

SOUTHWESTERN CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
2017 FINANCIAL STATEMENTS
TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-9
Government-wide Financial Statements		
Statement of Net Position	1	10
Statement of Activities	2	11
Fund Financial Statements		
Combined Balance Sheet - Governmental Funds.....	3	12
Combined Statement of Revenue, Expenditures and Changes in Fund Equity - Governmental Funds.....	4	13
Statement of Fiduciary Net Position - Fiduciary Funds	5	14
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	6	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7	16
Reconciliation of Governmental Funds Revenue, Expenditures and Changes in Fund Equity to the Statement of Activities	8	17
Notes to Financial Statements		18-36
Supplementary Information		
Combining Schedule of Revenue, Expenditures and Changes In Fund Equity - Budget and Actual - Governmental Funds	SS1&SS1A	37-38
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	SS2	39
Schedule of Project Expenditures - Capital Projects Fund.....	SS3	40
Budget Comparison Statement for State and Other Grant Programs - Special Aid and Food Service Funds.....	SS4A	41
Notes to Schedule of Expenditures of Federal Awards.....	SS4B	42
Schedule of Expenditures of Federal Awards	SS4C	42
Schedule of Major Programs Tested.....	SS4D	43
Schedule of Certain Revenue and Expenditures Compared to ST-3 Data - General Fund.....	SS5	44
Schedule of Net Investment in Capital Assets	SS6	45
Schedule of Changes in the District's Net OPEB Liability and Related Ratios.....	SS7	46
Schedule of District Contributions - OPEB	SS8	47
Schedule of District Contributions – New York State Teachers' Retirement System (NYSTRS) and New York State and Local Employees' Retirement System (NYSLERS)	SS9	48
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) – New York State Teachers' Retirement System (NYSTRS) and District's Proportionate Share of the Net Pension Liability – New York State and Local Employees' Retirement System (NYSLERS) ..	SS10	49
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"		50-51
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance		52-53
Schedule of Findings and Questioned Costs		54-56
Management Letter		57-60
Annual Financial Statement on Extraclassroom Activity Fund		61-64

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, 2017, 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, 2017, 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, 2017, 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.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, the District implemented Governmental Accounting Standards Board Statement Number 75 during the current fiscal year which resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the **Southwestern Central School District's** June 30, 2016 financial statements, and our report dated October 11, 2016, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-9), budgetary comparison information (pages 37-38), schedule of changes in the District's net OPEB liability and related ratios (page 46), schedule of District contributions – OPEB (page 47), the schedule of District contributions for defined benefit pension plans (page 48) and the schedule of the District's proportionate share of the net pension asset/liability (page 49) 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 10, 2017 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 10, 2017

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017. 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, 2017:

- Overall net position from operations of the District increased during the current year in the amount of \$2,032,000 as compared to an increase of \$4,106,000 during the prior fiscal year.
- The District's enrollment was 1,391 students as compared with 1,478 during the prior year.
- The District's total revenue increased 2% from \$26,781,000 during the year ended June 30, 2016 to \$27,429,000 during the year ended June 30, 2017. This increase was primarily the result of an increase in state aid.
- The District's total expenses increased approximately 12% from \$22,675,000 during the year ended June 30, 2016 to \$25,397,000 during the year ended June 30, 2017. This increase was primarily the result of an increase in OPEB expense related to the District implementing GASB 75 and a new actuarial study and change in actuarial assumptions for the Teachers' Retirement System resulting in higher pension expenses.
- The District had capital outlays totaling \$3,093,000 during the current year related to Phase V, transportation vehicles and a capital outlay project.

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.

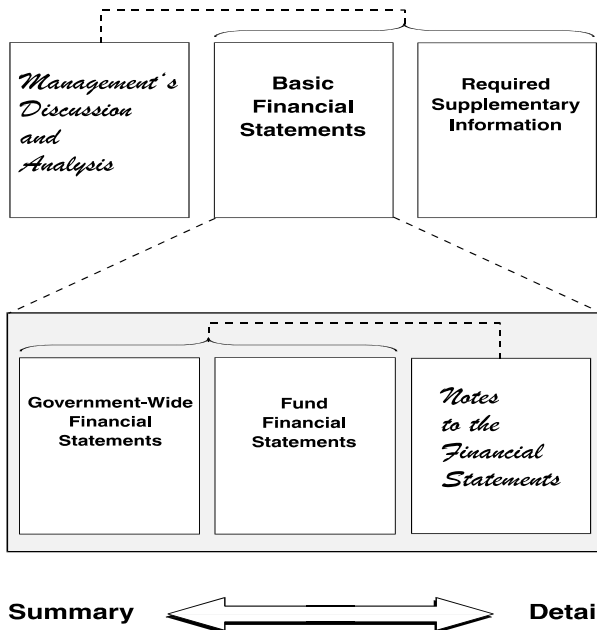
Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	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 \$7,999,000. The components of net position include: net investment in capital assets of \$18,871,000; restricted net position of \$2,621,000; and unrestricted net position - deficit of \$13,493,000.

Changes in Net Position

The District's total government-wide revenue increased by approximately 2% to \$27,429,000. Approximately 47%, 4% and 47% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 2% 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 12% to \$25,397,000. The District's expenses cover a range of services, with 78% related to instruction and 14% 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 12%. The District's total net position from operations increased approximately \$2,032,000 during the fiscal year ended June 30, 2017.

Revenue

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$27,429,000 for the fiscal year ended June 30, 2017. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 47% of the District's total revenue for governmental activities decreased approximately 1% during the year ended June 30, 2017 as a result of a decrease in the tax levy.
- One of the District's most significant revenue is from state sources which represent \$13,087,000 or 47% of total governmental revenue. State sources increased by approximately 5% and was the result of increases in basic state aid and Boces aid received in the current year.
- During the year ended June 30, 2017, the District saw an increase in program revenue, which mostly resulted from an increase in operating grants of \$36,000 which was offset by a decrease of charges for services which decreased by \$14,000, as compared with the prior year revenue. The increase in operating grants resulted from an increase in federal grants, specifically the Title I and IDEA grants.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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 \$25,397,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$124,000 or 4% which was primarily the result of an increase in contractual expenditures.
- The District's instruction costs increased by approximately \$2,786,000 or 16%. This increase was primarily the result of an increase in OPEB expense related to the District implementing GASB 75 and a new actuarial study and change in actuarial assumptions for the Teachers' Retirement System resulting in higher pension expenses. The District also had increases in wages and Boces expenditures.
- Debt service of the District decreased approximately \$256,000 during the year ended June 30, 2017. This decrease was primarily the result of a decrease in interest costs related to serial bonds.
- Transportation costs of the District increased 7% or \$84,000 during the year ended June 30, 2017 as a result of an increase in wages and benefits.
- The District's cost of sales (food service fund) totaled \$301,000 during the current year as compared to \$316,000 during the fiscal year ended June 30, 2016. This decrease is primarily caused by the decrease in meals served.
- The District received approximately \$1,224,000 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 (\$24 million) were financed by real property taxes and state aid.

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

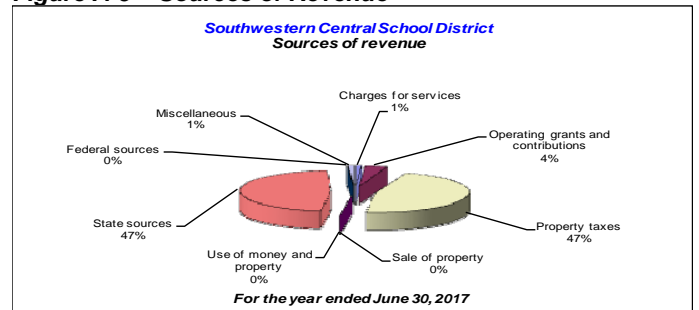
Figure A-3 – Condensed Statement of Net Position

Southwestern Central School District Condensed Statement of Net Position (in thousands of dollars)			
	Governmental Activities and Total District-wide		
	2017	2016	% Change
Assets			
Current and other assets	\$ 14,424	\$ 15,104	-5%
Capital assets	39,126	37,450	4%
Total assets	53,550	52,554	2%
Deferred Outflows of Resources			
Total	\$ 10,618	2,660	299%
Liabilities			
Other liabilities	\$ 9,944	\$ 2,728	265%
Long-term debt outstanding	45,014	27,166	66%
Total liabilities	54,958	29,894	84%
Deferred Inflows of Resources			
Total	1,211	2,179	-44%
Net position			
Invested in capital assets, net of related debt	18,871	15,841	19%
Restricted	2,621	2,675	-2%
Unrestricted (deficit)	(13,493)	4,625	-392%
Total net position	7,999	23,141	-65%
Total	\$ 64,168	\$ 55,214	16%

