

**NEWFANE CENTRAL
SCHOOL DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2017

NEWFANE CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Newfane Central School District

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lumaden & McCormick, LLP

October 3, 2017

Newfane Central School District
Management's Discussion and Analysis
June 30, 2017
Unaudited

Introduction

Management's Discussion and Analysis (MD&A) of Newfane Central School District (the District) provides an overview of the District's financial performance and activities for the year ended June 30, 2017. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's financial statements that follow. This MD&A, the financial statements and notes thereto are essential to a full understanding of the District's financial position and results of operations. The District's financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) reconciliations between the government-wide and governmental fund financial statements; (4) agency fund statements; (5) notes to the financial statements; and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. The statement of activities presents information showing how the District's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the District as a whole. All of the activities of the District are considered to be governmental activities.

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

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

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

| Condensed Statement of Net Position | 2017 | 2016 | Change | |
|-------------------------------------|---------------|---------------|--------------|---------|
| | | | \$ | % |
| Current assets | \$ 27,148,000 | \$ 26,134,000 | \$ 1,014,000 | 3.9% |
| Net pension asset | - | 6,964,000 | (6,964,000) | -100.0% |
| Capital assets | 29,284,000 | 29,663,000 | (379,000) | -1.3% |
| Total assets | 56,432,000 | 62,761,000 | (6,329,000) | -10.1% |
| Deferred outflows of resources | 7,894,000 | 3,052,000 | 4,842,000 | 158.7% |
| Long-term liabilities | 40,761,000 | 40,527,000 | 234,000 | 0.6% |
| Other liabilities | 2,261,000 | 3,174,000 | (913,000) | -28.8% |
| Total liabilities | 43,022,000 | 43,701,000 | (679,000) | -1.6% |
| Deferred inflows of resources | 371,000 | 2,580,000 | (2,209,000) | -85.6% |
| Net position | | | | |
| Net investment in capital assets | 21,086,000 | 19,320,000 | 1,766,000 | 9.1% |
| Restricted | 14,545,000 | 14,539,000 | 6,000 | 0.0% |
| Unrestricted | (14,698,000) | (14,327,000) | (371,000) | 2.6% |
| Total net position | \$ 20,933,000 | \$ 19,532,000 | \$ 1,401,000 | 7.2% |

The District's net position at June 30, 2017 and 2016 was \$20,933,000 and \$19,532,000, respectively. A significant portion of the District's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment, less outstanding debt used to acquire those assets. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

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

Total assets decreased by \$6,329,000 (\$855,000 or 1.4% increase in 2016) primarily as a result of a change in actuarial assumptions by the New York State Teacher's Retirement System (TRS). In 2016, the District's proportionate share of the net pension position resulted in an asset of \$6,964,000 compared to a liability of \$712,000 in 2017. This change was largely caused by a decrease in the discount rate from 8.0% to 7.5%. Current assets increased \$1,014,000 (\$2,134,000 or 8.9% increase in 2016) due to positive operating results sitting in cash balances in the current year. Capital assets decreased \$379,000 (\$409,000 or 1.4% decrease in 2016) due to depreciation expense exceeding current year additions.

Other liabilities decreased by \$913,000 (decrease of \$2,875,000 or 47.5% in 2016) due to adjustment of salary accruals subsequent to contract settlements. The increase in long-term liabilities of \$234,000 (increase of \$761,000 or 1.9% in 2016) reflects \$2,320,000 of required principal payments on outstanding bonds offset by an increase in other postemployment benefits of \$2,568,000. The District's unfunded actuarial accrued liability measured at July 1, 2016 is estimated to be \$49,046,000.

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

| Condensed Statement of Activities | 2017 | 2016 | Change | |
|------------------------------------|----------------------|----------------------|---------------------|--------------|
| | | | \$ | % |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 459,000 | \$ 465,000 | \$ (6,000) | -1.3% |
| Operating grants and contributions | 1,563,000 | 1,662,000 | (99,000) | -6.0% |
| General revenues | | | | |
| Real property taxes | 12,964,000 | 13,089,000 | (125,000) | -1.0% |
| State aid | 18,843,000 | 18,107,000 | 736,000 | 4.1% |
| Other | 395,000 | 234,000 | 161,000 | 68.8% |
| Total revenue | <u>34,224,000</u> | <u>33,557,000</u> | <u>667,000</u> | <u>2.0%</u> |
| Expenses | | | | |
| Instruction | 26,124,000 | 19,987,000 | 6,137,000 | 30.7% |
| Support services | | | | |
| General support | 3,857,000 | 3,834,000 | 23,000 | 0.6% |
| Pupil transportation | 2,055,000 | 2,012,000 | 43,000 | 2.1% |
| Food service | 588,000 | 628,000 | (40,000) | -6.4% |
| Interest | 199,000 | 656,000 | (457,000) | -69.7% |
| Total expenses | <u>32,823,000</u> | <u>27,117,000</u> | <u>5,706,000</u> | <u>21.0%</u> |
| Change in net position | 1,401,000 | 6,440,000 | (5,039,000) | -78.2% |
| Net position - beginning | <u>19,532,000</u> | <u>13,092,000</u> | <u>6,440,000</u> | <u>49.2%</u> |
| Net position - ending | <u>\$ 20,933,000</u> | <u>\$ 19,532,000</u> | <u>\$ 1,401,000</u> | <u>7.2%</u> |

District revenues increased \$667,000 (decrease of \$266,000 or 0.8% in 2016). State aid increased \$736,000 (increase of \$343,000 or 1.9% in 2016) as a result of a \$532,000 decrease in the District's gap elimination adjustment compared to 2016 and an additional \$174,000 in building aid. Real property taxes decreased \$125,000 (increase of \$7,000 or 0.1% in 2016) due to a decrease in the tax levy. Other revenues increased \$161,000 (decrease of \$88,000 or 27.3% in 2016) due to an increase in refunds of prior year expenditures from BOCES.

Total expenses increased \$5,706,000 (\$3,423,000 or 11.2% decrease in 2016). District-wide salaries increased \$2,204,000 due to contractual increases and the change in salary accruals as mentioned above. Benefits increased primarily due to changes of assumptions for the TRS pension system resulting in \$1,618,000 of additional pension expense in 2017 compared to 2016; these amounts are allocated by function in the condensed statement of activities, above. The expense for postemployment benefits increased \$679,000 based on actuarial calculations. Special education costs increased \$350,000 due to an increase in the number of children with special needs.

