

**SOUTH SENECA  
CENTRAL SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2017**



# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2017**

Independent Auditor's Report .....	1-3
Required Supplementary Information	
Management's Discussion and Analysis .....	4-4j
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position .....	5-5a
Statement of Activities .....	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds .....	7-7a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds .....	9-9a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	10
Statement of Fiduciary Net Position - Fiduciary Funds .....	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund .....	12
Notes to Financial Statements .....	13-43
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-GAAP) - General Fund .....	44
Schedule of Expenditures Compared to Budget (Non-GAAP) - General Fund .....	45-45a
Schedule of Funding Progress.....	46
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans .....	47-47a
Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability	48
Notes to Required Supplementary Information .....	49-52
Supplementary Financial Information	
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit .....	53
Schedule of Project Expenditures - Capital Projects Fund .....	54-54a
Schedule of Net Investment in Capital Assets .....	55
Report Required Under <i>Government Auditing Standards</i>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	56-57

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2017**

Reports Required Under the Single Audit Act (Uniform Guidance)	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance .....	58-59
Schedule of Expenditures of Federal Awards .....	60
Notes to Schedule of Expenditures of Federal Awards .....	61
Schedule of Findings and Questioned Costs .....	62

## **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
South Seneca Central School District  
Ovid, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Seneca Central School District (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement.

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

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

### ***Opinions***

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

### ***Emphasis of a Matter***

During the year ended June 30, 2017, the School District adopted Government Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, funding progress, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, and the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and related notes to required supplementary information on pages 4-4j and 44-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information on pages 53-55 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Inero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Inero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 27, 2017

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

The following is a discussion and analysis of South Seneca Central School District's (the School District) financial performance for the fiscal year ended June 30, 2017. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

- The School District's financial position increased, with total net position of \$31,509,623 at June 30, 2017 compared to \$28,990,097 as of June 30, 2016.
- The School District complies with GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement requires the School District to record a liability and expense for a portion of the actuarial accrued liability. This liability increased \$129,959 to \$739,492 for the year ended June 30, 2017.
- Revenues exceeded expenses in 2017 by \$2,519,526, compared to revenues exceeding expenses by \$3,107,744 in 2016.
- The School District complies with Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." As a result, pension expense decreased in the Government-wide financial statements by \$(9,846) for the year ended June 30, 2017, compared to a reduction in pension expense of \$(1,017,663) in the prior year. See Note 9 for more detailed information.
- The School District continues to take measures to contain the growth of General Fund operating expenditures. General Fund budgeted expenditures, including carry-over encumbrances, were underspent by \$1,282,750 during the current year. Revenues in the General Fund were greater than estimated by \$146,005 during the year ended June 30, 2017.
- The overall indebtedness of the School District, in the amount of \$24,817,483, was up 4.33% from last year's amount of \$23,787,383 due to capital improvement funding.
- Unassigned fund balance in the General Fund showed an increase in 2017 from \$928,792 to \$950,189. Total fund balance in the General Fund, including reserves, was \$6,960,631 at June 30, 2017, compared to \$6,672,209 in 2016.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts, that is, the funds of the School District, reporting the School District's operations in greater detail than the District-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year and a Schedule of Funding Progress related to the School District's unfunded actuarial liability for postemployment benefits, and information related to the School District's pension obligations.

### **District-wide Financial Statements**

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide financial statements report the School District's net resources and how they have changed. Net position - the difference between the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

### **Governmental Fund Financial Statements**

The Governmental Fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "Major" Funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Fund financial statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The School District's combined net position for the fiscal year ended June 30, 2017 increased by \$2,519,526. The following analysis focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

*Figure 1*

<b><i>Condensed Statement of Net Position</i></b>	<b><i>Governmental Activities and Total School District</i></b>		<b><i>Total Dollar Change</i></b>
	<b><i>2016</i></b>	<b><i>2017</i></b>	<b><i>2016 - 2017</i></b>
<i>Current assets</i>	\$ 3,980,223	\$ 7,263,280	\$ 3,283,057
<i>Noncurrent assets</i>	9,401,043	5,965,431	(3,435,612)
<i>Capital assets, net</i>	40,911,723	41,811,169	899,446
<b><i>Total Assets</i></b>	<b>54,292,989</b>	<b>55,039,880</b>	<b>746,891</b>
<i>Deferred charges on defeased debt</i>	1,786,116	1,375,705	(410,411)
<i>Deferred outflows - pensions</i>	1,851,464	4,602,506	2,751,042
<b><i>Total Deferred Outflows of Resources</i></b>	<b>3,637,580</b>	<b>5,978,211</b>	<b>2,340,631</b>
<i>Current liabilities</i>	7,857,221	4,672,972	(3,184,249)
<i>Noncurrent liabilities</i>	19,562,545	24,522,266	4,959,721
<b><i>Total Liabilities</i></b>	<b>27,419,766</b>	<b>29,195,238</b>	<b>1,775,472</b>
<i>Pensions</i>	1,520,706	313,230	(1,207,476)
<b><i>Total Deferred Inflows of Resources</i></b>	<b>1,520,706</b>	<b>313,230</b>	<b>(1,207,476)</b>
<i>Net investment in capital assets</i>	19,368,793	21,424,119	2,055,326
<i>Restricted</i>	5,698,114	6,751,697	1,053,583
<i>Unrestricted</i>	3,923,190	3,333,807	(589,383)
<b><i>Total Net Position</i></b>	<b>\$ 28,990,097</b>	<b>\$ 31,509,623</b>	<b>\$ 2,519,526</b>

The increase in current assets is mainly due to an increase in cash of \$2,977,453; primarily unspent debt proceeds. The decrease in noncurrent assets is a result of a decrease in the School District's proportionate share of the net pension assets of \$(3,981,110). The increase in capital assets is primarily a reflection of capital outlay exceeding depreciation expense.

The increase in deferred outflows - pensions and the decrease in deferred inflows, are related to changes in actuarially determined amounts for the School District's proportionate share of its net pension liability.

The decrease in current liabilities is largely due to redemption of bond anticipation notes of \$(2,833,712). The increase in noncurrent liabilities is based on the issuance of serial bonds of \$7,420,000 offset by repayment of bond principal in the current year of \$(3,085,000).

Total net position of the School District increased \$2,519,526, or 8.69%, for the year ended June 30, 2017.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

Our analysis in *Figure 2* considers the operations of the School District's activities.

***Figure 2***

<b><i>Condensed Statement of Net Position</i></b>	<b><i>Governmental Activities and Total School District</i></b>		<b><i>Total Dollar Change</i></b>
	<b><i>2016</i></b>	<b><i>2017</i></b>	<b><i>2016 - 2017</i></b>
<b><i>REVENUES</i></b>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 208,941	\$ 190,091	\$ (18,850)
<i>Operating grants and contributions</i>	1,353,920	1,917,417	563,497
<i>General Revenues:</i>			
<i>Real property taxes</i>	6,702,643	6,887,837	185,194
<i>Real property tax items</i>	1,088,539	1,050,032	(38,507)
<i>State sources</i>	13,970,577	14,273,435	302,858
<i>Use of money and property</i>	11,099	11,148	49
<i>Other general revenues</i>	555,022	615,402	60,380
<i>Special Item:</i>			
<i>Change in estimated value of capital assets</i>	(757,476)		757,476
<b><i>Total Revenues</i></b>	<b>\$ 23,133,265</b>	<b>\$ 24,945,362</b>	<b>\$ 1,812,097</b>
<b><i>PROGRAM EXPENSES</i></b>			
<i>General support</i>	\$ 3,773,174	\$ 4,371,596	\$ 598,422
<i>Instruction</i>	13,434,734	15,353,210	1,918,476
<i>Pupil transportation</i>	1,305,217	1,357,508	52,291
<i>School lunch program</i>	454,230	495,063	40,833
<i>Interest on debt</i>	1,058,166	848,459	(209,707)
<b><i>Total Expenses</i></b>	<b>\$ 20,025,521</b>	<b>\$ 22,425,836</b>	<b>\$ 2,400,315</b>
<b><i>CHANGE IN NET POSITION</i></b>	<b>\$ 3,107,744</b>	<b>\$ 2,519,526</b>	<b>\$ (588,218)</b>

Total revenues for the School District's Governmental Activities, exclusive of the special item, increased by \$1,054,621, or 4.14%, while total expenses increased by \$2,400,315, or 11.99%.

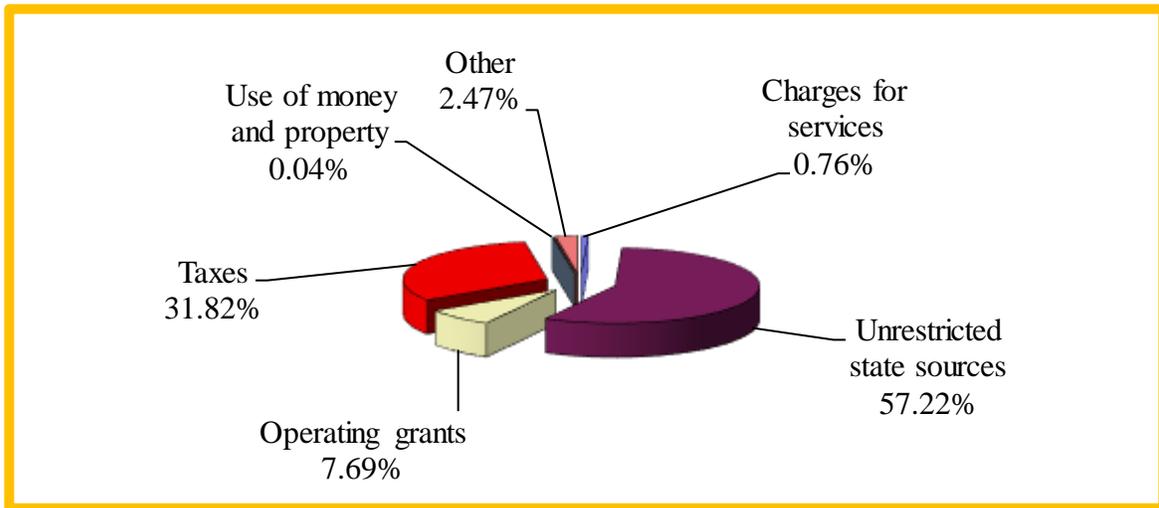
# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

Figures 3 and 4 show the sources of revenue for 2017 and 2016.