Figure A-4 – Changes in Net Position

Southwestern Central School District Changes in Net Position from Operating Results (in thousands of Dollars)			
	Governmental Activities and Total District-wide		
	2017	2016	% Change
Revenue			
Program revenue			
Charges for services	\$ 172	\$ 186	-8%
Operating grants and contributions	1,052	1,016	4%
General revenue			
Real property taxes	12,779	12,911	-1%
Use of money & property	9	8	13%
Sale of property & comp for loss	3	2	50%
State sources	13,087	12,492	5%
Federal sources	96	46	109%
Miscellaneous	231	120	93%
Total revenue	27,429	26,781	2%
Expenses			
General support	3,588	3,464	4%
Instruction	19,742	16,956	16%
Transportation	1,211	1,127	7%
Community services	30	31	-3%
Debt service - interest	525	781	-33%
Cost of sales	301	316	-5%
Total expenses	25,397	22,675	12%
Change in net position	\$ 2,032	\$ 4,106	-51%

Figure A-5 – Sources of Revenue



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Figure A-6 – Expenses

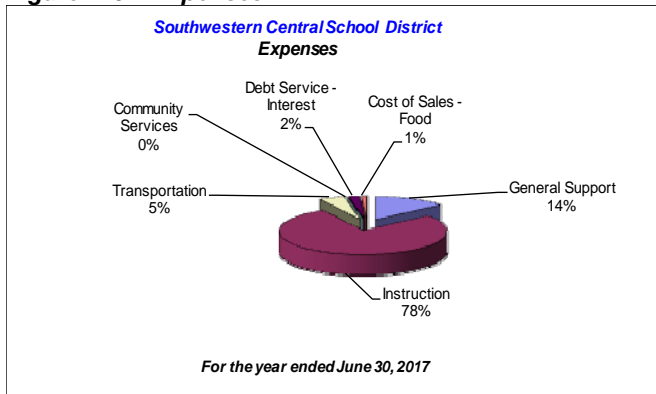


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2017		2016	
Expenditures supported with general revenue (from taxes & other sources)	\$ 24,173	95%	\$ 21,473	95%
Expenditures supported with program revenue	1,224	5%	1,202	5%
Total expenditures related to governmental activities	\$ 25,397	100%	\$ 22,675	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2017	2016	Change	2017	2016	Change
General support	\$ 3,588	\$ 3,464	\$ 124	\$ 3,588	\$ 3,464	\$ 124
Instruction	19,742	16,956	2,786	18,848	16,109	2,739
Transportation	1,211	1,127	84	1,206	1,121	85
Community services	30	31	(1)	30	31	(1)
Debt service - interest	525	781	(256)	525	781	(256)
Cost of sales - food	301	316	(15)	(24)	(33)	9
Total	\$ 25,397	\$ 22,675	\$ 2,722	\$ 24,173	\$ 21,473	\$ 2,700

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 \$130,000.
- The District's general fund unassigned fund balance equated to approximately \$1,522,000 as of June 30, 2017.
- The District had many fund balance reserves which totaled approximately \$1,864,000 as of June 30, 2017.
- The District's total assets increased approximately \$6,716,000 as of June 30, 2017 primarily due to an increase in cash on hand as a result of the receipt of a \$7M BAN on June 29, 2017. The District's liabilities increased approximately \$6,845,000 primarily due to an increase in amounts owed to other funds related to the \$7M capital project fund BAN received at year-end.
- Total revenue in the District's general fund increased \$588,000 due to an increase in state and Boces aid.
- Total expenditures in the District's general fund increased by approximately \$384,000 due to a large transfer to the capital project fund and an increase in salaries.

Food Service Fund

- The District's food service fund experienced a \$28,000 decrease in fund equity during the current fiscal year. Revenue in the District's food service fund was \$325,000 during 2017 as compared with \$349,000 in 2016. Expenditures increased approximately \$26,000 as compared with the prior year. The increase in expenditures was related to an increase in equipment purchases.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Special Aid Fund

- The District's special aid fund revenue and expenditures increased approximately \$48,000 or 6% which was primarily related to an increase in the Title I and Special Education revenues.

Capital Projects Fund

- Total expenditures incurred during the current year amounted to was approximately \$2,782,000 and was related to Phase V, transportation vehicles and a capital outlay project.

Miscellaneous Special Revenue

- During the year ended June 30, 2017, the District transferred \$34,000 of these funds to the general fund to offset debt service costs.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$1,497,000 below the revised budget. The most significant positive variances were in the areas of instruction which totaled \$576,000 below that budgeted and employee benefits which totaled \$657,000 below that budgeted. Resources available for appropriations were approximately \$342,000 above the final budgeted amount.

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	%
Revenue				
Local sources	\$ 12,926	\$ 13,062	\$ 136	1%
State sources	12,948	13,087	139	1%
Federal sources	30	97	67	223%
Other sources	34	34	-	0%
Total revenue	\$ 25,938	\$ 26,280	\$ 342	1%
Expenditures				
General support	\$ 3,081	\$ 2,981	\$ 100	3%
Instruction	13,321	12,745	576	4%
Transportation	849	697	152	18%
Community services	32	30	2	6%
Employee benefits	5,998	5,341	657	11%
Debt service	3,699	3,698	1	0%
Operating transfers	923	914	9	1%
Total expenditures	\$ 27,903	\$ 26,406	\$ 1,497	5%

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2017, the District had invested approximately \$39,126,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2017, totaled approximately \$3,093,000. 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, 2017, the District had approximately \$45,014,000 in bonds payable, net pension liability and other post-employment benefits, an increase of approximately 66% as compared with the previous year. The decrease in bonds payable was the result of the District making regular principal payments during the year. The increase in other post-employment benefits is the result of the District implementing GASB 75.

Figure A-10 – Capital Assets

<i>Southwestern Central School District Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2017	2016	Change
Land	\$ 2,265,450	\$ 2,265,450	0%
Cost basis	54,403,797	54,305,135	0%
Construction in progress	2,811,174	300,871	834%
Accumulated depreciation	(20,354,111)	(19,421,242)	5%
Total Capital Assets, net	\$ 39,126,310	\$ 37,450,214	4%

Figure A-11 – Outstanding Long-term Debt

<i>Southwestern Central School District Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2017	2016	Change
Bonds payable	\$ 19,481,683	\$ 22,612,338	-14%
Net pension liability	1,168,187	978,917	19%
Other post-employment benefits	24,364,544	3,574,640	582%
Total Long-Term Debt	\$ 45,014,414	\$ 27,165,895	66%

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, 2017

Schedule 1

Page 10

	<u>2017</u>	<u>2016</u>
Assets		
Cash		
Unrestricted	\$ 2,336,245	\$ 3,426,844
Restricted	2,620,818	2,675,084
Receivables		
State and federal aid	1,279,253	1,047,748
Accounts receivable	5,296	2,272
Due from other governments	48,423	18,883
Due from fiduciary funds	706,180	97,569
Inventories	17,057	12,624
Cash to be used for capital assets	7,410,930	1,847,674
Net pension asset	-	5,975,067
Capital assets, net	39,126,310	37,450,214
Total assets	<u>53,550,512</u>	<u>52,553,979</u>
Deferred Outflows of Resources		
Deferred outflows related to long-term debt	417,273	471,338
Deferred outflows related to OPEB	3,783,037	-
Deferred outflows related to pensions	6,417,415	2,188,295
Total deferred outflows of resources	<u>10,617,725</u>	<u>2,659,633</u>
Total assets and deferred outflows of resources	<u>\$ 64,168,237</u>	<u>\$ 55,213,612</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,135,788	\$ 990,000
Accrued liabilities	102,629	90,215
Accrued interest	118,000	67,000
Due to retirement systems	1,157,263	1,293,472
Unearned revenue	7,829	7,868
Bond anticipation notes payable	7,422,500	279,500
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	2,810,000	2,830,000
Portion due or payable after one year		
Bonds payable	16,671,683	19,782,338
Net pension liability	1,168,187	978,917
Other post-employment benefits	24,364,544	3,574,640
Total liabilities	<u>54,958,423</u>	<u>29,893,950</u>
Deferred Inflows of Resources		
Deferred inflows related to OPEB	913,897	-
Deferred inflows related to pensions	296,631	2,179,343
Total deferred inflows of resources	<u>1,210,528</u>	<u>2,179,343</u>
Net Position		
Invested in capital assets, net of related debt	18,871,179	15,840,728
Restricted	2,620,818	2,675,084
Unrestricted (deficit)	(13,492,711)	4,624,507
Total net position	<u>7,999,286</u>	<u>23,140,319</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 64,168,237</u>	<u>\$ 55,213,612</u>