Financial Analysis of the District’s Funds

Total fund balances for the governmental funds increased from \$22,973,000 to \$24,897,000 as described below:

- Total fund revenue increased \$690,000 or 2.1% (decrease of \$264,000 or 0.8% in 2016) mainly due to the increase in state aid as mentioned previously.
- Total fund expenditures increased \$3,770,000 or 13.2% (decrease of \$3,952,000 or 12.2% in 2016) due to the increases in salaries and employee benefits from contract settlements as mentioned previously.
- The general fund experienced an increase in fund balance of \$2,218,000 during 2017 compared to an increase of \$5,244,000 in 2016.
- Fund balance decreased \$265,000 in the capital projects fund (\$257,000 decrease in 2016) due to preliminary costs on the District’s \$3,183,000 capital project.

General Fund Budgetary Highlights

Total revenue of \$32,502,000 was more than budgeted revenue by \$135,000. The budget was amended by \$20,000 for donations received during the year.

Actual expenditures and carryover encumbrances were less than the final amended budget by \$3,391,000. The difference is attributable to many factors and unknown items when the budget was prepared. Due to the property tax cap requirements, the District adjusted accordingly and was able to generate savings in employee benefits, instruction, central services, and pupil transportation.

Capital Assets

| | 2017 | 2016 |
|----------------------------|----------------------|----------------------|
| Land | \$ 453,000 | \$ 453,000 |
| Construction in progress | 294,000 | 29,000 |
| Land improvements | 1,015,000 | 1,015,000 |
| Buildings and improvements | 48,537,000 | 48,437,000 |
| Furniture and fixtures | 6,753,000 | 6,655,000 |
| Vehicles | 244,000 | 244,000 |
| | <u>57,296,000</u> | <u>56,833,000</u> |
| Accumulated depreciation | (28,012,000) | (27,170,000) |
| | <u>\$ 29,284,000</u> | <u>\$ 29,663,000</u> |

Current year additions of \$463,000 were offset by depreciation expense of \$842,000.

Debt

At June 30, 2017, the District had \$7,500,000 in bonds outstanding, with \$1,400,000 due within one year (\$9,820,000 outstanding at June 30, 2016). Other postemployment benefits at June 30, 2017 totaled \$31,234,000 (\$28,665,000 in 2016).

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

Current Financial Issues and Concerns

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact Bart Schuler, School Business Administrator, Newfane Central School District, 6273 Charlotteville Road, Newfane, New York 14108.

NEWFANE CENTRAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2017

(With comparative totals as of June 30, 2016)

| | 2017 | 2016 |
|--|----------------------|----------------------|
| Assets | | |
| Cash | \$ 25,455,918 | \$ 24,052,525 |
| Accounts receivable | 676,142 | 552,710 |
| State and federal aid receivable | 712,997 | 1,135,165 |
| Due from fiduciary funds | 287,237 | 378,713 |
| Inventory | 15,886 | 15,201 |
| Net pension asset | - | 6,964,079 |
| Capital assets (Note 5) | 57,295,778 | 56,832,646 |
| Accumulated depreciation | (28,011,682) | (27,170,043) |
| Total assets | 56,432,276 | 62,760,996 |
| Deferred Outflows of Resources | | |
| Deferred outflows of resources related to pensions | 7,893,720 | 3,051,972 |
| Liabilities | | |
| Accounts payable | 339,139 | 217,101 |
| Accrued liabilities | 288,706 | 1,253,032 |
| Due to retirement systems | 1,539,656 | 1,584,754 |
| Due to other governments | 86,971 | 112,540 |
| Unearned revenue | 6,248 | 6,788 |
| Long-term liabilities | | |
| Bonds due within one year | 1,400,000 | 2,320,000 |
| Due beyond one year: | | |
| Bonds and related premiums | 6,512,921 | 8,002,270 |
| Net pension liability | 1,614,957 | 1,538,899 |
| Other postemployment benefits | 31,233,629 | 28,665,270 |
| Total liabilities | 43,022,227 | 43,700,654 |
| Deferred Inflows of Resources | | |
| Deferred inflows of resources related to pensions | 370,912 | 2,580,019 |
| Net Position | | |
| Net investment in capital assets | 21,086,048 | 19,320,226 |
| Restricted | 14,544,630 | 14,538,955 |
| Unrestricted deficit | (14,697,821) | (14,326,886) |
| Total net position | \$ 20,932,857 | \$ 19,532,295 |

See accompanying notes.

NEWFANE CENTRAL SCHOOL DISTRICT

Statement of Activities

For the year ended June 30, 2017

(With summarized comparative totals for June 30, 2016)

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue | |
|---------------------------------|----------------------|----------------------|------------------------------------|-----------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | 2017 | 2016 |
| Governmental activities | | | | | |
| General support | \$ 3,857,008 | \$ 172,500 | \$ - | \$ (3,684,508) | \$ (3,653,301) |
| Instruction | 26,123,751 | 78,839 | 1,164,627 | (24,880,285) | (18,701,494) |
| Pupil transportation | 2,055,025 | - | - | (2,055,025) | (2,011,986) |
| Interest expense | 198,682 | - | - | (198,682) | (655,601) |
| School food service | 588,585 | 207,222 | 398,709 | 17,346 | 32,441 |
| | <u>\$ 32,823,051</u> | <u>\$ 458,561</u> | <u>\$ 1,563,336</u> | <u>(30,801,154)</u> | <u>(24,989,941)</u> |
| General revenues | | | | | |
| | | | | 12,963,514 | 13,089,147 |
| Real property taxes | | | | 395,046 | 234,059 |
| Miscellaneous | | | | 18,843,156 | 18,107,442 |
| State aid | | | | <u>32,201,716</u> | <u>31,430,648</u> |
| Total general revenues | | | | | |
| | | | | 1,400,562 | 6,440,707 |
| Change in net position | | | | | |
| | | | | 19,532,295 | 13,091,588 |
| Net position - beginning | | | | <u>\$ 20,932,857</u> | <u>\$ 19,532,295</u> |
| Net position - ending | | | | | |

