,041	1,042	984	1,019
	<u>\$ 4,406</u>	<u>\$ 4,740</u>	<u>\$ 3,852</u>	<u>\$ 3,967</u>	<u>\$ 4,376</u>



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Trust and Agency Flex Account**

The District allows employees to have pre-tax withholdings for certain medical expenses under Section 125 of the Internal Revenue Code. Employees that do not submit claims for reimbursement during the allowable time period, lose the right to recover these funds. As of June 30, 2016 the District has approximately \$49,000 included in its Trust and Agency account related to the 2014-2015 school year and earlier years.

***District response: The District will review this issue and any unspent monies will be returned to the general fund.***

**Equipment and Inventory**

The District reports approximately \$37 million of capital assets. The most significant dollar amount of these assets consist of the District buildings and capital improvements that are not as susceptible to the risk of loss or misuse. Assets that are more susceptible to such risk include equipment and inventory items. It is extremely important for the District to be aware of the risks associated with these assets and have processes in place to safeguard against their loss or misuse. Internal controls that the District may consider the following:

- Continued updating of the District's fixed asset and inventory additions and disposals within its asset database;
- Obtaining a full independent appraisal every few years, that would compare the assets listed within the database compared with those physically counted;
- Maintaining a perpetual inventory system for higher risk equipment and inventory items;
- Periodically perform random spot checks of equipment and inventory and compare to asset database;
- Performing annual physical inventory counts and investigating any differences between the appraisal/inventory reports and physical count;
- Obtaining mileage logs and purchases records to determine reasonableness of gasoline usage.

***District response: The District updates the inventory annually, focusing on technology and other high risk equipment. In the current year the District performed a district-wide inventory to include a full physical count of the inventory, which included bar coding and scanning by an independent appraisal firm. The District will continue to update its inventory on an annual basis and will consider conducting random physical counts and instituting perpetual systems.***

**Technology**

In an ever changing technological society the District should continue to monitor the risks associated with technology so that key operational and financial data are safeguarded. Some of the general and application IT controls that should continue to be considered include the following:

- Procedures for developing, testing, documenting, reviewing, and approving systems or program changes and subsequent modification.
- Controls over access to computer equipment, software and data contained therein.
- Disaster/recovery plans, including backup procedures, off-site storage, and contingency planning.
- Developing formal procedures and guidelines for tasks performed by IT staff.
- Formal documentation of IT policies and processes.
- Identifying those individuals who have access within accounting systems and routinely monitoring such access.

We recommend that the District continue to consider its technology risks and how such risks are mitigated.

***District's response: The District, in collaboration and consultation with BOCES who provides the majority of its IT support, will review the recommendations to determine areas of risk and how they may be mitigated.***

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

In June 2015, the Government Accounting Standards Board issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions – an amendment of GASB Statement No. 45. Statement No. 75 will be effective for the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

The new accounting standard will require the District to report its actuarial accrued liability related to OPEB in the statement of net position within the government-wide financial statements. Although the majority of this information is currently presented within the District's financial statement disclosures, the OPEB liability within the statement of net position is only a portion of the total actuarial accrued liability, as the current accounting standards for OPEB, GASB 45, allows governmental entities to amortize the liability over a period of up to thirty years. We recommend that the District begin to educate its users of the financial statements, as to the impact of this change in future years.

***District's response: The District will review the new accounting standard and implement accordingly.***

***SOUTHWESTERN CENTRAL SCHOOL DISTRICT***

***EXTRACLASSROOM ACTIVITY FUND  
FINANCIAL STATEMENT***

***FOR THE FISCAL YEAR ENDED JUNE 30, 2016***

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

**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 statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the **Southwestern Central School District** for the year ended June 30, 2016, and the related notes to the financial statement.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 statement is free from material misstatement.

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

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

**Basis for Qualified Opinion**

The records of the Extraclassroom funds of the **Southwestern Central School District** were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

**Qualified Opinion**

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the basis for qualified opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Southwestern Central School District** for the year ended June 30, 2016 on the basis of accounting described in Note 1.

*Buffamante Whipple Buttafaro PC*

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

**Olean, New York  
October 11, 2016**

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT**  
**ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND**  
**JULY 1, 2015 THROUGH JUNE 30, 2016**

	Balances June 30, 2015	Total Receipts	Total Receipts & Balances	Total Payments	Balances June 30, 2016
<b>Extraclassroom activities:</b>					
Art Club	\$ 4,878	\$ -	\$ 4,878	\$ 428	\$ 4,450
Band	793	1,095	1,888	1,185	703
Camera Club	336	1,500	1,836	388	1,448
Centralian	8,608	2,525	11,133	5,048	6,085
Choir	3,715	5,383	9,098	4,833	4,265
Class of 2014	1	-	1	-	1
Class of 2015	3,020	-	3,020	3,019	1
Class of 2016	7,253	11,419	18,672	16,718	1,954
Class of 2017	2,965	14,738	17,703	11,142	6,561
Class of 2018	412	6,389	6,801	3,693	3,108
Class of 2019	-	5,003	5,003	3,127	1,876
DECA Club	1,185	3,831	5,016	3,737	1,279
French Club	830	688	1,518	450	1,068
High School Bowl	125	-	125	-	125
MS Student Council	9,117	1,896	11,013	2,345	8,668
Musical	15,281	14,384	29,665	17,834	11,831
National Honor Society	933	637	1,570	657	913
New York State taxes	-	1,218	1,218	1,218	-
Orchestra	2,303	713	3,016	234	2,782
SADD Club	414	-	414	130	284
Ski Club	5,129	133	5,262	108	5,154
Southwestern Key	123	1,394	1,517	1,248	269
Spanish Club	4,796	5,477	10,273	3,989	6,284
Spectrum	-	25	25	-	25
Student Council	3,751	4,339	8,090	2,624	5,466
Interest	40	-	40	-	40
<b>Total activity fund</b>	<b>\$ 76,008</b>	<b>\$ 82,787</b>	<b>\$ 158,795</b>	<b>\$ 84,155</b>	<b>\$ 74,640</b>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUND  
NOTE TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

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

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of **Southwestern Central School District**. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$74,640 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

The accounts of the Extraclassroom Activity Fund of **Southwestern Central School District** are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUND  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Page 63**

During the course of our audit of the extraclassroom activities, we noted the following:

**Point of Sale Records**

We noted several instances where the receipt of cash lacked point of sale records. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. Due to the lack of point of sale records, cash receipts are not adequate to permit the application of the necessary auditing procedures to indicate whether receipts were recorded. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer and teacher advisor, and be verified or reviewed by the central treasurer.

***District's response: The District will be developing a form for concession sales to help substantiate the cash turned into the central treasurer.***