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

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 2

Page 11

	Expenses	Indirect Expenses Allocation	Program Revenues		2017 Net (Expense) Revenue and Changes in Net Position	2016 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
Functions/Programs						
General support	\$ 3,377,193	\$ 210,774	\$ -	\$ -	\$ (3,587,967)	\$ (3,464,038)
Instruction	18,841,267	901,029	65,183	829,265	(18,847,848)	(16,108,518)
Pupil transportation	926,733	284,178	-	4,109	(1,206,802)	(1,121,384)
Community services	29,707	-	-	-	(29,707)	(31,218)
Debt service	525,090	-	-	-	(525,090)	(781,235)
Food service program	301,166	-	106,413	218,296	23,543	32,501
Depreciation	1,395,981	(1,395,981)	-	-	-	-
Total functions and programs	<u>\$ 25,397,137</u>	<u>\$ -</u>	<u>\$ 171,596</u>	<u>\$ 1,051,670</u>	<u>(24,173,871)</u>	<u>(21,473,892)</u>
General Revenues						
Real property taxes					12,778,859	12,910,597
Use of money and property					8,526	8,388
Sale of property and compensation for loss					4,491	2,313
Miscellaneous and donations					230,603	120,497
State sources					13,086,808	12,491,569
Federal sources					96,557	45,598
Total general revenues					<u>26,205,844</u>	<u>25,578,962</u>
Change in net position					2,031,973	4,105,070
Net position - beginning of year					23,140,319	19,035,249
Prior period adjustment					<u>(17,173,006)</u>	-
Net position - end of year					<u>\$ 7,999,286</u>	<u>\$ 23,140,319</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

Schedule 3

Page 12

	Governmental Funds						2017	2016
	General	Special Aid	Food Service	Debt Service	Capital Projects	Miscellaneous Special Revenue	(Memo only) Total	(Memo only) Total
Assets								
Unrestricted cash	\$ 9,134,827	\$ 408,854	\$ 159,021	\$ -	\$ -	\$ -	\$ 9,702,702	\$ 3,428,088
Restricted cash	1,864,301	-	-	377,614	57,435	365,941	2,665,291	4,521,514
Accounts receivable	2,271	-	3,025	-	-	-	5,296	2,272
Due from other funds	1,397,522	-	40,191	46,962	7,353,495	-	8,838,170	1,709,176
State and federal aid receivable	1,015,875	248,489	14,889	-	-	-	1,279,253	1,047,748
Due from other governments	48,423	-	-	-	-	-	48,423	18,883
Inventories	-	-	17,057	-	-	-	17,057	12,624
Total assets	<u>\$ 13,463,219</u>	<u>\$ 657,343</u>	<u>\$ 234,183</u>	<u>\$ 424,576</u>	<u>\$ 7,410,930</u>	<u>\$ 365,941</u>	<u>\$ 22,556,192</u>	<u>\$ 10,740,305</u>
Liabilities and Fund Equity								
Liabilities								
Accounts payable	\$ 529,327	\$ -	\$ 9,545	\$ -	\$ 596,916	\$ -	\$ 1,135,788	\$ 990,000
Accrued liabilities	96,354	-	6,275	-	-	-	102,629	90,215
Bond anticipation notes payable	-	-	-	-	7,422,500	-	7,422,500	279,500
Due to other funds	7,393,685	657,343	-	-	46,962	34,000	8,131,990	1,611,607
Unearned revenue	7,829	-	-	-	-	-	7,829	7,868
Due to Teachers' Retirement System	1,083,472	-	-	-	-	-	1,083,472	1,224,056
Due to Employees' Retirement System	73,791	-	-	-	-	-	73,791	69,416
Total liabilities	<u>9,184,458</u>	<u>657,343</u>	<u>15,820</u>	<u>-</u>	<u>8,066,378</u>	<u>34,000</u>	<u>17,957,999</u>	<u>4,272,662</u>
Fund Equity								
Nonspendable	-	-	17,057	-	-	-	17,057	12,624
Restricted	1,864,301	-	-	424,576	-	331,941	2,620,818	2,675,084
Assigned	892,913	-	201,306	-	-	-	1,094,219	2,227,636
Unassigned	1,521,547	-	-	-	(655,448)	-	866,099	1,552,299
Total fund equity (deficit)	<u>4,278,761</u>	<u>-</u>	<u>218,363</u>	<u>424,576</u>	<u>(655,448)</u>	<u>331,941</u>	<u>4,598,193</u>	<u>6,467,643</u>
Total liabilities and fund equity	<u>\$ 13,463,219</u>	<u>\$ 657,343</u>	<u>\$ 234,183</u>	<u>\$ 424,576</u>	<u>\$ 7,410,930</u>	<u>\$ 365,941</u>	<u>\$ 22,556,192</u>	<u>\$ 10,740,305</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 4

Page 13

	Governmental Funds						2017	2016
	General	Special Aid	Food Service	Debt Service	Capital Projects	Miscellaneous Special Revenue	(Memo only) Total	(Memo only) Total
Revenue								
Real property taxes	\$ 12,778,859	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,778,859	\$ 12,910,597
Charges for services	65,183	-	-	-	-	-	65,183	69,546
Use of money and property	7,150	-	-	482	675	219	8,526	8,388
Sale of property compensation for loss	25,638	-	-	-	-	-	25,638	2,313
Miscellaneous	185,033	-	-	-	-	-	185,033	120,497
State sources	13,086,808	160,566	6,516	-	-	-	13,253,890	12,660,741
Federal sources	96,557	672,808	181,267	-	-	-	950,632	865,384
Surplus food	-	-	30,513	-	-	-	30,513	26,644
Sales (school food service)	-	-	106,413	-	-	-	106,413	116,051
Total revenue	26,245,228	833,374	324,709	482	675	219	27,404,687	26,780,161
Expenditures								
General support	2,981,474	-	-	-	-	-	2,981,474	2,891,334
Instruction	12,745,364	595,659	-	-	-	-	13,341,023	12,133,908
Pupil transportation	697,379	4,109	-	-	272,088	-	973,576	664,352
Community services	29,707	-	-	-	-	-	29,707	31,218
Employee benefits	5,341,103	238,638	-	-	-	-	5,579,741	5,557,257
Debt service	3,697,680	-	-	-	-	-	3,697,680	3,909,562
Capital outlay	-	-	-	-	2,510,303	-	2,510,303	300,871
Cost of sales	-	-	243,400	-	-	-	243,400	272,683
Other expenses	-	-	109,803	-	-	-	109,803	54,690
Total expenditures	25,492,707	838,406	353,203	-	2,782,391	-	29,466,707	25,815,875
Excess (deficiency) of revenue over expenditures	752,521	(5,032)	(28,494)	482	(2,781,716)	219	(2,062,020)	964,286
Other sources and uses								
Proceeds from bond refunding	-	-	-	-	-	-	-	7,770,000
Premiums earned from financing	-	-	-	45,570	-	-	45,570	265,698
Payment to escrow agent and fees	-	-	-	-	-	-	-	(8,035,698)
BANs redeemed from appropriations	-	-	-	-	147,000	-	147,000	207,000
Operating transfers in	34,000	5,032	-	-	909,416	-	948,448	1,667,854
Operating transfers out	(914,448)	-	-	-	-	(34,000)	(948,448)	(1,667,854)
Total other sources (uses)	(880,448)	5,032	-	45,570	1,056,416	(34,000)	192,570	207,000
Excess (deficiency) of revenue and other sources over expenditures and other uses	(127,927)	-	(28,494)	46,052	(1,725,300)	(33,781)	(1,869,450)	1,171,286
Fund equity, beginning of year	4,406,688	-	246,857	378,524	1,069,852	365,722	6,467,643	5,296,357
Fund equity (deficit), end of year	\$ 4,278,761	\$ -	\$ 218,363	\$ 424,576	\$ (655,448)	\$ 331,941	\$ 4,598,193	\$ 6,467,643

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, 2017

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	Total 6/30/2017	Total 6/30/2016
Assets				
Cash	\$ 931	\$ 1,028,986	\$ 1,029,917	\$ 352,789
Other assets	-	129	129	129
Total assets	<u>\$ 931</u>	<u>\$ 1,029,115</u>	<u>\$ 1,030,046</u>	<u>\$ 352,918</u>
Liabilities				
Accrued liabilities	\$ -	\$ 247,303	\$ 247,303	\$ 179,365
Due to other funds	-	706,180	706,180	97,569
Student extraclassroom activity funds	-	75,632	75,632	74,640
Total liabilities	<u>-</u>	<u>1,029,115</u>	<u>1,029,115</u>	<u>351,574</u>
Net position				
Reserved for scholarships	<u>931</u>	<u>-</u>	<u>931</u>	<u>1,344</u>
Total net position	<u>931</u>	<u>-</u>	<u>931</u>	<u>1,344</u>
Total liabilities and net position	<u>\$ 931</u>	<u>\$ 1,029,115</u>	<u>\$ 1,030,046</u>	<u>\$ 352,918</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 6