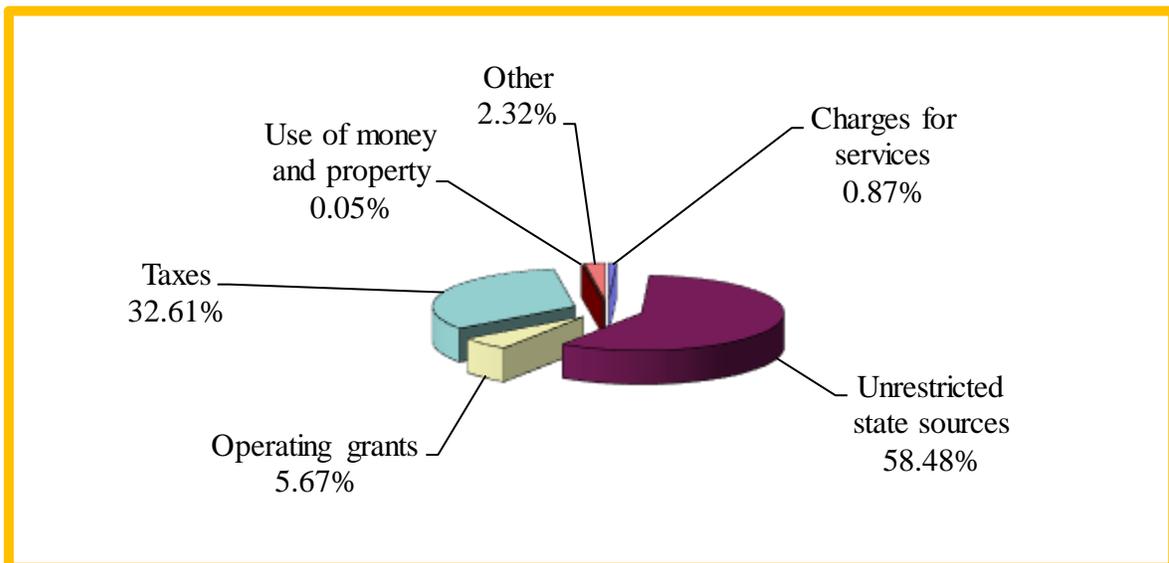
***Figure 3***

***Sources of Revenue for 2017***



***Figure 4***

***Sources of Revenue for 2016***



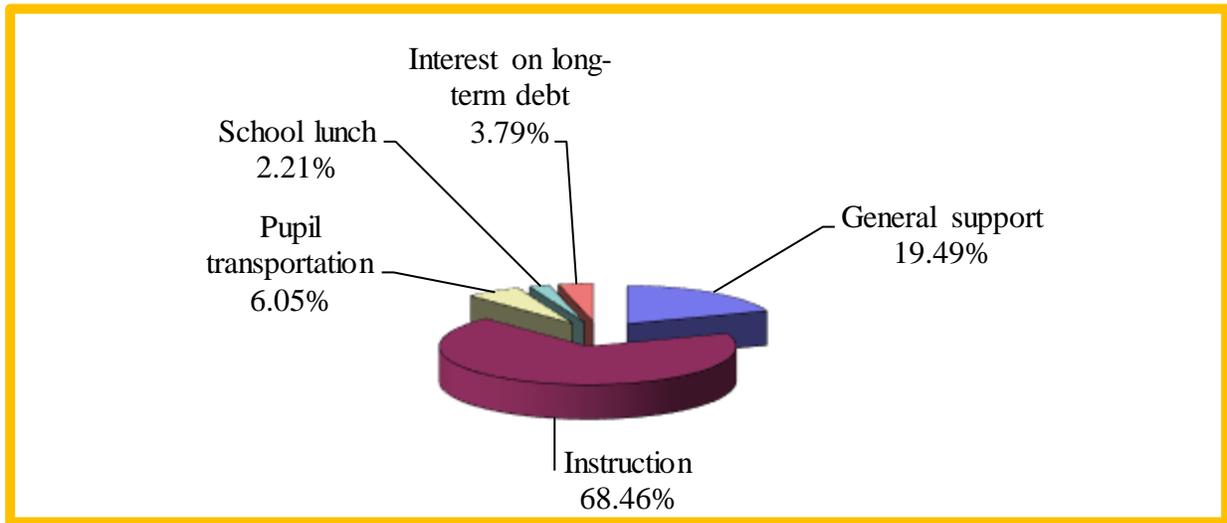
# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

Figures 5 and 6 present the cost of each of the School District's programs for 2017 and 2016.

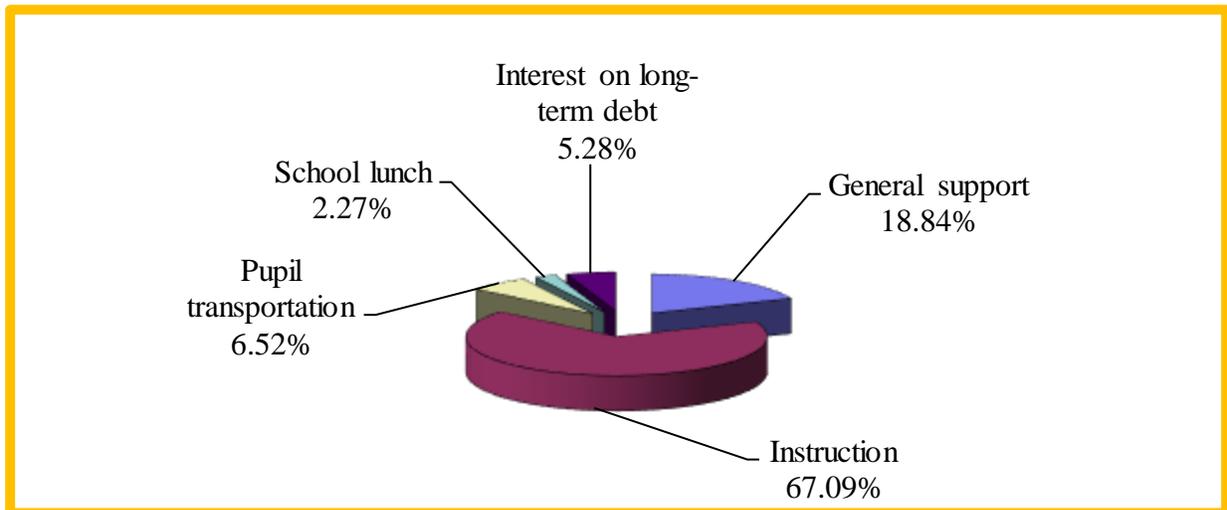
***Figure 5***

***Cost of Programs for 2017***



***Figure 6***

***Cost of Programs for 2016***



# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

*Figure 7* shows the changes in fund balances for the year for the School District's Governmental Funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined fund balances of \$11,159,189, which is 114.26% more than last year's total of \$5,208,282. This increase is primarily the result of financing activity in the Capital Projects Fund.

*Figure 7*

<i>Governmental Fund Balances</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016-2017</i>
<i>General Fund</i>	\$ 6,672,209	\$ 6,960,631	\$ 288,422
<i>Special Aid</i>	66,174	74,913	8,739
<i>School Lunch Fund</i>	133,619	97,719	(35,900)
<i>Debt Service Fund</i>	268,188	296,020	27,832
<i>Capital Funds</i>	(1,941,901)	3,718,626	5,660,527
<i>Miscellaneous Special Revenue Fund</i>	9,993	11,280	1,287
<b><i>Total Governmental Funds</i></b>	<b>\$ 5,208,282</b>	<b>\$ 11,159,189</b>	<b>\$ 5,950,907</b>

The School Lunch Fund had an excess of expenditures over revenues of \$(35,900) which reduced its fund balance by (26.87)% for the year ended June 30, 2017.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the School District budget was revised several times. These budget amendments consist of budget transfers between functions, which did not increase the overall budget. In addition, the Board of Education revised the budget for carry-over encumbrances of \$70,863. Actual charges to appropriations (expenditures and encumbrances) were \$1,282,750 less than final budgeted amounts and revenues exceeded estimates by \$146,005 for the year ended June 30, 2017.

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2017.