NEWFANE CENTRAL SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2017

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

| | General | Special Aid | Capital Projects | School Lunch | Debt Service | Total | |
|---|----------------------|-------------------|---------------------|-------------------|-------------------|----------------------|----------------------|
| | | | | | | Governmental 2017 | Funds 2016 |
| Assets | | | | | | | |
| Cash | \$ 24,304,098 | \$ 26,945 | \$ 129 | \$ 158,662 | \$ 966,084 | \$ 25,455,918 | \$ 24,052,525 |
| Accounts receivable | 673,674 | - | - | 2,468 | - | 676,142 | 552,710 |
| State and federal aid receivable | 394,618 | 317,727 | - | 652 | - | 712,997 | 1,135,165 |
| Due from other funds, net | 792,148 | - | - | 29,773 | 6 | 821,927 | 1,660,216 |
| Inventory | - | - | - | 15,886 | - | 15,886 | 15,201 |
| Total assets | \$ 26,164,538 | \$ 344,672 | \$ 129 | \$ 207,441 | \$ 966,090 | \$ 27,682,870 | \$ 27,415,817 |
| Liabilities and Fund Balances | | | | | | | |
| Accounts payable | \$ 246,432 | \$ 2,587 | \$ 90,120 | \$ - | \$ - | \$ 339,139 | \$ 217,101 |
| Accrued liabilities | 268,038 | - | - | 10,668 | - | 278,706 | 1,240,032 |
| Due to retirement systems | 1,539,656 | - | - | - | - | 1,539,656 | 1,584,754 |
| Due to other funds, net | - | 339,554 | 195,136 | - | - | 534,690 | 1,281,503 |
| Due to other governments | 84,052 | 2,531 | - | 388 | - | 86,971 | 112,540 |
| Unearned revenue | 5,087 | - | - | 1,161 | - | 6,248 | 6,788 |
| Total liabilities | 2,143,265 | 344,672 | 285,256 | 12,217 | - | 2,785,410 | 4,442,718 |
| Fund Balances | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventory | - | - | - | 15,886 | - | 15,886 | 15,201 |
| Restricted: | | | | | | | |
| Debt service | - | - | - | - | 966,090 | 966,090 | 965,602 |
| Employee benefit accrued liability | 12,577,417 | - | - | - | - | 12,577,417 | 12,572,771 |
| Unemployment insurance | 345,435 | - | - | - | - | 345,435 | 345,248 |
| Retirement contribution | 655,688 | - | - | - | - | 655,688 | 655,334 |
| Assigned: | | | | | | | |
| Designated for subsequent year's expenditures | 2,962,425 | - | - | - | - | 2,962,425 | 1,515,680 |
| Other purposes | 1,737,011 | - | - | 179,338 | - | 1,916,349 | 1,727,070 |
| Unassigned | 5,743,297 | - | (285,127) | - | - | 5,458,170 | 5,176,193 |
| Total fund balances (deficit) | 24,021,273 | - | (285,127) | 195,224 | 966,090 | 24,897,460 | 22,973,099 |
| Total liabilities and fund balances | \$ 26,164,538 | \$ 344,672 | \$ 129 | \$ 207,441 | \$ 966,090 | \$ 27,682,870 | \$ 27,415,817 |

NEWFANE CENTRAL SCHOOL DISTRICT

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

June 30, 2017

Total fund balances - governmental funds \$ 24,897,460

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 the governmental funds. 29,284,096

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

| | | |
|--|------------------|-----------|
| Deferred outflows of resources related to pensions | 7,893,720 | |
| Net pension liability | (1,614,957) | |
| Deferred inflows of resources related to pensions | <u>(370,912)</u> | 5,907,851 |

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

| | | |
|-------------------------------|---------------------|---------------------|
| Bonds and related premiums | (7,912,921) | |
| Accrued interest | (10,000) | |
| Other postemployment benefits | <u>(31,233,629)</u> | <u>(39,156,550)</u> |

Net position - governmental activities \$ 20,932,857

NEWFANE CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2017

(With summarized comparative totals for June 30, 2016)

| | General | Special Aid | Capital Projects | School Lunch | Debt Service | Total Governmental Funds | |
|---|----------------------|------------------|---------------------|-------------------|-------------------|-----------------------------|----------------------|
| | | | | | | 2017 | 2016 |
| Revenues | | | | | | | |
| Real property taxes | \$ 9,845,675 | \$ - | \$ - | \$ - | \$ - | \$ 9,845,675 | \$ 9,726,084 |
| Real property tax items | 3,117,839 | - | - | - | - | 3,117,839 | 3,363,063 |
| Charges for services | 78,839 | - | - | - | - | 78,839 | 47,528 |
| Use of money and property | 189,416 | - | - | 20 | 488 | 189,924 | 201,992 |
| Sale of property and compensation for loss | 35,447 | - | - | - | - | 35,447 | 10,212 |
| Miscellaneous | 336,908 | - | - | 5,267 | - | 342,175 | 202,355 |
| Interfund revenue | 24,000 | - | - | - | - | 24,000 | - |
| State sources | 18,843,156 | 418,374 | - | 14,773 | - | 19,276,303 | 18,542,275 |
| Federal sources | 31,214 | 715,039 | - | 383,936 | - | 1,130,189 | 1,227,237 |
| Sales | - | - | - | 207,222 | - | 207,222 | 236,885 |
| Total revenues | 32,502,494 | 1,133,413 | - | 611,218 | 488 | 34,247,613 | 33,557,631 |
| Expenditures | | | | | | | |
| General support | 2,966,467 | - | - | 281,087 | - | 3,247,554 | 3,419,418 |
| Instruction | 15,786,196 | 955,804 | - | - | - | 16,742,000 | 13,358,482 |
| Pupil transportation | 1,877,505 | 59,986 | - | - | - | 1,937,491 | 1,932,522 |
| Employee benefits | 6,911,076 | 150,298 | - | 92,793 | - | 7,154,167 | 6,603,411 |
| Debt service | | | | | | | |
| Principal | 2,320,000 | - | - | - | - | 2,320,000 | 2,250,000 |
| Interest | 291,031 | - | - | - | - | 291,031 | 357,619 |
| Cost of sales | - | - | - | 235,915 | - | 235,915 | 255,693 |
| Capital outlay | - | - | 364,520 | 30,574 | - | 395,094 | 376,070 |
| Total expenditures | 30,152,275 | 1,166,088 | 364,520 | 640,369 | - | 32,323,252 | 28,553,215 |
| Excess revenues (expenditures) | 2,350,219 | (32,675) | (364,520) | (29,151) | 488 | 1,924,361 | 5,004,416 |
| Other financing sources (uses) | | | | | | | |
| Operating transfers, net | (132,175) | 32,675 | 99,500 | - | - | - | - |
| Net change in fund balances | 2,218,044 | - | (265,020) | (29,151) | 488 | 1,924,361 | 5,004,416 |
| Fund balances (deficit) - beginning | 21,803,229 | - | (20,107) | 224,375 | 965,602 | 22,973,099 | 17,968,683 |
| Fund balances (deficit) - ending | \$ 24,021,273 | \$ - | \$ (285,127) | \$ 195,224 | \$ 966,090 | \$ 24,897,460 | \$ 22,973,099 |