Page 15

	<u>6/30/2017</u>	<u>6/30/2016</u>
Additions		
Gifts and contributions	\$ 26	\$ 300
Total additions	<u>26</u>	<u>300</u>
Deductions		
Scholarships awarded	<u>439</u>	<u>797</u>
Total deductions	<u>439</u>	<u>797</u>
Change in net position	(413)	(497)
Net position - beginning of year	<u>1,344</u>	<u>1,841</u>
Net position - end of year	<u>\$ 931</u>	<u>\$ 1,344</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

Total fund balances - governmental funds		\$ 4,598,193
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:		
Cost of the assets	\$ 59,480,421	
Accumulated depreciation	<u>(20,354,111)</u>	39,126,310
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		417,273
Net deferred outflows (inflows) of resources related to actuarial pension/OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, pension expense is based on required contributions		8,989,924
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(118,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:		
Bonds payable, net	(19,481,683)	
Net pension liability	(1,168,187)	
Other post-employment benefits	<u>(24,364,544)</u>	<u>(45,014,414)</u>
Total net position - governmental activities		<u>\$ 7,999,286</u>

	Total Governmental Funds	Long-term Asset & Outflow Transactions	Long-term Liability & Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 12,367,993	\$ -	\$ -	\$ -	\$ 12,367,993
Due from other funds	8,838,170	-	-	(8,131,990)	706,180
State and federal aid receivable	1,279,253	-	-	-	1,279,253
Accounts receivable	5,296	-	-	-	5,296
Due from other governments	48,423	-	-	-	48,423
Inventories	17,057	-	-	-	17,057
Capital assets, net	-	39,126,310	-	-	39,126,310
Total assets	22,556,192	39,126,310	-	(8,131,990)	53,550,512
Deferred Outflows of Resources					
Deferred outflows related to long-term debt	-	417,273	-	-	417,273
Deferred outflows related to OPEB	-	3,783,037	-	-	3,783,037
Deferred outflows related to pensions	-	6,417,415	-	-	6,417,415
Total deferred outflows of resources	-	10,617,725	-	-	10,617,725
Total assets and deferred outflows of resources	\$ 22,556,192	\$ 49,744,035	\$ -	\$ (8,131,990)	\$ 64,168,237
Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position					
Liabilities					
Accounts payable	\$ 1,135,788	\$ -	\$ -	\$ -	\$ 1,135,788
Accrued liabilities	102,629	-	-	-	102,629
Accrued interest	-	-	118,000	-	118,000
Due to other funds	8,131,990	-	-	(8,131,990)	-
Unearned revenue	7,829	-	-	-	7,829
Due to retirement systems	1,157,263	-	-	-	1,157,263
Bond anticipation notes payable	7,422,500	-	-	-	7,422,500
Bonds payable, net	-	-	19,481,683	-	19,481,683
Net pension liability	-	-	1,168,187	-	1,168,187
Other post-employment benefits	-	-	24,364,544	-	24,364,544
Total liabilities	17,957,999	-	45,132,414	(8,131,990)	54,958,423
Deferred Inflows of Resources					
Deferred inflows related to OPEB	-	-	913,897	-	913,897
Deferred inflows related to pensions	-	-	296,631	-	296,631
Total deferred inflows of resources	-	-	1,210,528	-	1,210,528
Fund equity and net position	4,598,193	49,744,035	(46,342,942)	-	7,999,286
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 22,556,192	\$ 49,744,035	\$ -	\$ (8,131,990)	\$ 64,168,237

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, 2017

Total net change in fund balances - governmental funds \$ (1,869,450)

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	\$ 3,093,224	
Depreciation expense	<u>(1,395,981)</u>	1,697,243

Proceeds from the sale of assets are recorded as revenue in the governmental funds, whereas in the statement of activities a gain or loss is reported. (21,147)

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. 2,977,000

Bond anticipation notes redeemed from appropriations is recorded as revenue and other sources in the governmental funds, whereas the repayment reduces short-term liabilities in the statement of net position. (147,000)

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. (52,505)

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. (747,758)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, premiums earned from the issuance of long-term debt are recorded as revenue in governmental funds. However, in the statement of activities, premiums earned are deferred and amortized over the life of the debt through interest expense. This also includes the amortization of defeasement losses from bond refundings. 195,590

Change in net position of governmental activities \$ 2,031,973

	Total Governmental Funds	Long-term Asset & Outflow Transactions	Long-term Liability & Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 12,778,859	\$ -	\$ -	\$ -	\$ 12,778,859
Charges for services	65,183	-	-	(65,183)	-
Use of money and property	8,526	-	-	-	8,526
Sale of property compensation for loss	25,638	(21,147)	-	-	4,491
Miscellaneous	185,033	-	-	45,570	230,603
State sources	13,253,890	-	-	(167,082)	13,086,808
Federal sources	950,632	-	-	(854,075)	96,557
Surplus food	30,513	-	-	(30,513)	-
Sales (school food service)	106,413	-	-	(106,413)	-
Total revenue	27,404,687	(21,147)	-	(1,177,696)	26,205,844
Expenditures					
General support	2,981,474	115,408	-	491,085	3,587,967
Instruction	13,341,023	752,598	747,758	4,006,469	18,847,848
Pupil transportation	973,576	(2,909)	-	236,135	1,206,802
Community services	29,707	-	-	-	29,707
Employee benefits	5,579,741	-	52,505	(5,632,246)	-
Debt service	3,697,680	-	(3,172,590)	-	525,090
Capital outlay	2,510,303	(2,510,303)	-	-	-
Cost of sales	243,400	-	-	(266,943)	(23,543)
Other expenses	109,803	(52,037)	-	(57,766)	-
Total expenditures	29,466,707	(1,697,243)	(2,372,327)	(1,223,266)	24,173,871
Excess (deficiency) of revenue over expenditures	(2,062,020)	1,676,096	2,372,327	45,570	2,031,973
Other sources and uses					
Premiums earned from financing	45,570	-	-	(45,570)	-
BANs redeemed from appropriations	147,000	-	(147,000)	-	-
Operating transfers in	948,448	-	-	(948,448)	-
Operating transfers out	(948,448)	-	-	948,448	-
Total other sources (uses)	192,570	-	(147,000)	(45,570)	-
Net change for year	\$ (1,869,450)	\$ 1,676,096	\$ 2,225,327	\$ -	\$ 2,031,973

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Page 18

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 61-64 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 \$3,285,955 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$1,600,000 for the year ended June 30, 2017. 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, 2017**

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, 2017**

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. Additionally, the District reports the net change in actual and expected experience related to OPEB as a deferred outflow. Finally, the net difference in an advanced bond refunding between the acquisition price of the refunding bonds and the remaining principal of the refunded bonds is reported as a deferred outflow on the statement of net position and is amortized.

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

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 1st of the active school year prior to retirement.

N. Estimates

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

O. Unearned Revenue

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

P. Post-Employment Benefits

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Post-Employment Benefits (continued)

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

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

Q. Fund Equity

1. Governmental Funds

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

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

A. Nonspendable

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

1. Inventory Reserve

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

B. Restricted

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

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017.

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 \$342,913 as of June 30, 2017.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2018 as allowed by Section 1318 of the Real Property Tax Law.

E. Unassigned

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

2. Government-wide financial statements

A. Net Investment in Capital Assets

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

B. Restricted

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

C. Unrestricted

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

3. Order of Fund Balance Spending Policy

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District had supplemental appropriations which amounted to \$909,416 in the General Fund during the fiscal year ended June 30, 2017. Supplemental appropriations in the current year were related to transfers made to the capital project fund and approved by the Board of Education.

2. Budget Basis for Accounting

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

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

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

S. Property Taxes

1. Calendar

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

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017 per the bank were approximately \$13,699,000. Deposits are categorized as follows:

Category 1	Category 2	Category 3	Value
\$ 764,000	\$ 12,935,000	\$ -	\$13,699,000

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, 2017, the District's bank deposits were fully collateralized.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

II. Interfund Transactions

Interfund balances as of June 30, 2017 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 1,397,522	\$ 7,393,685
Food Service Fund	40,191	-
Special Aid Fund	-	657,343
Agency Fund	-	706,180
Miscellaneous Special Revenue Fund	-	34,000
Debt Service Fund	46,962	-
Capital Fund	7,353,495	46,962
Total	\$ 8,838,170	\$ 8,838,170

Interfund transactions for the year ended June 30, 2017 are as follows:

	Interfund Revenue	Interfund Expenditures
General Fund	\$ 34,000	\$ 914,448
Special Aid Fund	5,032	-
Capital Projects Fund	909,416	-
Miscellaneous Special Revenue Fund	-	34,000
Total	\$ 948,448	\$ 948,448

During the current year, the general fund transferred \$5,032 to the special aid fund to cover the local share of certain State grant programs. The District also transferred \$34,000 from the miscellaneous special revenue fund to the general fund which represents the local share of a previous District capital project, utilized to offset related debt service costs. Finally, the District transferred \$234,416 from the general fund to the capital project fund related to emergency projects and \$675,000 for the Phase V capital project.