**Figure 8**

<i>Condensed Budgetary Comparison General Fund - 2017</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
<b>REVENUES</b>				
<i>Real property taxes</i>	\$ 6,855,015	\$ 6,855,015	\$ 6,887,837	\$ 32,822
<i>Other tax items</i>	1,077,500	1,077,500	1,050,032	(27,468)
<i>State sources</i>	14,363,977	14,363,977	14,339,450	(24,527)
<i>Federal Sources</i>	55,829	55,829	99,683	43,854
<i>Other, including financing sources</i>	523,230	523,230	644,554	121,324
<b>Total Revenues and Other Financing Sources</b>	<b>22,875,551</b>	<b>22,875,551</b>	<b>23,021,556</b>	<b>146,005</b>
<b>Appropriated Fund Balances</b>	<b>1,200,863</b>	<b>1,200,863</b>		
<b>EXPENDITURES</b>				
<i>General support</i>	\$ 2,740,145	\$ 3,220,766	\$ 2,772,354	\$ 448,412
<i>Instruction</i>	11,470,216	11,420,729	10,980,273	440,456
<i>Pupil transportation</i>	1,280,866	1,163,166	1,016,075	147,091
<i>Employee benefits</i>	3,859,579	3,569,645	3,472,316	97,329
<i>Debt service</i>	4,514,608	4,513,608	4,414,155	99,453
<i>Other financing uses</i>	211,000	188,500	138,491	50,009
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 24,076,414</b>	<b>\$ 24,076,414</b>	<b>\$ 22,793,664</b>	<b>\$ 1,282,750</b>

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

As of June 30, 2017, the School District had invested in a broad range of capital assets. This amount represents a net increase of \$899,446 compared to last year, as shown in Figure 9.

**Figure 9**

<i>Changes in Capital Assets</i>			<i>Total Dollar Change 2016-2017</i>
	<i>2016</i>	<i>2017</i>	
<i>Land</i>	\$ 201,966	\$ 201,966	\$ -
<i>Construction in progress</i>	3,071,901	1,997,513	(1,074,388)
<i>Buildings, net</i>	35,949,831	37,868,919	1,919,088
<i>Equipment, net</i>	1,688,025	1,742,771	54,746
<b>Total</b>	<b>\$ 40,911,723</b>	<b>\$ 41,811,169</b>	<b>\$ 899,446</b>

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

Capital asset activity for the year ended June 30, 2017 included the following:

Construction in progress	\$ 2,166,281
Equipment	410,136
Total additions	2,576,417
Less net book value of disposed equipment	(32,426)
Less depreciation expense	(1,644,545)
<b>Net Increase in Capital Assets</b>	<b>\$ 899,446</b>

### **Debt Administration**

Debt considered liabilities of Governmental Activities increased by \$1,030,100 in 2017, as shown in *Figure 10*. Total indebtedness represented approximately 48.3% of the School District's constitutional debt limit, exclusive of building aid estimates.

*Figure 10*

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2016-2017</i>
	<i>2016</i>	<i>2017</i>	
<i>Serial bonds</i>	\$ 20,953,671	\$ 24,817,483	\$ 3,863,812
<i>Bond anticipation notes</i>	2,833,712		(2,833,712)
<b><i>Total</i></b>	<b>\$ 23,787,383</b>	<b>\$ 24,817,483</b>	<b>\$ 1,030,100</b>

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's bond rating, per Moody's, is A1.

### **FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

- South Seneca Central School District has continued to utilize services of Central Business Offices (CBO) at TST BOCES to consolidate office functions. Tax collection, accounts payable and payroll functions of the District are mainly performed at the CBO. NYSED encourages Districts to share services through BOCES and, therefore, provide additional state aid to participating districts.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

- The School District has made expenditure reductions a priority for the previous five budget years. This has resulted in reduced expenditures, which translate to a longer, sustainable future for South Seneca. Reductions include, but are not limited to, utilizing more BOCES services (which are state aidable), reconfiguring special education programs within the School District and staff reductions through attrition whenever possible. As a result of these reductions over the last 5 years, the School District enters 2017-18 in a stable position where it can maintain essential staff to meet the program goals of the Board of Education and the new state educational requirements.
- Pension rates for school districts reflect a decrease in the School District's required contributions to the ERS (15.3%) and TRS (9.8%) retirement systems. The majority of our staff are TRS eligible employees so the rate decreases will reduce overall expenditures. South Seneca has built up reserves to offset some of these expenditures for future years.
- Recently enacted legislation in New York State caps tax levy increases to CPI or 2% whichever is less. For the 2017-18 budget year, the tax levy increase approved by voters was 0.11%. For 2018-19, the CPI is still expected to be below 2%, thus the tax cap is also expected to be below 2%. The School District has established reserves and will be able to utilize the reserves to offset reduced revenues for this event.
- South Seneca has set new budget parameters. Budgeting with Administration and the Board of Education is based on maintaining the long term sustainability of the School District while continuing to provide a quality education to all students.
- South Seneca Central School District has utilized the \$100,000 Capital Outlay for annual, smaller-sized maintenance projects. The NYS Education Department provides aid for these smaller projects the following year. A \$4.6M capital project to install a track on the Ovid campus and replace locks and LED replacement lighting is projected to be completed prior to January, 2018. The local costs of this large capital project will be minimized through the use of a capital reserve. A smaller project of \$200,000 is classified as an emergency project to replace the bus lift and repair the existing ventilation system in the Transportation Garage. This will be completed by June 2018.

### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the South Seneca Central School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, South Seneca Central School District, at 7263 Main Street, Ovid, New York 14521.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **STATEMENT OF NET POSITION JUNE 30, 2017**

### **ASSETS**

#### **Current Assets**

Cash - Unrestricted	\$ 2,089,449
Cash - Restricted	<u>3,817,498</u>
Receivables:	
State and federal aid	<u>1,139,501</u>
Due from other governments	<u>19,096</u>
Other	<u>180,604</u>
Inventories	<u>14,432</u>
Prepaid items	<u>2,700</u>
<b>Total Current Assets</b>	<u>7,263,280</u>

#### **Noncurrent Assets**

Restricted cash	<u>5,965,431</u>
Capital assets, net:	
Nondepreciable capital assets	<u>2,199,479</u>
Depreciable capital assets, net	<u>39,611,690</u>
<b>Total Noncurrent Assets</b>	<u>47,776,600</u>

<b>Total Assets</b>	<u>55,039,880</u>
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### **DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on defeased debt	<u>1,375,705</u>
Pensions	<u>4,602,506</u>
<b>Total Deferred Outflows of Resources</b>	<u>5,978,211</u>

### **LIABILITIES**

#### **Current Liabilities**

Payables:	
Accounts payable	<u>952,751</u>
Accrued liabilities	<u>104,364</u>
Due to other governments	<u>104,592</u>
Bond interest and matured bonds	<u>32,826</u>
Overpayments and collections in advance	<u>3,053</u>
Unearned revenues	<u>4,680</u>
Due to Teachers' Retirement System	<u>794,409</u>
Due to Employees' Retirement System	<u>87,118</u>
Compensated absences payable	<u>18,555</u>
Current portion of long-term liabilities:	
Bonds payable	<u>2,570,624</u>
<b>Total Current Liabilities</b>	<u>4,672,972</u>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

**LIABILITIES (continued)****Noncurrent Liabilities and Obligations**

Bonds payable	\$ 22,246,859
Compensated absences payable	<u>533,462</u>
Other postemployment benefit liabilities	<u>739,492</u>
Net pension liability - Proportionate share	<u>1,002,453</u>
<b>Total Noncurrent Liabilities and Obligations</b>	<u><u>24,522,266</u></u>

**Total Liabilities**29,195,238**DEFERRED INFLOWS OF RESOURCES**

Pensions	<u>313,230</u>
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**NET POSITION**

Net investment in capital assets	<u>21,424,119</u>
Restricted:	
Restricted for capital projects	<u>2,320,472</u>
Restricted for debt	<u>296,020</u>
Restricted for other	<u>4,135,205</u>
Unrestricted	<u>3,333,807</u>
<b>Total Net Position</b>	<u><u>\$ 31,509,623</u></u>

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 4,371,596	\$	\$	\$	\$ (4,371,596)
Instruction	<u>15,353,210</u>	<u>122,820</u>	<u>1,528,285</u>		<u>(13,702,105)</u>
Pupil transportation	<u>1,357,508</u>				<u>(1,357,508)</u>
School lunch program	<u>495,063</u>	<u>67,271</u>	<u>389,132</u>		<u>(38,660)</u>
Interest on debt	<u>848,459</u>				<u>(848,459)</u>
<b>Total Functions and Programs</b>	<b><u>\$ 22,425,836</u></b>	<b><u>\$ 190,091</u></b>	<b><u>\$ 1,917,417</u></b>	<b><u>\$ -</u></b>	<b><u>(20,318,328)</u></b>

### GENERAL REVENUES

Real property taxes	<u>6,887,837</u>
Real property tax items	<u>1,050,032</u>
Use of money and property	<u>11,148</u>
State sources	<u>14,273,435</u>
Sale of property and compensation for loss	<u>25,003</u>
Miscellaneous	<u>590,399</u>
<b>Total General Revenues</b>	<b><u>22,837,854</u></b>
Change in Net Position	2,519,526
Total Net Position - Beginning of Year	<u>28,990,097</u>
<b>Total Net Position - End of Year</b>	<b><u>\$ 31,509,623</u></b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
<b>ASSETS</b>			
Cash - Unrestricted	\$ 1,260,148	\$ 110,783	\$ 30,453
Cash - Restricted	5,697,212		59,878
Receivables:			
Due from other funds	382,109		
State and federal aid	908,367	207,724	23,410
Due from other governments	19,096		
Other	44,507	136,010	
Inventories			14,432
Prepaid items	2,700		
<b>Total Assets</b>	<b>\$ 8,314,139</b>	<b>\$ 454,517</b>	<b>\$ 128,173</b>
<b>LIABILITIES</b>			
Payables:			
Accounts payable	\$ 247,440	\$ 24,475	\$ 2,748
Accrued liabilities	102,472	1,237	655
Due to other funds		348,768	23,364
Due to other governments	103,514	444	634
Overpayments and collections in advance			3,053
Due to Teachers' Retirement System	794,409		
Due to Employees' Retirement System	87,118		
Compensated absences payable	18,555		
Unearned revenues		4,680	
<b>Total Liabilities</b>	<b>1,353,508</b>	<b>379,604</b>	<b>30,454</b>
<b>FUND BALANCES</b>			
Nonspendable	2,700		14,432
Restricted	5,697,212		83,287
Assigned	310,530	74,913	
Unassigned	950,189		
<b>Total Fund Balances</b>	<b>6,960,631</b>	<b>74,913</b>	<b>97,719</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,314,139</b>	<b>\$ 454,517</b>	<b>\$ 128,173</b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