See accompanying notes.

NEWFANE CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2017

| | | |
|--|------------------|------------------|
| Total net change in fund balances - governmental funds | \$ | 1,924,361 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays. | | |
| | | (378,507) |
| Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are: | | |
| 2017 TRS and ERS contributions | 1,766,147 | |
| 2017 ERS accrued contribution | 160,321 | |
| 2016 ERS accrued contribution | (178,737) | |
| 2017 TRS net pension expense | (1,197,684) | |
| 2017 ERS net pension expense | <u>(539,329)</u> | 10,718 |
| Payments of long-term liabilities are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position. | | |
| | | 2,320,000 |
| In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are: | | |
| Amortization of bond premiums | 89,349 | |
| Other postemployment benefits | (2,568,359) | |
| Interest | <u>3,000</u> | (2,476,010) |
| Change in net position - governmental activities | \$ | 1,400,562 |

NEWFANE CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Encumbrances | Variance with |
|--|---------------------|---------------------|---------------------|-----------------------|---------------------------|
| | Original | Final | (Budgetary Basis) | | Final Budget Over/(Under) |
| Revenues | | | | | |
| Local sources | | | | | |
| Real property taxes | \$ 9,677,453 | \$ 9,677,453 | \$ 9,845,675 | | \$ 168,222 |
| Real property tax items | 3,343,733 | 3,343,733 | 3,117,839 | | (225,894) |
| Charges for services | 24,000 | 24,000 | 78,839 | | 54,839 |
| Use of money and property | 192,700 | 192,700 | 189,416 | | (3,284) |
| Sale of property and compensation for loss | 1,000 | 1,000 | 35,447 | | 34,447 |
| Miscellaneous | 150,000 | 170,050 | 336,908 | | 166,858 |
| Interfund revenue | - | - | 24,000 | | 24,000 |
| State sources | 18,931,506 | 18,931,506 | 18,843,156 | | (88,350) |
| Federal sources | 27,000 | 27,000 | 31,214 | | 4,214 |
| Total revenues | 32,347,392 | 32,367,442 | 32,502,494 | | 135,052 |
| Expenditures | | | | | |
| General support | | | | | |
| Board of education | 79,013 | 81,308 | 70,862 | - | (10,446) |
| Central administration | 217,178 | 224,653 | 213,235 | 436 | (10,982) |
| Finance | 341,098 | 337,087 | 301,162 | 720 | (35,205) |
| Staff | 144,834 | 154,203 | 71,958 | 11,000 | (71,245) |
| Central services | 2,955,981 | 3,317,648 | 2,016,755 | 659,919 | (640,974) |
| Special items | 319,165 | 320,813 | 292,495 | - | (28,318) |
| Instruction | | | | | |
| Instruction, administration, and improvement | 976,404 | 1,020,580 | 876,588 | - | (143,992) |
| Teaching - regular school | 8,645,081 | 8,778,731 | 8,385,346 | 17,932 | (375,453) |
| Programs for children with handicapping conditions | 4,366,781 | 4,187,492 | 3,687,960 | 14,499 | (485,033) |
| Occupational education | 990,360 | 990,360 | 922,371 | - | (67,989) |
| Teaching - special schools | 37,835 | 53,484 | 36,271 | - | (17,213) |
| Instructional media | 518,312 | 520,359 | 473,848 | 11,829 | (34,682) |
| Pupil services | 1,399,034 | 1,461,947 | 1,403,812 | 560 | (57,575) |
| Pupil transportation | 2,659,088 | 2,558,673 | 1,877,505 | 10,000 | (671,168) |
| Employee benefits | 8,983,773 | 8,646,649 | 6,911,076 | 1,010,116 | (725,457) |
| Debt service | | | | | |
| Principal | 2,335,000 | 2,335,000 | 2,320,000 | - | (15,000) |
| Interest | 291,031 | 291,031 | 291,031 | - | - |
| Total expenditures | 35,259,968 | 35,280,018 | 30,152,275 | 1,737,011 | (3,390,732) |
| Excess revenues (expenditures) | (2,912,576) | (2,912,576) | 2,350,219 | (1,737,011) | 3,525,784 |
| Other financing sources (uses) | | | | | |
| Operating transfers in | 24,000 | 24,000 | - | | (24,000) |
| Operating transfers out | (145,000) | (145,000) | (132,175) | | (12,825) |
| Appropriated fund balance and carryover encumbrances | 3,033,576 | 3,033,576 | - | | (3,033,576) |
| Total other financing sources (uses) | \$ 2,912,576 | \$ 2,912,576 | \$ (132,175) | | \$ (3,044,751) |
| Excess revenues (expenditures) and other financing sources (uses) | \$ - | \$ - | \$ 2,218,044 | \$ (1,737,011) | \$ 481,033 |

See accompanying notes.