III. Receivables

Receivables at June 30, 2017 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	\$ 3,025
Food Service	State and Federal Aid	14,889
Special Aid	State and Federal Aid	248,489
General	Accounts receivable	2,271
General	State and Federal Aid	1,015,875
General	Due from Other Governments	48,423
		\$ 1,332,972

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Capital Assets

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Beginning Balance 06/30/16	Change	Ending Balance 06/30/17
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 2,265,450	\$ -	\$ 2,265,450
Construction-in-Progress	300,871	2,510,303	2,811,174
Subtotal	2,566,321	2,510,303	5,076,624
Capital assets that are depreciated:			
Buildings and improvements	51,058,827	-	51,058,827
Furniture and equipment	3,246,308	98,662	3,344,970
Total historical cost	56,871,456	\$ 2,608,965	59,480,421
Less accumulated depreciation:			
Buildings and improvements	17,128,683	\$ 1,135,089	18,263,772
Furniture and equipment	2,292,559	(202,220)	2,090,339
Total accumulated depreciation	19,421,242	\$ 932,869	20,354,111
Total net book value	\$ 37,450,214		\$ 39,126,310

Depreciation expense was charged to governmental functions as follows:

General support	\$ 210,774
Instruction	901,029
Pupil transportation	284,178
	\$ 1,395,981

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017**

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.

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 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	
2017	\$	265,000	\$	1,049,000
2016	\$	268,000	\$	1,172,000
2015	\$	368,000	\$	1,515,000

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, 2017

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, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the 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	
	3/31/2017		6/30/2016	
Net pension liability	\$	554,685	\$	613,502
District's portion of the Plan's total net pension liability		.0059033%		.057281%

For the year ended June 30, 2017, the District's recognized pension expense of \$330,375 for ERS and \$1,023,425 for TRS. At June 30, 2017 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	\$ 13,900	\$ -	\$ 84,232	\$ 199,300
Changes of assumptions	189,501	3,494,896	-	-
Net difference between projected and actual earnings on pension plan investments	110,793	1,379,474	-	-
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	46,184	60,007	13,099	-
District's contributions subsequent to the measurement date	73,791	1,048,869	-	-
Total	\$ 434,169	\$ 5,983,246	\$ 97,331	\$ 199,300

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2018. 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
2018	\$ 191,421	\$ 1,484,206
2019	117,629	435,338
2020	97,568	1,506,676
2021	(69,780)	1,173,351
2022	-	542,807
Thereafter	-	641,568

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	3/31/17	6/30/16
Actuarial valuation date	4/1/16	6/30/15
Interest rate	7%	7.5%
Salary scale	3.8% average 4/1/10 – 3/31/15	1.90% - 4.72% 7/1/09 – 6/30/14
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	2.5%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

4. Actuarial Assumptions (continued)

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

For ERS, the actuarial assumptions used in the April 1, 2016 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, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Measurement date	ERS 3/31/17	Expected Rate of Return	TRS 6/30/16	Expected Rate of Return
Asset Type:				
Domestic Equity	36%	4.55%	37%	6.1%
International Equity	14%	6.35%	18%	7.3%
Private Equity	10%	7.75%	7%	-.%
Real Estate	10%	5.80%	10%	5.4%
Absolute return strategies	2%	4.00%	-.%	-.%
Opportunistic portfolio	3%	5.89%	-.%	-.%
Real assets	3%	5.54%	-.%	-.%
Domestic fixed income securities	-.%	-.%	17%	1.0%
Global fixed income securities	-.%	-.%	2%	.8%
Bonds and Mortgages	17%	1.31%	8%	3.1%
Cash and short term	1%	(.25%)	1%	.1%
Inflation-indexed bonds	4%	1.50%	-.%	-.%
Total:	<u>100%</u>		<u>100%</u>	

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 7.5% 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 7.5% for TRS, as well as what the District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1- percentage point lower (6% for ERS and 6.5% for TRS) or 1-percentage point higher (8% for ERS and 8.5% for TRS) than the current rate:

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension (asset) liability	\$ 1,771,553	\$ 554,685	\$ (474,175)

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 (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
TRS			
Employer's proportionate share of the net pension (asset) liability	\$ 8,004,524	\$ 613,502	\$ (5,585,700)

7. Pension Plan Fiduciary Net Position

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

Valuation date	(Dollars in Thousands)	
	ERS 3/31/17	TRS 6/30/16
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184
Plan net position	\$ 168,004,363	\$ 107,506,142
Employers' net pension liability	\$ 9,396,223	\$ 1,071,042
Ratio of plan net position to the Employers' total pension liability	94.7%	99.0%

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$73,791.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$1,083,472 (employer contribution of \$1,048,869 and employee contribution of \$34,603).

B. Other Post-Employment Benefits

Plan Description

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

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2017 the plan had total active employees of 212 and retirees of 165.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Total OPEB Liability

The District's total OPEB liability of \$24,364,544 was measured as of July 1, 2016 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Other Inputs

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

Inflation	2.2% per year
Salary increases	3.31%
Discount rate	3.80%
	2017 – 5.3% reduced to an ultimate rate of 4.17% after 2070.
Healthcare cost trend rates	
Retirees' share of benefit-related costs	Varies based on year employed by District

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

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

The actuarial assumptions used in the July 1, 2016 valuation were chosen to be consistent with the requirements of GASB 75 and Actuarial Standards of Practice.

Changes in the Total OPEB Liability

Service cost	\$ 490,413
Interest	687,167
Differences between expected and actual experience	4,173,041
Changes in assumptions	(1,008,113)
Benefit payments	(725,610)
Net changes	3,616,898
Net OPEB liability – beginning of year (as previously stated)	3,574,640
Prior period adjustment (see note 7)	17,173,006
Net OPEB liability – end of year	<u>\$ 24,364,544</u>

Changes in assumptions reflect a change in the discount rate from 3.35% in 2016 to 3.8% in 2017; salary scale from 3.0% to 3.31% and changes in retirement rates and health insurance trend rates.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8%) or 1 percentage point higher (4.8%) than the current discount rate:

	1% Decrease (2.8%)	Current Assumption (3.8%)	1% Increase (4.8%)
Total OPEB liability	\$ 27,412,534	\$ 24,364,544	\$ 21,767,404

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

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

	1% Decrease (4.3% - 3.17%)	Current Assumption (5.3% - 4.17%)	1% Increase (6.3% - 5.17%)
Total OPEB liability	\$ 20,281,354	\$ 24,364,544	\$ 32,115,507

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$1,473,368. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,783,037	\$ --
Changes in assumptions	--	913,897
Total	\$ 3,783,037	\$ 913,897

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

Year ended:	
2018	\$ 295,788
2019	295,788
2020	295,788
2021	295,788
2022	295,788
Thereafter	1,390,200

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 \$147,000 in bond anticipation notes. Below is a schedule of outstanding bond anticipation notes as of June 30, 2017.

Description of Issue	Outstanding June 30, 2017
Bond anticipation notes, issued on July 28, 2016 with maturity date of July 27, 2017, bonds carry interest rate of 1.29%	\$ 422,500
Bond anticipation notes, issued on June 29, 2017 with maturity date of June 28, 2018, bonds carry interest rate of 2.00%	7,000,000
	<u>\$ 7,422,500</u>

b. Revenue Anticipation Note

Notes issued in the anticipation of revenue is recorded as a current liability of the fund that will actually receive proceeds from the issuance of the notes. The revenue anticipation note represents a liability that will be extinguished through the use of expendable available resources of the fund. There were no revenue anticipation notes issued or redeemed during the fiscal year ended June 30, 2017.

c. Short-term interest

During the fiscal year ended June 30, 2017, the District had interest on short-term debt in the amount of \$3,484, 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, 2017, the total indebtedness represents approximately 36% of its debt limit.

b. Changes

The changes in the School District's indebtedness during the year ended June 30, 2017 are summarized as follows:

	Balance June 30, 2017	Balance June 30, 2016	Amounts Due Within One Year
General obligation bonds, net	\$ 19,481,683	\$ 22,612,338	\$ 2,810,000
Net pension liability	1,168,187	978,917	-
Other post-employment benefit liability	24,364,544	3,574,640	-
	<u>\$ 45,014,414</u>	<u>\$ 27,165,895</u>	<u>\$ 2,810,000</u>

The increase in the other post-employment benefit liability was primarily related to the District implementing GASB 75 (see Note 7).