**Major Funds**

<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Miscellaneous Special Revenue Fund</b>	<b>Total Governmental Funds</b>
\$	\$ 688,065	\$	\$ 2,089,449
268,219	3,746,427	11,193	9,782,929
27,801			409,910
			1,139,501
			19,096
		87	180,604
			14,432
			2,700
<b>296,020</b>	<b>4,434,492</b>	<b>11,280</b>	<b>13,638,621</b>

\$	\$ 678,088	\$	\$ 952,751
			104,364
	37,778		409,910
			104,592
			3,053
			794,409
			87,118
			18,555
			4,680
-	715,866	-	2,479,432
			17,132
296,020	3,718,626	11,280	9,806,425
			385,443
			950,189
296,020	3,718,626	11,280	11,159,189
<b>296,020</b>	<b>4,434,492</b>	<b>11,280</b>	<b>13,638,621</b>

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017**

**Fund Balances - Total Governmental Funds** **\$ 11,159,189**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 63,262,228	
Less accumulated depreciation	<u>(21,451,059)</u>	41,811,169

The School District's proportionate share of the employee retirement systems' collective net pension asset or liability is not reported in the funds.

ERS net pension liability - Proportionate share	\$ (582,037)	
TRS net pension liability - Proportionate share	<u>(420,416)</u>	(1,002,453)

Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

TRS deferred inflows - Pension	\$ (216,593)	
ERS deferred inflows - Pension	(96,637)	
TRS deferred outflows - Pension	4,095,462	
ERS deferred outflows - Pension	<u>507,044</u>	4,289,276

Long-term liabilities, including bonds and notes payable are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable		(24,817,483)
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Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.

Accrued interest on long-term debt	\$ (32,826)	
Deferred charges on defeased debt	1,375,705	
Long-term compensated absences	(533,462)	
Other postemployment benefit liabilities	<u>(739,492)</u>	<u>69,925</u>

**Net Position of Governmental Activities** **\$ 31,509,623**

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
<b>REVENUES</b>			
Real property taxes	\$ 6,887,837	\$	\$
Real property tax items	1,050,032		
Charges for services	23,137		
Use of money and property	9,888		
Sale of property and compensation for loss	18,759		
Miscellaneous	584,534	163,372	412
State sources	14,339,450	699,774	10,739
Federal sources	99,683	599,124	352,977
Surplus food			25,416
Sales - School lunch			66,867
<b>Total Revenues</b>	<b>23,013,320</b>	<b>1,462,270</b>	<b>456,411</b>
<b>EXPENDITURES</b>			
General support	2,713,613		
Instruction	10,978,484	1,463,454	436,264
Pupil transportation	1,016,075	30,310	
Employee benefits	3,472,316		56,047
Debt service:			
Principal	3,427,880		
Interest	986,275		
Capital outlay			
<b>Total Expenditures</b>	<b>22,594,643</b>	<b>1,493,764</b>	<b>492,311</b>
Excess (Deficiency) of Revenues Over Expenditures	418,677	(31,494)	(35,900)
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Proceeds of obligations			
Redeemed from appropriations			
Premiums on obligations			
Operating transfers in	8,236	48,469	
Operating transfers (out)	(138,491)	(8,236)	
<b>Total Other Financing Sources and (Uses)</b>	<b>(130,255)</b>	<b>40,233</b>	<b>-</b>
Net Change in Fund Balances	288,422	8,739	(35,900)
Fund Balances - Beginning of Year	6,672,209	66,174	133,619
<b>Fund Balances - End of Year</b>	<b>\$ 6,960,631</b>	<b>\$ 74,913</b>	<b>\$ 97,719</b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

<b>Major Funds</b>			
<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Miscellaneous Special Revenue Fund</b>	<b>Total Governmental Funds</b>
\$	\$	\$	\$ 6,887,837
			1,050,032
			23,137
1,032		220	11,140
			18,759
		4,535	752,853
			15,049,963
			1,051,784
			25,416
			66,867
1,032	-	4,755	24,937,788
			2,713,613
		3,468	12,881,670
			1,046,385
			3,528,363
			3,427,880
26,094			1,012,369
	2,166,281		2,166,281
26,094	2,166,281	3,468	26,776,561
(25,062)	(2,166,281)	1,287	(1,838,773)
	7,420,000		7,420,000
	342,880		342,880
26,800			26,800
26,094	90,022		172,821
	(26,094)		(172,821)
52,894	7,826,808	-	7,789,680
27,832	5,660,527	1,287	5,950,907
268,188	(1,941,901)	9,993	5,208,282
<b>296,020</b>	<b>3,718,626</b>	<b>11,280</b>	<b>11,159,189</b>

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 5,950,907**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas proceeds from the sale are reported as revenue in the Governmental Funds.

Capital asset additions	\$ 2,576,417	
Net book value of disposed assets	(32,426)	
Depreciation expense	<u>(1,644,545)</u>	899,446

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Proceeds of serial bonds	\$ (7,420,000)	
Principal paid on serial bonds	<u>3,085,000</u>	(4,335,000)

Long-term obligations, such as those associated with postemployment benefits, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statements.

Net change in compensated absences payable	\$ (12,824)	
Net change in other postemployment benefit liabilities	<u>(129,959)</u>	(142,783)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.

Amortization of deferred charges on defeased debt	\$ (410,411)	
Amortization of premiums on obligations	504,900	
Change in accrued interest	<u>42,621</u>	137,110

Changes in the School District's proportionate share of net pension (assets) and liabilities have no effect on current financial resources and therefore, are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$ (62,472)	
TRS	<u>72,318</u>	<u>9,846</u>

**Net Change in Net Position of Governmental Activities** **\$ 2,519,526**

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2017**

	<b>Private Purpose Trust Fund</b>	<b>Agency Fund</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash - Unrestricted	\$ <u>                    </u>	\$ <u>18,863</u>
Cash - Restricted	<u>440,793</u>	<u>76,145</u>
<b>Total Assets</b>	<u>440,793</u>	<u><b>\$ 95,008</b></u>
<b>LIABILITIES</b>		
Extraclassroom Activity balances	<u>                    </u>	\$ <u>76,145</u>
Other liabilities	<u>539</u>	<u>18,863</u>
<b>Total Liabilities</b>	<u>539</u>	<u><b>\$ 95,008</b></u>
<b>NET POSITION</b>		
Restricted for scholarships	\$ <u><b>440,254</b></u>	

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Private Purpose Trust Fund</b>
	<u>                    </u>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 50,782
Investment earnings	<u>9,885</u>
<b>Total Additions</b>	<u>60,667</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>30,040</u>
Change in Net Position	30,627
Net Position - Beginning of Year	<u>409,627</u>
<b>Net Position - End of Year</b>	<b>\$ <u><u>440,254</u></u></b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies**

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

#### **Reporting Entity**

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

- The primary government, which is the School District;
- Organizations for which the primary government is financially accountable, and;
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District's fiduciary responsibility, they are reported in School District's Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, 7263 Main Street, Ovid, New York 14521.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Joint Venture**

The School District is one of nine component school districts in the Tompkins-Seneca-Tioga Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

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

#### **Basis of Presentation - District-wide Financial Statements**

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and 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 charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Basis of Presentation - Governmental Fund Financial Statements**

The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on Major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- **General Fund:** The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Aid Fund:** Accounts for the proceeds of specific revenue sources, such as Federal, State and local grants that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- **School Lunch Fund:** Accounts for revenues and expenditures in connection with the School District's food service program.
- **Capital Projects Fund:** Accounts for financial resources used for the renovation of the School District's educational complex and the purchase of School District transportation equipment.
- **Debt Service Fund:** Accounts for the accumulation of resources and payment of principal and interest on long-term general obligation debt of Governmental Activities.
- **Miscellaneous Special Revenue Fund:** Accounts for resources donated to the School District for various purposes.

Fiduciary Activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District, and are not available to be used.

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Basis of Presentation - Governmental Fund Financial Statements - Continued**

- Agency Fund: Strictly custodial in nature and does not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

#### **Measurement Focus and Basis of Accounting**

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

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

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

#### **Cash and Investments**

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. 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 districts. Investments are stated at fair value.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

#### **Due To/From Other Funds**

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

#### **Inventories and Prepaid Items**

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance for these non-liquid assets (inventories and prepaid items) has been reported as nonspendable to signify that a portion of fund balance is not available for other subsequent expenditures.

#### **Capital Assets**

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1998. For assets acquired prior to June 30, 1998, capital assets are reported at estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capital assets with a cost in excess \$1,000 for furniture and equipment and \$10,000 for buildings at the date of acquisition are depreciated using the straight-line method over the following estimated useful lives:

	<b><u>Estimated Useful Life</u></b>
Buildings	20 - 40 years
Furniture and equipment	3 - 20 years

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Vested Employee Benefits - Compensated Absences**

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

School District employees are granted vacation time in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the Governmental Fund financial statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

#### **Postemployment Benefits**

School District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District complies with GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Unearned Revenue**

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenues in the subsequent fiscal year, rather than when measurable and available.