NEWFANE CENTRAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2017

| | Private-Purpose | |
|------------------------------------|------------------------|-------------------|
| | Trusts | Agency |
| Assets | | |
| Cash | \$ 24,736 | \$ 353,787 |
| Student loans receivable | 12,970 | - |
| Total assets | 37,706 | \$ 353,787 |
| Liabilities | | |
| Extraclassroom activities balances | - | \$ 61,536 |
| Agency liabilities | - | 5,014 |
| Due to governmental funds | - | 287,237 |
| Total liabilities | - | \$ 353,787 |
| Net Position | | |
| Restricted for scholarships | \$ 37,706 | |

* * *

NEWFANE CENTRAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2017

| | Private-Purpose |
|---------------------------------|------------------------|
| | Trusts |
| Additions | |
| Interest income | \$ 5 |
| Deductions | |
| Scholarship awards | 500 |
| Change in net position | (495) |
| Net position - beginning | 38,201 |
| Net position - ending | \$ 37,706 |

NEWFANE CENTRAL SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

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

The District provides education and support services such as administration, transportation, and plant maintenance. The District receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America, and does not contain any component units.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Joint Venture

The District is one of 13 participating school districts in the Orleans/Niagara Board of Cooperative Educational Services (BOCES). Formed under §1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. BOCES may also contract with other municipalities on a cooperative basis under State General Municipal Law.

A BOCES' budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may issue debt on behalf of BOCES; there is no such debt issued by the District.

During the year ended June 30, 2017, the District was billed \$3,476,000 for BOCES administrative and program costs and recognized revenue of \$252,000 as a refund from prior year expenditures paid to BOCES and \$116,000 in rental income. Audited financial statements are available from BOCES' administrative offices.

Public Entity Risk Pools

The District participates in the Orleans/Niagara School Health Plan and the Niagara County Mutual Self-Insurance Plan for workers' compensation, which are public entity risk pools. These plans are designed to provide health insurance and workers' compensation coverage for participating entities. These activities are further discussed in Note 9.

Basis of Presentation

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

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

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

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

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

- *School lunch fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the District's breakfast and lunch programs.

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

The District reports the following fiduciary funds:

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

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

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

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

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

Estimates

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

Property Taxes

The District levies real property taxes no later than September 1. For the year ended June 30, 2017, the tax lien was issued on August 2, 2016 for collection from September 1 through October 31, 2016. Thereafter, uncollected amounts became the responsibility of Niagara County and were submitted to the District by April 1st of the following year as required by law.

Budget Process, Amendments, and Encumbrances

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2016 was approved by a majority of the voters in a general election held on May 17, 2016.

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

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

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

Inventory

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

Capital Assets

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

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

| | Capitalization Policy | Estimated Useful Life |
|----------------------------|----------------------------------|----------------------------------|
| Land improvements | \$5,000 | 20 |
| Buildings and improvements | \$5,000 | 50 |
| Furniture and fixtures | \$5,000 | 5-20 |
| Vehicles | \$5,000 | 8 |

Bond Premiums

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

Pensions

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

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* - consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the District's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the District.

Governmental Fund Statements

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

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

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

Fund balance restrictions consist of the following reserves:

- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond and BAN premiums), and remaining bond proceeds not needed for their original purpose as required under §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Employee benefit accrued liability* – is used to account for the payment of accumulated vacation and sick time due upon termination of an employee’s services. It is established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the District has elected to use the benefit reimbursement method.
- *Retirement contribution* – is used to finance retirement contributions payable to ERS.

Interfund Balances

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

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

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

2. Stewardship and Compliance

The District’s unassigned fund balance in the general fund exceeds 4% of the 2018 budget, which is a limitation imposed under New York State Real Property Tax Law §1318.

The capital projects deficit fund balance of \$285,127 will be funded when permanent financing is obtained.

3. Cash

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

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

Custodial credit risk is the risk that in the event of a bank failure the District’s deposits may not be returned to it. At June 30, 2017, the District’s bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions’ trust departments or agents or in an undivided security interest in pooled assets in the District’s name.

4. Interfund Transactions – Fund Financial Statements

| Fund | Receivable | Payable | Transfers | |
|------------------|-------------------|-------------------|-------------------|-------------------|
| | | | In | Out |
| General | \$ 838,108 | \$ 45,960 | \$ - | \$ 132,175 |
| Special aid | 20,000 | 359,554 | 32,675 | - |
| Capital projects | - | 195,136 | 99,500 | - |
| School lunch | 37,684 | 7,911 | - | - |
| Debt service | 6 | - | - | - |
| Fiduciary | 5,588 | 292,825 | - | - |
| | \$ 901,386 | \$ 901,386 | \$ 132,175 | \$ 132,175 |

The District's general fund provides cash flow to the various other funds; these amounts are repaid in the subsequent year when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program and to the capital projects fund for project costs.

5. Capital Assets

| | July 1, 2016 | Increases | Retirements/ Reclassifications | June 30, 2017 |
|---------------------------------|----------------------|---------------------|-----------------------------------|----------------------|
| Non-depreciable capital assets: | | | | |
| Land | \$ 453,300 | \$ - | \$ - | \$ 453,300 |
| Construction in progress | 28,753 | 265,020 | - | 293,773 |
| Total non-depreciable assets | 482,053 | 265,020 | - | 747,073 |
| Depreciable capital assets: | | | | |
| Land improvements | 1,014,749 | - | - | 1,014,749 |
| Buildings and improvements | 48,437,417 | 99,500 | - | 48,536,917 |
| Furniture and fixtures | 6,654,520 | 98,612 | - | 6,753,132 |
| Vehicles | 243,907 | - | - | 243,907 |
| Total depreciable assets | 56,350,593 | 198,112 | - | 56,548,705 |
| Less accumulated depreciation: | | | | |
| Land improvements | 1,014,749 | - | - | 1,014,749 |
| Buildings and improvements | 19,666,118 | 780,317 | - | 20,446,435 |
| Furniture and fixtures | 6,314,618 | 53,179 | - | 6,367,797 |
| Vehicles | 174,558 | 8,143 | - | 182,701 |
| Total accumulated depreciation | 27,170,043 | 841,639 | - | 28,011,682 |
| Total depreciable assets, net | 29,180,550 | (643,527) | - | 28,537,023 |
| | \$ 29,662,603 | \$ (378,507) | \$ - | \$ 29,284,096 |

Depreciation expense has been allocated to the following functions: general support \$58,351, instruction \$767,646, pupil transportation \$10,990, and school food service \$4,652.