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017
General Obligation Bonds, issued in 2001 (refunded in 2010) with a maturity date of June 2021, bonds carry interest from 2.25%-5%.	\$ 855,000
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%.	405,000
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%.	445,000
General Obligation Bonds, issued in 2010 (refunded in 2015-16) with a maturity date of May 2018, bonds carry interest from 2.375%-4%.	185,000
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%.	320,000
General Obligation Bonds, issued in 2012 (which refunded 2003 bond) with a maturity date of June 2028, bonds carry interest of 5%.	8,555,000
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%.	7,580,000
	18,345,000
Plus: premiums earned on refunding, net of amortization	1,136,683
	<u>\$ 19,481,683</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, 2017.

Year	General Obligation Bond- 2001 Refunded in 2010	
	Principal	Interest
2018	\$ 260,000	\$ 38,387
2019	255,000	27,037
2020	250,000	14,925
2021	90,000	3,050
Total	<u>\$ 855,000</u>	<u>\$ 83,399</u>

Year	General Obligation Bond- 2008B	
	Principal	Interest
2018	\$ 200,000	\$ 16,200
2019	205,000	8,200
Total	<u>\$ 405,000</u>	<u>\$ 24,400</u>

Year	General Obligation Bond- 2008A	
	Principal	Interest
2018	\$ 445,000	\$ 16,688

Year	General Obligation Bond- 2010A	
	Principal	Interest
2018	\$ 185,000	\$ 6,012

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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
2018	\$ 320,000	\$ 10,000

Year	General Obligation Bond-2012	
	Principal	Interest
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	1,630,000	138,500
2023-2027	925,000	196,500
2028	215,000	10,750
Total	\$ 8,555,000	\$ 1,640,750

Year	General Obligation Bond-2016 (refunded 2008 and 2010 bonds)	
	Principal	Interest
2018	\$ 60,000	\$ 139,675
2019	1,050,000	138,775
2020	1,275,000	123,025
2021	1,295,000	103,900
2022	1,320,000	78,000
2023-2025	2,580,000	84,100
Total	\$ 7,580,000	\$ 667,475

f. Long-Term Debt Interest

Interest on long-term debt for the year ended June 30, 2017 amounted to approximately \$717,000 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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

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 is 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, 2017**

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, 2017
Nonspendable:	Reserve for inventory	\$ 17,057
Restricted:		
General	Reserve for retirement contributions	\$ 1,247,095
	Tax Certiorari reserve	365,782
	Unemployment reserve	251,424
		\$ 1,864,301
Debt Service	Reserve for debt service	\$ 424,576
Miscellaneous Special Revenue	Reserve for foundation endowment	\$ 331,941
Trust and Agency	Reserve for endowment scholarships	\$ 931
Assigned:		
General	Appropriated Fund Balance	\$ 550,000
	Encumbrances	342,913
		\$ 892,913
Food Service	Fund equity	\$ 201,306

B. District-wide Net Position

Net position of the District include restricted net position of \$2,620,818 which represent restricted amounts in the general, debt service and miscellaneous special revenue funds as presented above.

C. Deficit Fund Balance

The District's capital project fund had an accumulated deficit in the amount of \$655,448 as of June 30, 2017. It is not uncommon for school districts to have deficit fund balances in the capital projects fund as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or are redeemed at which time such proceeds are recorded as other financing sources revenue.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

1. General Information

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

2. Risk Sharing Pools

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

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

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, 2017**

Page 36

**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 \$365,941 as of June 30, 2017.

During the year ended June 30, 2017, the District transferred \$34,000 of these funds to the general fund to offset debt service costs. In future years, the District intends to transfer additional funds from the miscellaneous special revenue fund to the general fund to offset debt service costs not covered by state building aid (local share).

NOTE 6 – TAX ABATEMENTS

The County of Chautauqua, New York, enters into various property tax abatement programs for the purpose of economic development. The total amount of taxes abated from these abatement programs during the year ended June 30, 2017 was approximately \$341,000. The District received payment in lieu of tax (PILOT) payments totaling approximately \$118,000 for the year ended June 30, 2017.

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

For the fiscal year ended June 30, 2017 the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45 Districts were required to amortize the OPEB liability over a period of years. The District has recorded a prior period adjustment in the amount of \$17,173,006 as a reduction in the District's net position as a result of this change in accounting principle.

NOTE 8 – CAPITAL PROJECT

The voters of *Southwestern Central School District* approved a resolution authorizing a capital project with a maximum amount of \$15,900,000 to be financed with serial bonds, state excel aid and District funds. During the year ended June 30, 2017, the District expended a total of \$2,275,887 related to the project.

Also during the year ended June 30, 2017 the District incurred \$234,416 of expenditures for emergency capital projects and \$272,088 for the purchase transportation vehicles.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events were evaluated by Management through October 10, 2017, 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, 2017

Schedule SS1

	Original Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 12,791,249	\$ 12,791,249	\$ 12,778,859	\$ (12,390)
Charges for services	58,500	58,500	65,183	6,683
Use of money and property	4,500	4,500	7,150	2,650
Sale of property and compensation for loss	-	-	25,638	25,638
Miscellaneous	71,500	71,500	185,033	113,533
State Sources:				
Basic formula	11,355,019	11,355,019	11,451,799	96,780
BOCES	1,165,000	1,165,000	1,500,718	335,718
Textbooks	80,444	80,444	79,395	(1,049)
All other aid	347,546	347,546	54,896	(292,650)
Federal Sources:				
Medicaid reimbursement	30,000	30,000	96,557	66,557
Total revenue	25,903,758	25,903,758	26,245,228	341,470
Other Sources:				
Operating transfer in	34,000	34,000	34,000	-
Total revenue and other sources	25,937,758	25,937,758	\$ 26,279,228	\$ 341,470
Appropriated fund equity - reserves	105,000	105,000		
Appropriated fund equity - supplemental appropriation	-	909,416		
Appropriated fund equity - subsequent years budget	550,000	950,486		
Total revenue, other sources and appropriated fund equity	\$ 26,592,758	\$ 27,902,660		

See accompanying independent auditor's report.

	Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 27,790	\$ 29,081	\$ 26,859	\$ -	\$ 2,222
Central administration	209,355	210,142	215,360	-	(5,218)
Finance	278,635	244,943	229,230	1,230	14,483
Staff	94,728	94,216	65,849	-	28,367
Central services	1,851,681	2,166,777	2,114,029	98,410	(45,662)
Special items	326,540	336,328	330,147	-	6,181
Instructional:					
Instruction, administration and improvement	869,264	888,393	859,799	650	27,944
Teaching - regular school Programs for children with handicapping conditions	7,143,014	7,252,943	6,841,354	161,565	250,024
Teaching - special schools	2,110,204	2,106,081	1,627,907	46	478,128
Occupational education	-	-	17,145	-	(17,145)
Instructional media	918,820	924,252	918,853	-	5,399
Pupil services	995,106	1,128,870	1,530,536	12,891	(414,557)
	1,017,466	1,020,173	949,770	1,200	69,203
Pupil Transportation	866,548	848,543	697,379	66,921	84,243
Community Services	31,761	31,761	29,707	-	2,054
Employee Benefits	6,139,204	5,998,099	5,341,103	-	656,996
Debt Service:					
Debt service principal	2,787,000	2,787,000	2,977,000	-	(190,000)
Debt service interest	912,442	912,442	720,680	-	191,762
Total expenditures	26,579,558	26,980,044	25,492,707	342,913	1,144,424
Other Uses:					
Transfer to other funds	13,200	922,616	914,448	-	8,168
Total other uses	13,200	922,616	914,448	-	8,168
Total expenditures and other uses	\$ 26,592,758	\$ 27,902,660	26,407,155	\$ 342,913	\$ 1,152,592
Excess (deficiency) revenue and other sources over expenditures and other uses			\$ (127,927)		

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, 2017

Schedule SS1A

Page 38

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 7,480	\$ 6,516	\$ (964)
Federal sources	198,500	181,267	(17,233)
Sales	116,000	106,413	(9,587)
Surplus food	26,645	30,513	3,868
Total revenue	<u>348,625</u>	<u>324,709</u>	<u>(23,916)</u>
Expenditures			
Cost of sales	272,500	243,400	29,100
Other expenses	143,709	109,803	33,906
Total expenditures	<u>416,209</u>	<u>353,203</u>	<u>63,006</u>
Net Change	<u>\$ (67,584)</u>	<u>(28,494)</u>	<u>\$ 39,090</u>
Fund equity, beginning of year		<u>246,857</u>	
Fund equity, end of year		<u>\$ 218,363</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, 2017