#### **Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred charges on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows of resources related to pensions in the District-wide Statement of Net Position. The types of deferred outflows related to pensions are described in Note 9.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows of resources related to pensions which are further described in Note 9.

#### **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

#### **Equity Classifications - District-wide Financial Statements**

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Equity Classifications - District-wide Financial Statements - Continued**

- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of “restricted” or “net investment in capital assets.”

#### **Equity Classifications - Governmental Fund Financial Statements**

The School District reports fund balance in accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which requires the classification of fund balance reflect spending constraints on resources, rather than availability for appropriation.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District’s legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government’s highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government’s highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Equity Classifications - Governmental Fund Financial Statements - Continued**

- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education of the School District has not adopted any resolutions to commit fund balance. The School District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

#### **Legally Adopted Reserves**

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- Capital Reserve (Education Law §3651) - Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Legally Adopted Reserves - Continued**

- Employee Benefit Accrued Liability Reserve (GML §6-p) - Used to reserve funds for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be 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. This reserve is accounted for in the General Fund.
- Unemployment Insurance Reserve (GML §6-m) - Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- Mandatory Reserve for Debt Service (GML §6-l) - Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvements that were financed by obligations, which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvements. This reserve is accounted for in the Debt Service Fund.
- NYS Retirement Contributions Reserve (GML §6-r) - Used to reserve funds for the payment of retirement contributions, due to volatility in the economic marketplace. This reserve may be 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. This reserve is accounted for in the General Fund.
- Liability Reserve (Education Law §1709(8-c)) - Used to reserve funds for the payment of potential property loss and liability claims. This reserve may be 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. This reserve is accounted for in the General Fund.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Legally Adopted Reserves - Continued**

- Insurance Reserve (GML §6-m) - Used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

#### **Property Taxes - Calendar**

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 10, 2016. Taxes were collected during the period September 1 to November 30, 2016.

#### **Property Taxes - Enforcement**

Uncollected real property taxes are subsequently enforced by the Counties of Seneca and Schuyler. An amount representing uncollected real property taxes transmitted to the Counties for enforcement is paid to the School District no later than the following April 1.

#### **Interfund Transfers**

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

#### **Use of 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 reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **New Accounting Standards**

The School District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2017:

- GASB has issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 77, “Tax Abatement Disclosures,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 80, “Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 81, “Irrevocable Split-Interest Agreements,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73,” effective for the year ended June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

#### **Future Changes in Accounting Standards**

The School District will evaluate the impact each of the following pronouncements may have on its financial statements and will implement them as applicable and when material:

- GASB has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,” effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,” as amended, and No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.”

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Future Changes in Accounting Standards - Continued**

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.

### ***Note 2* Participation in BOCES**

During the year ended June 30, 2017, the School District's share of BOCES income amounted to \$935,732. The School District was billed \$4,720,916 for BOCES administration and program costs. Financial statements for Tompkins-Seneca-Tioga BOCES are available from the BOCES administrative office at 555 Warren Road, Ithaca, New York.

### ***Note 3* Cash and Cash Equivalents**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances of \$12,999,705, including certificates of deposit, are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

**Note 3 Cash and Cash Equivalents - Continued**

Restricted cash consisted of:

Restricted for debt service	\$	296,020
Restricted for capital projects		2,320,472
Restricted for special projects		11,193
Restricted for other General Fund reserves		4,040,638
Restricted for school lunch		59,878
Unspent debt proceeds		3,054,728
Subtotal		9,782,929
Restricted for scholarships		440,793
Restricted for Extracurricular Activities		76,145
		76,145
<b>Total</b>	<b>\$</b>	<b><u><u>10,299,867</u></u></b>

**Note 4 Interfund Balances and Activity**

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 382,109	\$	\$ 8,236	\$ 138,491
Special Aid Fund		348,768	48,469	8,236
Capital Projects Fund		37,778	90,022	26,094
School Lunch Fund		23,364		
Debt Service Fund	27,801		26,094	
	27,801		26,094	
<b>Total</b>	<b>\$ <u><u>409,910</u></u></b>	<b>\$ <u><u>409,910</u></u></b>	<b>\$ <u><u>172,821</u></u></b>	<b>\$ <u><u>172,821</u></u></b>

Interfund receivables and payables are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to the Capital Projects Fund, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize the School Lunch Fund.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Note 5 Capital Assets**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 201,966	\$	\$	\$ 201,966
Construction in progress	3,071,901	2,166,281	(3,240,669)	1,997,513
Total Nondepreciable Historical Cost	<u>3,273,867</u>	<u>2,166,281</u>	<u>(3,240,669)</u>	<u>2,199,479</u>
Capital assets that are depreciated:				
Buildings	54,254,854		3,240,669	57,495,523
Furniture and equipment	3,399,637	410,136	(242,547)	3,567,226
Total Depreciable Historical Cost	<u>57,654,491</u>	<u>410,136</u>	<u>2,998,122</u>	<u>61,062,749</u>
Total Historical Cost	<u>60,928,358</u>	<u>2,576,417</u>	<u>(242,547)</u>	<u>63,262,228</u>
Less accumulated depreciation:				
Buildings	(18,305,023)	(1,321,581)		(19,626,604)
Furniture and equipment	(1,711,612)	(322,964)	210,121	(1,824,455)
Total Accumulated Depreciation	<u>(20,016,635)</u>	<u>(1,644,545)</u>	<u>210,121</u>	<u>(21,451,059)</u>
<b>Total Historical Cost, Net</b>	<b>\$ <u>40,911,723</u></b>	<b>\$ <u>931,872</u></b>	<b>\$ <u>(32,426)</u></b>	<b>\$ <u>41,811,169</u></b>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 1,301,013
Instruction	64,137
Pupil transportations	<u>279,395</u>
<b>Total</b>	<b>\$ <u>1,644,545</u></b>

**Note 6 Short-term Debt**

The School District may issue revenue anticipation notes (RANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. RANs represent a liability that will be extinguished by the use of expendable, available resources of the General Fund. The School District did not issue or redeem any RANs during the year.

The School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued. The School District did not issue or redeem any budget notes during the year.

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Note 6 Short-term Debt - Continued**

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

BAN activity for the year ended June 30, 2017 follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
2015 Construction BANs	8/25/2015	2.00%	8/25/2016	\$ 2,800,000	\$	\$ (2,800,000)	\$ -
2016 Construction BANs	8/25/2016	1.10%	6/30/2017		2,800,000	(2,800,000)	-
Premiums on BANs				33,712		(33,712)	-
<b>Total</b>				<b>\$ 2,833,712</b>	<b>\$ 2,800,000</b>	<b>\$ (5,633,712)</b>	<b>\$ -</b>

Interest expense on short-term debt for the year ended June 30, 2017 was comprised of the following:

Interest paid	\$ 82,094
Less interest accrued in the prior year	(48,067)
Less premiums on BANs	(33,712)
<b>Total</b>	<b>\$ 315</b>

**Note 7 Long-term Debt**

At June 30, 2017, the total outstanding indebtedness of the School District represented 48.3% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Note 7 Long-term Debt - Continued**

The following is a summary of the School District's long-term debt for the year ended June 30, 2017:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2017</u>
2015 Refunding Bonds	6/15/2015	6/15/2024	3.00%-5.00%	\$ 13,840,000
2017 Serial Bonds	6/15/2017	6/15/2033	2.00%-3.00%	7,420,000
Add: Unamortized Premiums				1,622,483
Net Refunding Bonds				22,882,483
 Serial Bonds - DASNY	 12/12/2008	 6/15/2024	 4.00%-5.75%	 1,935,000
 <b>Total</b>				 <b>\$ 24,817,483</b>

Interest expense on short-term and long-term debt during the year ended June 30, 2017 was comprised of the following:

Interest paid	\$ 930,275
Less interest accrued in the prior year	(27,380)
Plus interest accrued in the current year	32,826
Less premiums on bonds	(26,800)
Less amortization of bond premium	(471,188)
Plus amortization of deferred charges on defeased debt	410,411
 <b>Total</b>	 <b>\$ 848,144</b>

Interest paid on the Serial Bonds varies from year to year, in accordance with interest rates specified in the bond agreements.

Long-term debt balances and activity for the year are summarized below:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Serial Bonds	\$ 18,860,000	\$ 7,420,000	\$ (3,085,000)	\$ 23,195,000	\$ 2,125,000
Add: unamortized premiums	2,093,671	-	(471,188)	1,622,483	445,624
<b>Total</b>	<b>\$ 20,953,671</b>	<b>\$ 7,420,000</b>	<b>\$ (3,556,188)</b>	<b>\$ 24,817,483</b>	<b>\$ 2,570,624</b>

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Note 7 Long-term Debt - Continued**

The following is a summary of the maturity of long-term indebtedness:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,125,000	\$ 960,738	\$ 3,085,738
2019	2,685,000	859,988	3,544,988
2020	2,640,000	745,388	3,385,388
2021	2,755,000	628,538	3,383,538
2022	2,880,000	506,088	3,386,088
2023-2027	7,550,000	902,152	8,452,152
2028-2032	2,375,000	228,300	2,603,300
2033-2037	185,000	5,550	190,550
<b>Total</b>	<b>\$ 23,195,000</b>	<b>\$ 4,836,742</b>	<b>\$ 28,031,742</b>

On June 15, 2015, the School District issued \$13,915,000 of general obligation bonds, with interest rates ranging between 3.00% and 5.00%. The School District issued these bonds to advance refund \$14,090,000 of outstanding refunding serial bonds with interest rates ranging from 4.00% to 5.75%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, \$14,090,000 in bonds is considered defeased and the liability was removed from the School District's financial statements. The outstanding principal of the defeased bonds was \$13,840,000 at June 30, 2017. The School District capitalized deferred charges on defeased debt related to the refunding bonds of \$2,292,069 which will be amortized over the life of the bonds.