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

| | |
|--|-----------------------------|
| Capital assets, net of accumulated depreciation | \$ 29,284,096 |
| Cash in capital projects fund, net of related payables | (285,127) |
| Bonds and related premiums | <u>(7,912,921)</u> |
| | <u>\$ 21,086,048</u> |

6. Long-Term Liabilities

| | July 1, 2016 | Increases | Decreases | June 30, 2017 | Amount Due in One Year |
|------------------------------|-----------------------------|--------------------|----------------------------|----------------------------|------------------------------|
| Bonds | \$ 9,820,000 | \$ - | \$ 2,320,000 | \$ 7,500,000 | \$ 1,400,000 |
| Unamortized premiums | | | | | |
| February 2012 refunding bond | 441,794 | - | 79,127 | 362,667 | - |
| June 2012 bond | <u>60,476</u> | - | <u>10,222</u> | <u>50,254</u> | - |
| | <u>\$ 10,322,270</u> | <u>\$ -</u> | <u>\$ 2,409,349</u> | <u>\$ 7,912,921</u> | <u>\$ 1,400,000</u> |

Existing Obligations

| Description | Maturity | Rate | Balance |
|---------------------------------|---------------|-------------|----------------------------|
| Refunding bonds - 2012 Series B | December 2021 | 1.75%-4.00% | \$ 4,520,000 |
| Bonds - 2012 | June 2022 | 2.00%-3.00% | <u>2,980,000</u> |
| | | | <u>\$ 7,500,000</u> |

Debt Service Requirements

| Years ending June 30, | Principal | Interest |
|-----------------------|----------------------------|--------------------------|
| 2018 | \$ 1,400,000 | \$ 231,825 |
| 2019 | 1,445,000 | 190,275 |
| 2020 | 1,495,000 | 137,625 |
| 2021 | 1,555,000 | 82,975 |
| 2022 | <u>1,605,000</u> | <u>32,388</u> |
| | <u>\$ 7,500,000</u> | <u>\$ 675,088</u> |

7. Pension Plans

Plan Descriptions

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

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

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

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 11.72% for 2017. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the District to the pension accumulation fund. For 2017, these rates ranged from 9.4% - 16.1%.

The amount outstanding and payable to TRS for the year ended June 30, 2017 was \$1,350,252. A liability to ERS of \$160,321 is accrued based on the District's legally required contribution for employee services rendered from April 1, 2017 through June 30, 2017.

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

At June 30, 2017, the District reported net pension liabilities of \$712,456 and \$902,501 for its proportionate share of the TRS and ERS net pension liabilities, respectively.

The TRS net pension liability was measured as of June 30, 2016, and the total pension liability was determined by an actuarial valuation as of June 30, 2015, with update procedures applied to roll forward the net pension position to June 30, 2016. The District's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2016, the District's proportion was 0.066520%, a decrease of 0.000527% from its proportion measured as of June 30, 2015.

The ERS net pension liability was measured as of March 31, 2017, and the total pension liability was determined by an actuarial valuation as of April 1, 2016. The District's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2017 measurement date, the District's proportion was 0.0096049%, an increase of 0.0000169% from its proportion measured as of March 31, 2016.

For the year ended June 30, 2017, the District recognized net pension expense of \$1,737,013 on the government-wide statements (TRS expense of \$1,197,684 and ERS expense of \$539,329). At June 30, 2017, the District reported deferred outflows and deferred inflows of resources as follows:

| | TRS | | ERS | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 231,446 | \$ 22,616 | \$ 137,050 |
| Changes of assumptions | 4,058,603 | - | 308,327 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,601,975 | - | 180,266 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 136,568 | - | 74,792 | 2,416 |
| District contributions subsequent to the measurement date | 1,350,252 | - | 160,321 | - |
| | \$ 7,147,398 | \$ 231,446 | \$ 746,322 | \$ 139,466 |

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

| Years ending June 30, | TRS | ERS |
|-----------------------|---------------------|-------------------|
| 2018 | \$ 515,015 | \$ 193,182 |
| 2019 | 515,015 | 193,182 |
| 2020 | 1,759,153 | 173,907 |
| 2021 | 1,372,066 | (113,736) |
| 2022 | 639,818 | - |
| Thereafter | 764,633 | - |
| | \$ 5,565,700 | \$ 446,535 |

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2015 valuation, with update procedures used to roll forward the total pension liability to June 30, 2016, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.5%

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

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

Investment rate of return – 7.5% compounded annually, net of investment expense, including inflation

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

Discount rate – 7.5%

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

For ERS, the actuarial assumptions used in the April 1, 2016 valuation, with update procedures used to roll forward the total pension liability to March 31, 2017, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%

Salary increases – 3.8%

COLA – 1.3% annually

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

Mortality – Society of Actuaries’ Scale MP-2014

Discount rate – 7.0%

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

Investment Asset Allocation

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

| Asset Class | TRS | | ERS | |
|----------------------------------|-------------------|--|-------------------|--|
| | Target Allocation | Long-Term Expected Real Rate of Return | Target Allocation | Long-Term Expected Real Rate of Return |
| Domestic equities | 37% | 6.1% | 36% | 4.6% |
| International equities | 18% | 7.3% | 14% | 6.4% |
| Private equities | 7% | 9.2% | 10% | 7.8% |
| Real estate | 10% | 5.4% | 10% | 5.8% |
| Inflation-indexed bonds | - | - | 4% | 1.5% |
| Domestic fixed income securities | 17% | 1.0% | - | - |
| Global fixed income securities | 2% | 0.8% | - | - |
| Bonds and mortgages | 8% | 3.1% | 17% | 1.3% |
| Short-term | 1% | 0.1% | 1% | (0.3)% |
| Other | - | - | 8% | 4.0%-5.9% |
| | 100% | | 100% | |

Discount Rate

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

The following presents the District's proportionate share of its net pension liability calculated using the discount rate of 7.5% (TRS) and 7.0% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

| | 1.0% Decrease | At Current Discount Rate | 1.0% Increase |
|--|----------------|-----------------------------|---------------|
| District's proportionate share of the TRS net pension asset (liability) | \$ (9,295,606) | \$ (712,456) | \$ 6,486,640 |
| District's proportionate share of the ERS net pension asset (liability) | \$ (2,882,409) | \$ (902,501) | \$ 771,508 |

8. Postemployment Benefits Other than Pensions (OPEB)

The District maintains a single-employer defined benefit healthcare plan (the Plan) providing for varying years of medical benefits to eligible District retirees and spouses dependent upon accumulated sick time earned during employment and remaining at retirement. At present, the plan covers virtually all retired and current employees. Benefit provisions are based on individual contracts with the District, as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility is based on covered employees who retire from the District over age 55 with five or more years of service and are eligible to retire under TRS or ERS. The required contribution is on a pay-as-you-go basis, with no current funding of actuarially determined liabilities. For the year ended June 30, 2017, the District contributed \$1,530,610 for plan benefits. Contributions required from the eligible retirees vary by contract.