Schedule SS2

Page 39

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 26,592,758
Additions:	
Prior year's encumbrances	<u>373,551</u>
Original budget	26,966,309
Budget revisions:	
Supplemental appropriation - transfer to capital project fund (emergency projects)	234,416
Supplemental appropriation - transfer to capital project fund (capital project)	675,000
Other	<u>26,935</u>
Total budget revisions:	936,351
Final budget	<u><u>\$ 27,902,660</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	\$ 27,366,108
Maximum allowed (4% of 2017-18 budget)	\$ 1,094,644

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

Unrestricted fund balance:

Committed fund balance	\$ -
Assigned fund balance	892,913
Unassigned fund balance	<u>1,521,547</u>
Total unrestricted fund balance	<u>2,414,460</u>

Less:

Appropriated fund balance	550,000
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>342,913</u>
Total adjustments	<u>892,913</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	<u><u>\$ 1,521,547</u></u>
--	----------------------------

Actual percentage	5.56%
--------------------------	--------------

* 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, 2017

Schedule SS3

Page 40

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended (Overexpended) Balance	Proceeds of Obligations	Methods of financing			Fund Balance June 30, 2017	
			Prior Years	Current Year	Total			State Sources	Local Sources	Total		
School Reconstruction Project (Phase I-IV)	\$ 17,155,493	\$ 17,155,493	\$ 17,197,633	\$ -	\$ 17,197,633	\$ (42,140)	\$ 16,489,564	\$ 525,620	\$ 201,431	\$ 17,216,615	\$ 18,982	
School Reconstruction Project (Phase V)	15,900,000	15,900,000	300,871	2,275,887	2,576,758	13,323,242	7,000,000	-	2,294,500	9,294,500	6,717,742	
Emergency projects	234,416	234,416	-	234,416	234,416	-	-	-	234,416	234,416	-	
Transportation vehicles - current year	290,000	290,000	-	272,088	272,088	17,912	290,000	-	-	290,000	17,912	
Transportation vehicles - prior years	1,905,728	1,905,728	1,891,066	-	1,891,066	14,662	1,902,934	-	548	1,903,482	12,416	
	<u>\$ 35,485,637</u>	<u>\$ 35,485,637</u>	<u>\$ 19,389,570</u>	<u>\$ 2,782,391</u>	<u>\$ 22,171,961</u>	<u>\$ 13,313,676</u>	<u>\$ 25,682,498</u>	<u>\$ 525,620</u>	<u>\$ 2,730,895</u>	<u>\$ 28,939,013</u>	6,767,052	
											Less: Proceeds recorded as liability - BAN	<u>(7,422,500)</u>
											Fund equity (deficit) as of June 30, 2017	<u>\$ (655,448)</u>

See accompanying independent auditor's report.

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, 2017

Schedule SS4A

Page 41

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
School lunch programs	N/A	2016-17	\$ 5,414	\$ 5,414	\$ 5,414
School breakfast programs	N/A	2016-17	1,102	1,102	1,102
Universal Pre-kindergarten	0409-17-7573	2016-17	132,673	132,673	132,673
Summer school *	N/A	2016-17	32,925	32,925	32,925
Total expenditures and revenue			\$ 172,114	\$ 172,114	\$ 172,114

* Revenue includes transfer of \$5,032 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, 2017

Schedule SS4B

Note 1 - Basis of Presentation

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

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable programs and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

The accompanying **Southwestern Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2017, the District reported in the Schedule of Federal Awards \$30,513 of donated commodities at fair market value received and disbursed.

Note 2 – Indirect Cost Rate

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

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule SS4C

Page 42

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
Passed through NYS					
Department of Education:					
Title I	84.010A	0021-17-0315	\$ 305,478	\$ 305,413	\$ 305,413
Title II, Part A	84.367A	0147-17-0315	69,127	30,657	30,657
Title II, Part A	84.367A	0147-16-0315	25,125	25,125	25,125
IDEA, Part B Public Law 94-142 *	84.027A	0032-17-0096	305,373	305,371	305,371
IDEA, Pre-school Public Law 99-457 *	84.173A	0033-17-0096	6,242	6,242	6,242
Total U.S. Department of Education			711,345	672,808	672,808
US Department of Agriculture:					
Passed through NYS					
Department of Education:					
National School Lunch Program **					
Cash assistance	10.555	N/A	159,132	159,132	159,132
National School Breakfast Program **	10.553	N/A	22,135	22,135	22,135
Passed through NYS					
Office of General Services:					
National School Lunch Program **					
Non-cash assistance (donated commodities)	10.555	N/A	30,513	30,513	30,513
Total U.S. Department of Agriculture			211,780	211,780	211,780
Total expenditures and revenue			\$ 884,588	\$ 884,588	\$ 884,588

* Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures of \$ 311,613

** Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 211,780

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF MAJOR PROGRAMS TESTED
FOR THE YEAR ENDED JUNE 30, 2017

Schedule SS4D

Page 43

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Total expenditures of Federal Awards		<u>\$ 884,588</u>
Major Programs Tested:		
U.S. Department of Education - Title I	84.010A	\$ 305,413
U.S. Department of Agriculture - National School Lunch Program **	10.555	189,645
U.S. Department of Agriculture - National School Breakfast Program **	10.553	<u>22,135</u>
Total major programs tested		<u>\$ 517,193</u>
% of Federal programs tested		<u>58.5%</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, 2017

Schedule SS5

Page 44

	Account Code	ST-3 Amount	Audited Amount
Revenues			
Property taxes	A-1001	\$ 12,778,859	\$ 12,778,859
Non-property taxes	AT-1199	-	-
State aid	AT-3999	13,086,808	13,086,808
Federal aid	AT-4999	96,557	96,557
Total revenue	AT-5999	26,279,228	26,279,228
Expenditures			
General support	AT-1999	2,981,474	2,981,474
Instruction	AT-2999	12,745,364	12,745,364
Pupil transportation	AT-5599	697,379	697,379
Debt service - principal	AT-9798.6	2,977,000	2,977,000
Debt service - interest	AT-9798.7	720,680	720,680
Total expenditures	AT-9999	\$ 26,407,155	\$ 26,407,155

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2017

Schedule SS6

Page 45

Capital assets	\$	39,126,310
Less:		
Serial bonds, net		(19,481,683)
Bond anticipation notes		(7,422,500)
Accrued Interest		(118,000)
Plus:		
Net cash to be used for capital improvements		<u>6,767,052</u>
Net Investment in Capital Assets	\$	<u>18,871,179</u>

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

Schedule SS7

Page 46

As of the measurement date of July 1,	<u>2016</u>
Total OPEB Liability	
Service cost	\$ 490,413
Interest	687,167
Differences between expected and actual experience	4,173,041
Changes in assumptions	(1,008,113)
Benefit payments	<u>(725,610)</u>
Net change in total OPEB liability	3,616,898
Total OPEB liability - beginning	3,574,640
Prior period adjustment	17,173,006
Total OPEB liability - ending	<u><u>\$ 24,364,544</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 725,610
Net investment income	-
Benefit payments	<u>(725,610)</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<u><u>\$ -</u></u>
District's net OPEB liability	<u><u>\$ 24,364,544</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered-employee payroll	\$ 10,461,231
District's net OPEB liability as a percentage of covered-employee payroll	232.90%

Notes to Schedule:

Benefit Changes: none

Changes in assumptions: Discount rate from 3.35% to 3.8%
Salary scale from 3.0% to 3.31%
Updated retirement rates based on 2015 NYSTRS system rates
Updated health insurance trend rates

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB

For the year ended June 30,	2017
Actuarially determined contributions	\$ 725,610
Contributions in relation to the actuarially determined contribution	(725,610)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 10,461,231
Contributions as a percentage of District's covered-employee payroll	6.94%

Notes to Schedule

Valuation date: July 1, 2016

Actuarially determined contribution rates are based on expected benefit payments between the measurement date and fiscal year end

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Average future service to retirement
Inflation	2.2% per year
Healthcare cost trend rates	range 4.17% to 5.3% with an ultimate rate of 3.8%
Salary increases	3.31%
Mortality	RPH - 2015 total data mortality table
Discount rate	3.80%

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

New York State Teachers' Retirement System (TRS)

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

New York State Local Employees' Retirement System (ERS)

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

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

New York State Teachers' Retirement System (TRS)

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

New York State Local Employees' Retirement System (ERS)

As of the measurement date of March 31,	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.0059033%	0.0060991%	0.0065167%	n/a	n/a
District's proportionate share of the net pension liability	\$ 554,685	\$ 978,917	\$ 220,150	\$ 294,481	n/a
District's covered-employee payroll	\$ 1,928,998	\$ 1,785,488	\$ 1,743,455	\$ 1,920,518	n/a
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	28.76%	54.83%	12.63%	15.33%	n/a
Plan fiduciary net position as a percentage of the total pension liability	94.70%	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, 2017, 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 10, 2017.