The components of deferred charges on defeased debt are summarized as follows:

<u>Deferred charges on defeased debt</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
2012 Refunding Bonds	\$ 32,348	\$ -	\$ (32,348)	\$ -	\$ -
2015 Refunding Bonds	1,753,768	-	(378,063)	1,375,705	377,845
<b>Total</b>	<b>\$ 1,786,116</b>	<b>\$ -</b>	<b>\$ (410,411)</b>	<b>\$ 1,375,705</b>	<b>\$ 377,845</b>

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 8*    **Compensated Absences****

Compensated Absences represents the value of the earned and unused portion of the liability for compensated absences. This liability is liquidated from the General Fund.

A summary of balances and activity related to noncurrent compensated absences for the year ended June 30, 2017 follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Compensated Absences	\$ <u><u>520,638</u></u>	\$ <u><u>12,824</u></u>	\$ <u><u>-</u></u>	\$ <u><u>533,462</u></u>

Changes to long-term compensated absences are reported net, as it is impractical to individually determine additions and deletions during the fiscal year.

### ***Note 9*    **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)****

#### **Plan Descriptions and Benefits Provided - Teachers' Retirement System (TRS)**

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

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 9* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

#### **Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS)**

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

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

#### **Summary of Significant Accounting Policies**

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Contributions**

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	<u>ERS</u>	<u>TRS</u>
2017	\$ 286,105	\$ 803,062
2016	350,869	1,009,283
2015	320,554	898,200

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

At June 30, 2017, the School District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The School District's proportionate share of the net pension liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	4/1/2016	6/30/2015
Net pension liability	\$ 9,396,223,126	\$ 1,071,041,940
School District's proportionate share of the Plan's total net pension liability	582,037	420,416
School District's share of the net pension (asset) liability	0.0061944%	0.039253%

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued**

For the year ended June 30, 2017, the School District recognized pension expense of \$359,052 for ERS and \$682,872 for TRS in the District-wide financial statements. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 14,585	\$	\$ 88,386	\$ 136,575
Changes of assumptions	198,845	2,394,956		
Net differences between projected and actual earnings on pension plan investments	116,256	945,316		
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	90,240		8,251	80,018
School District's contributions subsequent to the measurement date	87,118	755,190		
<b>Total</b>	<b>\$ 507,044</b>	<b>\$ 4,095,462</b>	<b>\$ 96,637</b>	<b>\$ 216,593</b>

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

Year Ended	ERS	TRS
2018	\$ 135,814	280,146
2019	135,814	280,146
2020	122,137	1,014,305
2021	(70,476)	785,887
2022		353,792
Thereafter		409,403

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 9* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued**

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Investment rate of return	7.0%	7.5%
Salary increases	3.8%	1.9% - 4.7%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

#### **Actuarial Assumptions**

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

For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Actuarial Assumptions - Continued**

For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. 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.

	<b>ERS</b>	<b>TRS</b>
Measurement date	March 31, 2017	June 30, 2016
Asset Type:		
Domestic equities	4.55%	6.1%
International equities	6.35%	7.3%
Real estate	5.80%	5.4%
Private equity/Alternative investments	7.75%	9.2%
Absolute return strategies	4.00%	
Opportunistic portfolio	5.89%	
Real assets	5.54%	
Cash	-0.25%	
Inflation-indexed bonds	1.50%	
Domestic fixed income securities		1.0%
Global fixed income securities		0.8%
Mortgages and bonds	1.31%	3.1%
Short-term		0.1%

**Discount Rate**

The discount rate used to calculate the total pension (asset) liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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

The following presents the School District's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the School District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

<b>ERS</b>	<b>1% Decrease (6.0%)</b>	<b>Current Assumption (7.0%)</b>	<b>1% Increase (8.0%)</b>
School District's proportionate share of the net pension (asset) liability	\$ 1,858,912	\$ 582,037	\$ (497,558)

<b>TRS</b>	<b>1% Decrease (6.5%)</b>	<b>Current Assumption (7.5%)</b>	<b>1% Increase (8.5%)</b>
School District's proportionate share of the net pension (asset) liability	\$ 5,485,280	\$ 420,416	\$ (3,827,727)

**Pension Plan Fiduciary Net Position**

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

	<b>Dollars in Thousands</b>	
	<b>ERS</b>	<b>TRS</b>
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184
Plan net position	168,004,363	107,506,142
<b>Employers' net pension liability</b>	<b>\$ 9,396,223</b>	<b>\$ 1,071,042</b>
Ratio of Plan Net Position to the Employers' Total Pension Liability	94.7%	99.0%

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$87,118.

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Payables to the Pension Plan - Continued**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October, and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions and employee contributions as of June 30, 2017 amounted to \$794,409.

**Effect on Net Position**

Changes in the net pension (asset) liability and deferred outflows and deferred inflows of resources for the year ended June 30, 2017 follows:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
ERS:			
Net pension (asset) liability	\$ 1,034,891	\$ (452,854)	\$ 582,037
Deferred outflows of resources	(1,048,402)	541,358	(507,044)
Deferred inflows of resources	122,669	(26,032)	96,637
Subtotal	109,158	62,472	171,630
TRS:			
Net pension (asset) liability	(3,981,110)	4,401,526	420,416
Deferred outflows of resources	(803,062)	(3,292,400)	(4,095,462)
Deferred inflows of resources	1,398,037	(1,181,444)	216,593
Subtotal	(3,386,135)	(72,318)	(3,458,453)
<b>Total</b>	<b>\$ (3,276,977)</b>	<b>\$ (9,846)</b>	<b>\$ (3,286,823)</b>

**Note 10 Other Postemployment Benefits**

The School District complies with GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." In the past, the School District reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. Based on GASB Statement No. 45 guidelines, an employer with more than 200 participants must complete a full actuarial valuation at least biennially. However, a new valuation is required if significant changes have occurred since the previous actuarial valuation.

The most recent valuation is based on plan data submitted for the actuarial valuation of the School District's Postretirement Health Care Plan (Plan) performed as of July 1, 2016 for the fiscal year ended June 30, 2017.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 10* Other Postemployment Benefits - Continued**

The School District provides a self-insured minimum premium traditional indemnity plan to eligible retirees and dependents through the Tompkins-Seneca-Tioga Health Insurance Cooperative. The Plan provides health insurance coverage and survivor benefits. The Plan offers to retirees a choice between two deductibles with all other coverage being the same. Benefit eligibility provisions are established and may be amended by action of the School District subject to applicable collective bargaining and employment agreements.

The School District assigns the authority to establish and amend benefit provisions to the Board of Education for non-bargaining unit employees. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The School District also provides postemployment dental coverage to retirees and dependents; however, participants must pay 100% of the premium cost. Therefore, the dental plan is not included in the calculations below.

Contribution requirements of Plan members and the School District are established and may be amended by the Board of Education. The Board of Education has negotiated several collective bargaining agreements, which include obligations of Plan members and the School District. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2017, the School District paid current premiums on behalf of 43 retirees to the Plan. The expected employer contribution of \$135,272 represents an actuarially determined estimate of premiums and claims paid on behalf of retirees. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and accumulate sufficient total accruals for all postretirement benefits when due.

The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation to the School District's Plan.

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **Note 10 Other Postemployment Benefits - Continued**

Normal cost	\$ 113,321
Amortization of unfunded actuarial accrued liability (UAAL)	169,405
Total Annual Required Contribution	282,726
Interest on net OPEB obligation	21,334
Adjustment to annual required contribution	(38,829)
Annual OPEB Cost (Expense)	265,231
Expected employer contributions	(135,272)
Increase in Net OPEB Obligation	129,959
 Net OPEB Obligation - July 1, 2016	 609,533
 <b>Net OPEB Obligation - June 30, 2017</b>	 <b>\$ 739,492</b>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year and two preceding years were:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 265,231	51.0%	\$ 739,492
6/30/2016	208,226	80.8%	609,533
6/30/2015	203,297	75.9%	569,536

Funded Status and Funding Progress - As of June 30, 2017, the Plan was not funded. The actuarial accrued liability for benefits was \$2,569,387; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,911,093 and the ratio of the UAAL to the covered payroll was 28.8%.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial 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, consistent with the long-term perspective of the calculations.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 10* Other Postemployment Benefits - Continued**

In the July 1, 2016 actuarial valuation report, the most recently completed valuation, the projected unit credit actuarial cost method was used. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. Actuarial assumptions included a discount rate of 3.5% per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars. Additional actuarial assumptions included an annual medical cost trend rate of 6.75% initially, reduced by decrements to an ultimate rate of 3.84% in 2087.

### ***Note 11* Commitments and Contingencies**

#### **Risk Financing and Related Insurance - General Information**

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

#### **Risk Financing and Related Insurance - Health Insurance**

The School District incurs costs related to an employee health insurance plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain members for a minimum of one year; a member district may withdraw from the Plan after that time by providing notice to the consortium prior to May 1, immediately preceding the commencement of the next school year. Plan members include eight districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2017, the School District incurred premiums or contribution expenditures totaling \$1,858,873.

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Note 11 Commitments and Contingencies - Continued

#### Other Items

The School District has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial.