The District's annual OPEB expense is calculated based on the annual required contribution (ARC) of the District. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years. OPEB expense is also calculated based upon the following components:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees at the beginning of the year.
- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The following table summarizes the District's annual OPEB for the year ended June 30, 2017:

| | |
|--|----------------------|
| Annual required contribution | |
| Normal cost | \$ 1,907,661 |
| Amortization of unfunded actuarial accrued liability | 2,699,850 |
| Interest | 1,140,862 |
| ARC adjustment | <u>(1,649,404)</u> |
| | 4,098,969 |
| Contributions made | <u>(1,530,610)</u> |
| Increase in net OPEB obligation | 2,568,359 |
| Net OPEB obligation - beginning of year | <u>28,665,270</u> |
| Net OPEB obligation - end of year | <u>\$ 31,233,629</u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

| | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------|---------------------|--|------------------------|
| 2017 | \$ 4,098,969 | 37.3% | \$ 31,233,629 |
| 2016 | 2,918,471 | 35.3% | 28,665,270 |
| 2015 | 3,152,502 | 31.4% | 26,775,614 |

As of July 1, 2016, the actuarial accrued liability for benefits was \$49,046,372, all of which is unfunded. The annual payroll of employees covered by the Plan was \$14,040,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 349%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and ARC of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is presented as required supplementary information and displays trend data on plan assets (if any) and the actuarial accrued liability for benefits.

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

Retirement age for active employees – Based on TRS and ERS retirement rates, beginning at age 55 with all employees assumed to retire by age 76 (TRS) and age 70 (ERS)

Marital status – 60% are assumed to elect spousal coverage at retirement, with male spouses assumed to be three years older than female spouses; actual ages used for retirees

Mortality – Sex-distinct RP-2014 using Scale MP-2014 and MP-2016 on a fully generational basis (previously Scale MP-2015)

Turnover – Based on experience under TRS and ERS, by tier

Actuarial cost method – Projected Unit Credit

Healthcare cost trend rate – 7.25% initially for pre-age 65 retirees and 6.25% initially for post-age 65 retirees, both reduced to an ultimate rate of 3.886% after 2075; July 1, 2016 Getzen model (previously 7.75% initially for pre-age 65 retirees and 6.0% initially for post-age 65 retirees, both reduced to an ultimate rate of 3.886% after 2075)

Discount rate – 4%

Amortization method – 30 years, level dollar, open basis

Increases in the unfunded actuarial accrued liability from the previous valuation are a result of accumulation of interest on the actuarial accrued liability, accrual of additional benefits for actives who are not fully eligible, revised healthcare trend rates, greater than expected increases in net claims costs, revised administrative cost trends, and updated election percentage assumptions.

9. Risk Management

General Liability

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

Health Insurance

The District participates in the Orleans/Niagara School Health Plan (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the 9 participating members as of June 30, 2016 (the most recent information available).

The District has transferred partial risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. No such assessments were required in the past three years.

The Plan has published its own financial report for the year ended June 30, 2016, which can be obtained from Orleans/Niagara BOCES, 4232 Shelby Basin Road, Medina, New York 14103.

Workers' Compensation

The District also participates in the Niagara County Mutual Self-Insurance Plan (the Plan) pursuant to Article 5 of the Workers' Compensation law to finance the liability and risk related to workers' compensation claims and to lower the costs of coverage to the participating members. The Plan includes 18 governmental entities as of December 31, 2015 (the most recent information available). The pool is funded through annual assessments for each participating entity based on payroll.

The District has transferred partial risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. No such assessments were required in the past three years.

The Plan has established its own financial report for the year ended December 31, 2015, which can be obtained from Niagara County Risk Management and Insurance Services, 111 Main Street, Suite 102, Lockport, New York 14094.

10. Commitments and Contingencies

Grants

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

Encumbrances

Significant outstanding encumbrances in the general fund as of June 30, 2017 include open purchase orders for supplies, equipment, and contractual services.

Litigation

The District is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the District.

Construction Commitments

The District has received voter approval and plans to spend up to \$3,183,000 for the construction of various building improvements and modifications. As of June 30, 2017, numerous contracts have been awarded and \$294,000 has been expended on these projects.

NEWFANE CENTRAL SCHOOL DISTRICT

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

| As of the measurement date of June 30, | 2016 | 2015 | 2014 | 2013 |
|--|---------------|----------------|----------------|----------------|
| District's proportion of the net pension position | 0.066520% | 0.067047% | 0.070327% | 0.073722% |
| District's proportionate share of the net pension asset (liability) | \$ (712,456) | \$ 6,964,079 | \$ 7,834,018 | \$ 485,280 |
| District's covered payroll | \$ 10,264,691 | \$ 10,071,415 | \$ 10,388,431 | \$ 10,798,733 |
| District's proportionate share of the net pension position as a percentage of its covered payroll | 6.94% | 69.15% | 75.41% | 4.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 99.01% | 110.46% | 111.48% | 100.70% |

Data prior to 2013 is unavailable.

The following is a summary of changes of assumptions:

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

NEWFANE CENTRAL SCHOOL DISTRICT

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

| June 30, | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 1,350,252 | \$ 1,361,098 | \$ 1,765,519 | \$ 1,688,120 | \$ 1,278,570 |
| Contribution in relation to the contractually required contribution | (1,350,252) | (1,361,098) | (1,765,519) | (1,688,120) | (1,278,570) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 11,520,922 | \$ 10,264,691 | \$ 10,071,415 | \$ 10,388,431 | \$ 10,798,733 |
| Contributions as a percentage of covered payroll | 11.72% | 13.26% | 17.53% | 16.25% | 11.84% |

Data prior to 2013 is unavailable.