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.2017-001 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. 2017-002.

Other

We noted other matters that we have reported to management of *Southwestern Central School District* in a separate letter dated October 10, 2017.

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 10, 2017**

**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, 2017. *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, 2017.

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 10, 2017.

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 10, 2017**

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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.2017-001.
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.2017-002.
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
Title I	84.010A	Type B	\$ 305,413
National School Lunch Program **	10.555	Type B	189,645
National School Breakfast Program **	10.553	Type B	22,135
Total tested			<u>\$ 517,193</u>
Percentage of total programs tested			<u>58.5%</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, 2017**

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2017-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2017

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, 2016

Similar finding was reported upon during the prior fiscal year.

B. COMPLIANCE AND OTHER MATTERS

2017-002 Unassigned Fund Balance

Year ended June 30, 2017

Condition and Criteria: The District's unassigned fund balance as of June 30, 2017 amounted to approximately \$1,522,000. This amount constitutes approximately 5.6% of the 2017-2018 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, 2017 was in excess of the NYS mandated 4% level. 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, 2016

Similar finding was reported upon during the prior fiscal year.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

A. COMPLIANCE

Year ended June 30, 2017

There were no findings related to compliance during the year ended June 30, 2017.

Year ended June 30, 2016

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

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2017

There were no findings related to internal control over compliance during the year ended June 30, 2017.

Year ended June 30, 2016

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

**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, 2017 of the District's financial statements and have issued our reports thereon dated October 10, 2017. 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, 2017, 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, 2013 through June 30, 2017. 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 10, 2017**

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

	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Revenue and other sources					
Property taxes	\$ 12,779	\$ 12,911	\$ 12,837	\$ 12,488	\$ 12,227
State aid	13,087	12,492	11,901	11,497	10,937
All other	413	287	444	433	793
	<u>26,279</u>	<u>25,690</u>	<u>25,182</u>	<u>24,418</u>	<u>23,957</u>
Expenditures and other uses					
General support	2,982	2,891	2,445	2,465	2,394
Instruction	12,745	11,546	11,386	11,492	11,785
Transportation	697	659	663	771	766
Benefits	5,341	5,361	5,771	5,717	5,320
Debt	3,698	3,910	3,994	4,048	4,056
Community services	30	31	26	27	28
Transfers	914	1,626	9	13	17
	<u>26,407</u>	<u>26,024</u>	<u>24,294</u>	<u>24,533</u>	<u>24,366</u>
Excess (deficiency) of revenue over expenditures	(128)	(334)	888	(115)	(409)
Fund equity					
Beginning of year	4,406	4,740	3,852	3,967	4,376
End of year	<u>\$ 4,278</u>	<u>\$ 4,406</u>	<u>\$ 4,740</u>	<u>\$ 3,852</u>	<u>\$ 3,967</u>
Analysis of fund equity					
Reserve for encumbrances	\$ 343	\$ 374	\$ 169	\$ 20	\$ 238
Reserve for capital	-	-	1,318	368	367
Reserve for retirement system	1,247	1,246	1,245	1,244	1,270
Reserve for unemployment insurance	251	251	251	251	251
Reserve for tax certiorari	366	434	166	77	-
Next year's budget	550	550	550	850	1,049
Unassigned	1,521	1,551	1,041	1,042	792
	<u>\$ 4,278</u>	<u>\$ 4,406</u>	<u>\$ 4,740</u>	<u>\$ 3,852</u>	<u>\$ 3,967</u>

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Capital Project Fund Balance

As noted on page 40 of the financial statements, the District has approximately \$31,000 of fund balance remaining from Phases I-IV and prior transportation vehicle purchases. We recommend the District transfer this remaining fund balance to the debt service fund and develop a plan to utilize the remaining fund balance to reduce its long-term debt.

District response: The District will utilize the unspent fund balance from these prior year projects towards the debt service requirements of the District.

Reporting of Financial Documents on the District Website

The District will now be required to include on its website the following documents: external financial statement audit; management letter; corrective action plan; statement comptroller audit; final annual budget; and multi-year financial plan adopted by the Board of Education. The District should familiarize itself with the new website reporting requirements and begin to upload data as it becomes available.

District response: The District is aware of the new reporting requirements and will report such information when it becomes available.

Uniform Guidance

The Federal Office of Management and Budget (OMB) issued regulations titled the Uniform Guidance which was effective for recipients of Federal grants for awards received after December 26, 2014. The Uniform Guidance has a focus on improving overall performance and outcome of grants and to reduce administrative burdens for grant applications and recipients, while reducing risk of waste, fraud and abuse. Within the Uniform Guidance is a section on subrecipient monitoring. This section defines a pass-through entity and its responsibility when Federal awards are passed through to a subrecipient, who is responsible for carrying out the Federal program. The NYS Education Department is the pass-through entity for Federal Awards that it passes to the District, such as the IDEA grants and Title grants. New York State has recently increased its monitoring to comply with the Uniform Guidance. During 2016-17, the Department sent a questionnaire to a sample of schools asking if they had certain policies and procedures with respect to certain compliance requirements in the Uniform Guidance for the IDEA programs. In addition, the Department is requiring schools to provide documentation to support that it has complied with the maintenance of effort compliance requirement. We continue to recommend that individuals involved with the oversight of the Federal grants to familiarize itself with the Uniform Guidance. Policies and procedures should also be developed to documents its compliance with pertinent requirements. In addition, if the District acts as the pass-through entity for certain funds received from its Title I and IDEA grants that are passed through to private schools, the District should familiarize itself with the subrecipient monitoring section of the guidance and consider developing documentation to demonstrate that it is in compliance. We recommend individuals involved with the oversight of Federal grants at the District familiarize themselves with the new Uniform Guidance, which may include continuing education, webinars and further training.

District response: The District will review the new Uniform Guidance to ensure the District is properly following federal regulations.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Page 60

Fund Balance Reserves and Multiyear Financial Plan

The District has developed a five year financial forecast of general fund revenues, expenses and projections of fund balance. We commend the District for developing a forecast model that will assist in development of future budgets as well as making informed financial decisions for the District.

As of June 30, 2017, the District has certain fund balance reserves as well as an outstanding balance in the debt service fund. We recommend that the District document its rationale to support the purpose and dollar level of all of its general fund reserve accounts. The District should consider enhancing its current multiyear financial plan to include a long-term plan with regard to the funding and use of its reserves including a plan for the use of its debt service fund.

Also, the District will be required to communicate information about its fund balance reserves to its taxpayers which includes the types of reserves, level of reserves and plan for use of reserve in the upcoming year. The District should begin to plan for this new level of reporting.

District response: The District will develop worksheets and supporting documentation to substantiate its reserve balances.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT

***EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT***

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

***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, 2017, 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, 2017 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 10, 2017**

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
ANNUAL FINANCIAL STATEMENT ON EXTRACLASROOM ACTIVITY FUND
JULY 1, 2016 THROUGH JUNE 30, 2017

	Balances June 30, 2016	Total Receipts	Total Receipts & Balances	Total Payments	Balances June 30, 2017
Extracurricular activities:					
Art Club	\$ 4,450	\$ -	\$ 4,450	\$ 234	\$ 4,216
Band	703	1,048	1,751	1,133	618
Camera Club	1,448	-	1,448	-	1,448
Centralian	6,085	4,609	10,694	6,073	4,621
Choir	4,265	7,716	11,981	6,485	5,496
Class of 2014	1	-	1	1	-
Class of 2015	1	-	1	1	-
Class of 2016	1,954	-	1,954	59	1,895
Class of 2017	6,561	16,009	22,570	21,703	867
Class of 2018	3,108	12,299	15,407	7,172	8,235
Class of 2019	1,876	2,428	4,304	1,586	2,718
Class of 2020	-	1,700	1,700	993	707
Class of 2021	-	200	200	-	200
DECA Club	1,279	4,231	5,510	2,973	2,537
French Club	1,068	-	1,068	-	1,068
High School Bowl	125	-	125	-	125
MS Student Council	8,668	1,617	10,285	1,838	8,447
Musical	11,831	15,426	27,257	17,399	9,858
National Honor Society	913	-	913	163	750
Orchestra	2,782	563	3,345	99	3,246
SADD Club	284	-	284	-	284
Ski Club	5,154	-	5,154	140	5,014
Southwestern Key	269	2,297	2,566	2,257	309
Spanish Club	6,284	9,616	15,900	9,560	6,340
Spectrum	25	65	90	-	90
Student Council	5,466	5,757	11,223	4,720	6,503
Interest	40	-	40	-	40
Total activity fund	\$ 74,640	\$ 85,581	\$ 160,221	\$ 84,589	\$ 75,632

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

Page 63

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 \$75,632 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, 2017**

Page 64

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.