### Note 12 Fund Balance Detail

At June 30, 2017, nonspendable, restricted and assigned fund balances in the governmental funds were as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Debt Service Fund	Capital Projects Fund	Misc. Special Revenue Fund
<b>Nonspendable</b>						
Prepaid expenses	\$ 2,700	\$	\$	\$	\$	\$
Inventory			14,432			
<b>Total Nonspendable Fund Balance</b>	<b>\$ 2,700</b>	<b>\$ -</b>	<b>\$ 14,432</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Restricted</b>						
Unemployment insurance reserve	\$ 327,881	\$	\$	\$	\$	\$
Retirement contribution reserve	2,154,025					
Liability reserve	857,317					
Insurance reserve	200,266					
Employee benefit accrued liability reserve	501,149					
Capital reserve	1,656,574				3,718,626	
School lunch			83,287			
Debt				296,020		
Special projects						11,280
<b>Total Restricted Fund Balance</b>	<b>\$ 5,697,212</b>	<b>\$ -</b>	<b>\$ 83,287</b>	<b>\$ 296,020</b>	<b>\$ 3,718,626</b>	<b>\$ 11,280</b>
<b>Assigned</b>						
Appropriated for next year's budget	\$ 250,000	\$	\$	\$	\$	\$
Encumbered for:						
General support	58,741					
Instruction	1,789					
Pupil transportation						
Special Aid		74,913				
<b>Total Assigned Fund Balance</b>	<b>\$ 310,530</b>	<b>\$ 74,913</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Note 13 Restricted Fund Balances**

Portions of fund balance are restricted and are not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2017 of the General Fund restricted reserves were as follows:

<u>General Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
Unemployment insurance reserve	\$ 328,957	\$	\$ 66	\$ (1,142)	\$ 327,881
Retirement contribution reserve	2,192,272		1,753	(40,000)	2,154,025
Liability reserve	856,632		685		857,317
Insurance reserve	200,106		160		200,266
Employee benefit accrued liability reserve	520,638		416	(19,905)	501,149
Capital reserve - Improvements	921,295	335,000	173		1,256,468
Capital reserve - Buses	400,033		73		400,106
<b>Total</b>	<b>\$ 5,419,933</b>	<b>\$ 335,000</b>	<b>\$ 3,326</b>	<b>\$ (61,047)</b>	<b>\$ 5,697,212</b>

**Reconciliation Between Restricted Fund Balance and Restricted Net Position**

Restricted fund balances and restricted net position differ because unspent debt proceeds are reported as restricted fund balance in the fund financial statements and as part of net investment in capital assets in the Statement of Net Position.

Restricted fund balance in the fund financial statements	\$ 9,806,425
Less unspent debt proceeds	<u>(3,054,728)</u>
<b>Restricted Net Position</b>	<b><u>\$ 6,751,697</u></b>

**Note 14 Tax Abatements**

For the year ended June 30, 2017, property in the School District was subject to payment in lieu of taxes (PILOT) agreements negotiated by the Seneca County Industrial Development Agency.

The Agency entered into property tax abatement agreements with local businesses under Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth. Under the Act, localities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the area.

Information relevant to the program for the year ended June 30, 2017 follows:

<u>Purpose</u>	<u>Total Assessed Value</u>	<u>Property Tax Value</u>	<u>PILOT Payments Received</u>	<u>Taxes Abated</u>
Economic Development	\$ 592,126	\$ 8,610	\$ 8,411	\$ (199)

# SOUTH SENECA CENTRAL SCHOOL DISTRICT

## SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 6,855,015	\$ 6,855,015	\$ 6,887,837	\$ 32,822
Real property tax items	1,077,500	1,077,500	1,050,032	(27,468)
Charges for services	3,000	3,000	23,137	20,137
Use of money and property	12,000	12,000	9,888	(2,112)
Sale of property and compensation for loss			18,759	18,759
Miscellaneous	508,230	508,230	584,534	76,304
<b>Total Local Sources</b>	<u>8,455,745</u>	<u>8,455,745</u>	<u>8,574,187</u>	<u>118,442</u>
State sources	14,363,977	14,363,977	14,339,450	(24,527)
Federal sources	55,829	55,829	99,683	43,854
<b>Total Revenues</b>	<u>22,875,551</u>	<u>22,875,551</u>	<u>23,013,320</u>	<u>137,769</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	-	-	8,236	8,236
<b>Total Revenues and Other Financing Sources</b>	<u>22,875,551</u>	<u>22,875,551</u>	<u>\$ 23,021,556</u>	<u>\$ 146,005</u>
Appropriated Fund Balance	250,000	250,000		
Appropriated Reserves	880,000	880,000		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	70,863	70,863		
<b>Total Revenues, Appropriated Reserves and Designated Fund Balance</b>	<u>\$ 24,076,414</u>	<u>\$ 24,076,414</u>		

*See Independent Auditor's Report and Notes to Required Supplementary Information*

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>
<b>EXPENDITURES</b>		
<b>General Support</b>		
Board of Education	\$ 61,010	\$ 60,335
Central administration	177,036	177,036
Finance	390,954	386,246
Staff	63,765	92,120
Central services	1,740,666	1,977,516
Special items	306,714	527,513
<b>Total General Support</b>	<u>2,740,145</u>	<u>3,220,766</u>
<b>Instruction</b>		
Instruction, administration, and improvement	685,795	686,153
Teaching - Regular school	4,611,092	4,385,200
Programs for children with disabilities	3,037,436	3,299,036
Occupational education	730,684	812,553
Teaching - Special school	24,416	39,731
Instructional media	1,464,851	1,258,848
Pupil services	915,942	939,208
<b>Total Instruction</b>	<u>11,470,216</u>	<u>11,420,729</u>
Pupil transportation	1,280,866	1,163,166
Employee benefits	3,859,579	3,569,645
<b>Debt Service</b>		
Principal	3,370,000	3,427,880
Interest	1,144,608	1,085,728
<b>Total Debt Service</b>	<u>4,514,608</u>	<u>4,513,608</u>
<b>Total Expenditures</b>	<u>23,865,414</u>	<u>23,887,914</u>
<b>OTHER FINANCING USES</b>		
Operating transfers out	211,000	188,500
<b>Total Expenditures and Other Financing Uses</b>	<u>\$ 24,076,414</u>	<u>\$ 24,076,414</u>

Net Change in Fund Balance

Fund Balance - Beginning of Year

**Fund Balance - End of Year**

*See Independent Auditor's Report and Notes to Required Supplementary Information*

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 42,007	\$	\$ 18,328
174,942		2,094
337,252		48,994
75,977		16,143
1,587,478	58,741	331,297
495,957		31,556
2,713,613	58,741	448,412
657,742		28,411
4,270,864	1,148	113,188
3,109,682	82	189,272
811,478		1,075
38,875		856
1,203,768	5	55,075
886,075	554	52,579
10,978,484	1,789	440,456
1,016,075		147,091
3,472,316		97,329
3,427,880		-
986,275		99,453
4,414,155	-	99,453
22,594,643	60,530	1,232,741
138,491		50,009
22,733,134	\$ <b>60,530</b>	\$ <b>1,282,750</b>
288,422		
6,672,209		
<b>\$ 6,960,631</b>		

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017**

<b>Actuarial Valuation Date</b>	<b>Fiscal Year End</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
7/1/2016	6/30/2017	\$ -	\$ 2,569,387	\$ 2,569,387	0.0%	\$ 8,911,093	28.8%
7/1/2014	6/30/2016	-	2,182,333	2,182,333	0.0%	8,298,411	26.3%
7/1/2014	6/30/2015	-	2,177,112	2,177,112	0.0%	7,936,671	27.4%
7/1/2012	6/30/2014	-	2,146,323	2,146,323	0.0%	7,647,260	28.1%
7/1/2012	6/30/2013	-	2,135,002	2,135,002	0.0%	7,580,133	28.2%
7/1/2010	6/30/2012	-	1,772,711	1,772,711	0.0%	8,174,583	21.7%

*See Independent Auditor's Report and Notes to Required Supplementary Information*

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS**

	<b>2017</b>	2016	2015
Contractually required contribution	\$ <b>286,105</b>	\$ 350,869	\$ 320,554
Contributions in relation to the contractually required contribution	<b>(286,105)</b>	(350,869)	(320,554)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	<b>1,867,471</b>	1,849,503	1,729,439
Contributions as a percentage of covered - employee payroll	<b>15.3%</b>	19.0%	18.5%

## **SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS**

	<b>2017</b>	2016	2015
Contractually required contribution	\$ <b>794,408</b>	\$ 803,062	\$ 1,009,283
Contributions in relation to the contractually required contribution	<b>(794,408)</b>	(803,062)	(1,009,283)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	<b>6,778,225</b>	6,056,275	5,757,461
Contributions as a percentage of covered - employee payroll	<b>11.7%</b>	13.3%	17.5%

*See Independent Auditor's Report and Notes to Required Supplementary Information*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$	318,093	\$ 357,629	\$ 332,359	\$ 225,956	\$ 136,421	\$ 144,220	\$ 177,154
	(318,093)	(357,629)	(332,359)	(225,956)	(136,421)	(144,220)	(177,154)
	-	-	-	-	-	-	-
	1,735,753	2,047,973	2,102,059	2,020,290	1,968,163	1,890,841	1,873,299
	18.3%	17.5%	15.8%	11.2%	6.9%	7.6%	9.5%

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$	898,200	\$ 646,129	\$ 645,001	\$ 538,880	\$ 408,039	\$ 488,993	\$ 528,945
	(898,200)	(646,129)	(645,001)	(538,880)	(408,039)	(488,993)	(528,945)
	-	-	-	-	-	-	-
	5,527,385	5,457,171	5,805,590	6,251,508	6,591,906	6,408,820	6,058,935
	16.3%	11.8%	11.1%	8.6%	6.2%	7.6%	8.7%