NEWFANE CENTRAL SCHOOL DISTRICT

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

| As of the measurement date of March 31, | 2017 | 2016 | 2015 |
|--|--------------|----------------|--------------|
| District's proportion of the net pension position | 0.0096049% | 0.0095880% | 0.0097381% |
| District's proportionate share of the net pension liability | \$ (902,501) | \$ (1,538,899) | \$ (328,976) |
| District's covered payroll | \$ 2,655,012 | \$ 2,589,937 | \$ 2,559,042 |
| District's proportionate share of the net pension position as a percentage of its covered payroll | 33.99% | 59.42% | 12.86% |
| Plan fiduciary net position as a percentage of the total pension liability | 94.70% | 90.70% | 97.90% |

Data prior to 2015 is unavailable.

The following is a summary of changes of assumptions:

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

NEWFANE CENTRAL SCHOOL DISTRICT

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

| June 30, | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 415,895 | \$ 483,250 | \$ 489,415 | \$ 549,577 | \$ 449,276 |
| Contribution in relation to the contractually required contribution | (415,895) | (483,250) | (489,415) | (549,577) | (449,276) |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered payroll | \$ 2,655,012 | \$ 2,589,937 | \$ 2,559,042 | \$ 2,610,111 | \$ 2,480,342 |
| Contributions as a percentage of covered payroll | <u>15.66%</u> | <u>18.66%</u> | <u>19.12%</u> | <u>21.06%</u> | <u>18.11%</u> |

Data prior to 2013 is unavailable.

NEWFANE CENTRAL SCHOOL DISTRICT

**Required Supplementary Information
Schedule of Funding Progress
Postemployment Benefit Plan**

June 30, 2017

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|--|--|--|-------------------------|----------------------------|--|
| July 1, 2014 | \$ - | \$ 36,981,058 | \$ (36,981,058) | - | \$ 13,768,000 | 269% |
| July 1, 2015 | \$ - | \$ 36,503,223 | \$ (36,503,223) | - | \$ 11,836,000 | 308% |
| July 1, 2016 | \$ - | \$ 49,046,372 | \$ (49,046,372) | - | \$ 14,040,000 | 349% |

NEWFANE CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2017

| | |
|---|----------------------|
| Original expenditure budget | \$ 33,887,072 |
| Encumbrances carried over from prior year | 1,517,896 |
| Budget amendments: | |
| Miscellaneous gifts and donations | 20,050 |
| | <hr/> |
| Revised expenditure budget | \$ 35,425,018 |

* * *

Unrestricted Fund Balance

| | |
|---|---------------------|
| Assigned | \$ 4,699,436 |
| Unassigned | 5,743,297 |
| | <hr/> |
| | 10,442,733 |
| Encumbrances included in assigned fund balance | (1,737,011) |
| Appropriated fund balance used for tax levy | (2,962,425) |
| | <hr/> |
| Amount subject to 4% limit pursuant to Real Property Tax Law §1318 | \$ 5,743,297 |

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

| | |
|---|---------------|
| 2018 expenditure budget (unaudited) | \$ 34,234,845 |
| 4% of budget | 1,369,394 |
| | <hr/> |
| Actual percentage of 2018 expenditure budget | 16.8% |

NEWFANE CENTRAL SCHOOL DISTRICT

**Supplementary Information
Schedule of Capital Project Expenditures**

June 30, 2017

| Project Title | Original Budget | Revised Budget | Expenditures | | | Unexpended Balance |
|-------------------------------|---------------------|---------------------|------------------|-------------------|-------------------|-----------------------|
| | | | Prior Years | Current Year | Total | |
| 2016-17 capital improvements | \$ 3,182,948 | \$ 3,182,948 | \$ 28,753 | \$ 265,020 | \$ 293,773 | \$ 2,889,175 |
| High school cafeteria project | 100,000 | 99,500 | - | 99,500 | 99,500 | - |
| Total | \$ 3,282,948 | \$ 3,282,448 | \$ 28,753 | \$ 364,520 | \$ 393,273 | \$ 2,889,175 |

NEWFANE CENTRAL SCHOOL DISTRICT

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

For the year ended June 30, 2017

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Grantor Number</u> | <u>Expenditures</u> |
|---|------------------------|---------------------------|---------------------|
| U.S. Department of Education: | | | |
| Passed Through New York State Department of Education | | | |
| Special Education Cluster: | | | |
| Special Education_Grants to States | 84.027 | 0032-17-0606 | \$ 365,154 |
| Special Education_Preschool Grants | 84.173 | 0033-17-0606 | 17,356 |
| Total Special Education Cluster | | | <u>382,510</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-17-1955 | 248,438 |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-16-1955 | 1,144 |
| Supporting Effective Institution State Grants | 84.367 | 0147-17-1955 | 71,900 |
| Supporting Effective Institution State Grants | 84.367 | 0147-16-1955 | 11,047 |
| Total U.S. Department of Education | | | <u>715,039</u> |
| U.S. Department of Agriculture: | | | |
| Passed Through New York State Department of Education | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | N/A | 81,035 |
| National School Lunch Program | 10.555 | N/A | 255,042 |
| Total Child Nutrition Cluster | | | <u>336,077</u> |
| Healthy, Hunger-Free Kids Act of 2010 Childhood Hunger Research and Demonstration Projects | 10.592 | N/A | 7,943 |
| Passed Through New York State Office of General Services | | | |
| Child Nutrition Discretionary Grants Limited Availability | 10.579 | N/A | 39,916 |
| Total U.S. Department of Agriculture | | | <u>383,936</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,098,975</u> |

NEWFANE CENTRAL SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

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

Basis of Accounting

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

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

Indirect Costs

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

Non-Monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2017, the District used \$39,916 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

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

The Board of Education
Newfane Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Newfane Central School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lumaden & McCormick, LLP

October 3, 2017

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

The Board of Education
Newfane Central School District

Report on Compliance for Each Major Federal Program

We have audited Newfane Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Lumaden & McCormick, LLP

October 3, 2017

NEWFANE CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the year ended June 30, 2017

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA #</u> | <u>Amount</u> |
|---|---------------|-------------------|
| Special Education Cluster: | | |
| Special Education_Grants to States | 84.027 | \$ 365,154 |
| Special Education_Preschool Grants | 84.173 | 17,356 |
| | | <u>\$ 382,510</u> |

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

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.