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) NYSLRS PENSION PLAN FOR THE YEAR ENDED JUNE 30,**

	<b>2017</b>	2016	2015
School District's proportion of the net pension (asset) liability	<b>0.0061944%</b>	0.0064478%	0.0062535%
School District's proportionate share of the net pension (asset) liability	<b>\$ 582,037</b>	\$ 1,034,891	\$ 211,258
School District's covered-employee payroll during the measurement period	<b>1,856,930</b>	1,826,261	1,697,165
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	<b>31.3%</b>	56.7%	12.4%
Plan fiduciary net position as a percentage of the total pension (asset) liability	<b>94.7%</b>	90.7%	97.9%

## **SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) NYSTRS PENSION PLAN FOR THE YEAR ENDED JUNE 30,**

	<b>2017</b>	2016	2015
School District's proportion of the net pension (asset) liability	<b>0.039253%</b>	0.038329%	0.037419%
School District's proportionate share of the net pension (asset) liability	<b>\$ 420,416</b>	\$ (3,981,110)	\$ (4,168,257)
School District's covered-employee payroll during the measurement period	<b>6,056,275</b>	5,757,461	5,527,385
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	<b>6.9%</b>	-69.1%	-75.4%
Plan fiduciary net position as a percentage of the total pension (asset) liability	<b>99.0%</b>	110.5%	111.5%

*See Independent Auditor's Report and Notes to Required Supplementary Information*

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 1* Budgetary Procedures and Budgetary Accounting**

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Original adopted budget	\$ 24,005,551
Prior year encumbrances	<u>70,863</u>
<b>Final Budget</b>	<b><u><u>\$ 24,076,414</u></u></b>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

### ***Note 2* Reconciliation of the Budget Basis to GAAP**

No adjustment is necessary to convert the General Funds' excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at June 30, 2017.

### ***Note 3* Schedule of Funding Progress**

The Schedule of Funding Progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### ***Note 4* Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability**

The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017**

***Note 5*** Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability

### **NYSLRS**

#### **Changes in Benefit Terms**

There were no significant legislative changes in benefits for the April 1, 2015 actuarial valuation.

#### **Changes of Assumptions**

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation.

#### **Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The April 1, 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017**

### ***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

#### **NYSTRS**

##### **Changes in Benefit Terms**

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

##### **Changes of Assumptions**

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based on book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.



# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2017**

### **CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ <u>24,005,551</u>
Prior year's encumbrances	<u>70,863</u>
Original Budget	<u>24,076,414</u>
<b>Final Budget</b>	<b>\$ <u><u>24,076,414</u></u></b>

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

Next year's budget is a voter approved budget	\$ <u><u>23,785,405</u></u>	
Maximum allowed (4% of the 2017-2018 budget)		\$ <u><u>951,416</u></u>
General Fund fund balance subject to §1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 310,530	
Unassigned fund balance	<u>950,189</u>	
Total Unrestricted Fund Balance	<u><u>1,260,719</u></u>	
Less:		
Appropriated fund balance	\$ 250,000	
Encumbrances included in assigned fund balance	<u>60,530</u>	
Total Adjustments	<u><u>310,530</u></u>	
<b>General Fund Fund Balance Subject to §1318 of Real Property Tax Law</b>		<b>\$ <u><u>950,189</u></u></b>
Actual Percentage		3.99%

*See Independent Auditor's Report*

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2017**

<b>PROJECT TITLE</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Expenditures</b>		
			<b>Prior Years</b>	<b>Current Year</b>	<b>Total</b>
Interlaken Elementary 004-013	\$ 1,885,950	\$ 1,885,950	\$ 1,016,830	\$ 113,983	\$ 1,130,813
Ovid JR/SR High School 001-015	2,386,930	2,386,930	2,019,833		2,019,833
Ovid JR/SR High School 001-017	4,235,500	4,235,500	32,305	1,395,524	1,427,829
Concession/Toilet Building 7012-001	384,500	384,500	2,933	204,997	207,930
Ovid JR/SR High School 001-018	100,000	100,000		90,023	90,023
Ovid JR/SR High School 001-016	621,369	621,369		300,000	300,000
Interlaken Elementary 004-015	468,640	468,640		61,754	61,754
<b>Total</b>	<b>\$ 10,082,889</b>	<b>\$ 10,082,889</b>	<b>\$ 3,071,901</b>	<b>\$ 2,166,281</b>	<b>\$ 5,238,182</b>

**\*Architectural and State approved budget modifications for subproject reallocations not yet finalized and available at this report date.**

*See Independent Auditor's Report*

<u>Unexpended Balance</u>	<u>Methods of Financing</u>				<u>Fund Balance (Deficit) June 30, 2017</u>	
	<u>Proceeds of Obligations</u>	<u>State Aid</u>	<u>Transfers</u>	<u>Local Sources</u>		<u>Total</u>
\$ 755,137	\$ 830,813	\$	\$	\$ 300,000	\$ 1,130,813	\$ -
<u>367,097</u>	<u>1,510,851</u>			<u>395,000</u>	<u>1,905,851</u>	<u>(113,982) *</u>
<u>4,203,195</u>	<u>3,653,022</u>			<u>398,797</u>	<u>4,051,819</u>	<u>2,623,990</u>
<u>381,567</u>	<u>531,978</u>			<u>36,203</u>	<u>568,181</u>	<u>360,251 *</u>
<u>9,977</u>				<u>90,023</u>	<u>90,023</u>	<u>-</u>
<u>4,203,195</u>	<u>740,837</u>		<u>(26,094)</u>	<u>284,347</u>	<u>999,090</u>	<u>699,090</u>
<u>381,567</u>	<u>152,499</u>			<u>58,532</u>	<u>211,031</u>	<u>149,277 *</u>
<u><b>\$ 10,301,735</b></u>	<u><b>\$ 7,420,000</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (26,094)</b></u>	<u><b>\$ 1,562,902</b></u>	<u><b>\$ 8,956,808</b></u>	<u><b>\$ 3,718,626</b></u>

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2017**

Capital assets, net	\$ <u>41,811,169</u>
<b>Add</b>	
Unamortized deferred charges on defeased debt	<u>1,375,705</u>
<b>Deduct</b>	
Short-term portion of bonds payable	<u>(2,125,000)</u>
Long-term portion of bonds payable	<u>(21,070,000)</u>
Unamortized bond premiums	<u>(1,622,483)</u>
Unspent bond proceeds	<u>3,054,728</u>
<b>Net Investment in Capital Assets</b>	<b>\$ <u><u>21,424,119</u></u></b>

*See Independent Auditor's Report*



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 27, 2017

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

Board of Education  
South Seneca Central School District  
Ovid, New York

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

We have audited South Seneca Central School District’s (the School 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 School District’s major federal programs for the year ended June 30, 2017. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

***Management’s Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor’s Responsibility***

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

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

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

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

## **Report on Internal Control over Compliance**

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

Respectfully Submitted,

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 27, 2017

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor/Pass - Through Grantor Program Title</b>	<b>Federal CFDA #</b>	<b>Pass - Through Grantor #</b>	<b>Pass - Through to Subrecipients</b>	<b>Expenditures</b>
<b>U.S. Department of Education</b>				
<b>Passed Through NYS Department of Education</b>				
Special Education Cluster:				
Special Education - Grants to States (IDEA, Part B)	84.027	0032-17-0848	\$	\$ 244,109
Special Education - Preschool Grants (IDEA Preschool)	84.173	0033-17-0848		5,133
Total Special Education Cluster			-	249,242
Title I Grants to Local Educational Agencies	84.010	0021-17-2810		288,448
Title I School Improvement Grant	84.010	0011-17-2710		11,582
Title I School Improvement Grant	84.010	0011-16-2710		836
Total Title I			-	300,866
Rural Education	84.358	0006-17-2810		3,234
Rural Education	84.358	0006-16-2810		5,517
Total Rural Education			-	8,751
Improving Teacher Quality State Grants	84.367	0147-17-2810		13,053
Improving Teacher Quality State Grants	84.367	0147-16-2810		27,212
Total Improving Teacher Quality State Grants			-	40,265
<b>Total U.S. Department of Education</b>			-	599,124
<b>U.S. Department of Agriculture</b>				
<b>Passed Through NYS Department of Education</b>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	009900		99,400
National School Lunch Program	10.555	009900		267,901
Summer Food Service Program for Children	10.559	009900		11,092
Total Child Nutrition Cluster			-	378,393
<b>Total U.S. Department of Agriculture</b>			-	378,393
<b>Total Expenditures of Federal Awards</b>			<b>\$ - \$</b>	<b>977,517</b>

*See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards*

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017**

**Note 1**     **Basis of Presentation**

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

**Note 2**     **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

**Note 3**     **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

**Note 4**     **Matching Costs**

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

**Note 5**     **Non-Monetary Federal Program**

The School 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 School District received and used \$25,416 worth of commodities under the National School Lunch Program (CFDA #10.555).

**Note 6**     **Subrecipients**

No amounts were provided to subrecipients.

**Note 7**     **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

# ***SOUTH SENECA CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017**

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ yes    X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ yes    X none reported

Noncompliance material to financial statements noted? \_\_\_ yes    X no

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified? \_\_\_ yes    X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ yes    X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_ yes    X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk? X yes    \_\_\_ no

**Section II - Financial Statement Findings** None

**Section III - Federal Award Findings and Questioned Costs** None