

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

GENESEE VALLEY CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Genesee Valley Central School District
Belmont, New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of *Genesee Valley Central School District* as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the *Genesee Valley Central School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Genesee Valley Central School District* as of June 30, 2017, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 4 to the financial statements, the District implemented Governmental Accounting Standards Board Statement Number 75 during the current fiscal year which resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the **Genesee Valley Central School District's** June 30, 2016 financial statements, and our report dated October 2, 2016, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of District's contributions – OPEB, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans on pages 3 through 9, 37 through 38, and 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Genesee Valley Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017 on our consideration of **Genesee Valley Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Genesee Valley Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 2, 2017**

I. Discussion and Analysis

The following is a discussion and analysis of the *Genesee Valley Central School District's* financial performance for the year ended June 30, 2017. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the *Genesee Valley Central School District* during the fiscal year ended June 30, 2017:

- Overall net position from operations of the District increased during the current year in the amount of \$439,000 as compared to an increase of \$1,289,000 during the prior fiscal year. In addition, the District recorded a prior period adjustment related to the implementation of GASB 75 in the amount of approximately \$977,000 which decreased net position.
- The District's total revenue increased 2% from \$15,478,000 during June 30, 2016 to \$15,778,000 during June 30, 2017. This increase was primarily the result of an increase in program revenue related to new grants for extended school day and 3 year old prekindergarten programs.
- The District's total expenses increased approximately 8% from \$14,189,000 during the year ended June 30, 2016 to \$15,339,000 during the year ended June 30, 2017. This increase was primarily related to a new actuarial study and change in assumptions for the Teachers' Retirement System resulting in additional pension expense. In addition, there were increases in salaries and health care costs.
- The District's had capital outlays during the current year in the amount of approximately \$1,209,000, which was related to the purchase of transportation vehicles and \$13.8 million Capital Project.

III. Overview of the Financial Statements

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

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

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

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

1. Statement of Net Position

The Statement of Net Position (page 10) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the District. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

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

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

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

III. Overview of the Financial Statements (continued)

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

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

The District has two kinds of funds:

1. Governmental Funds

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

III. Overview of the Financial Statements (continued)

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

1. Governmental Funds (continued)

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

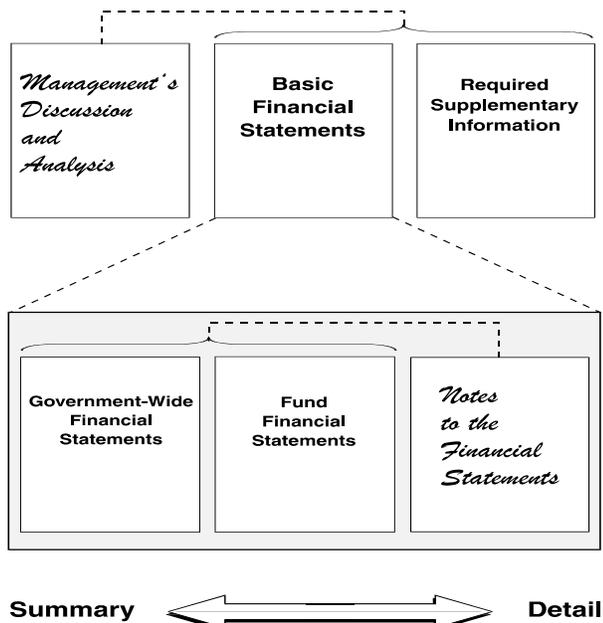
2. Fiduciary Funds

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

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

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

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



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

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 8% to \$15,339,000. The District's expenses cover a range of services, with 70% related to instruction and 19% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 2%, while total expenses increased 8%. The District's total net position increased approximately \$439,000 or 3% from operations during the fiscal year ended June 30, 2017.

Figure A-5 presents the major sources of revenue of the District. Revenue of the District totaled \$15,778,000 for the fiscal year ended June 30, 2017. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue, which represents approximately 18% of the District's total revenue for governmental activities, decreased approximately 0% during the year ended June 30, 2017.
- The District's most significant revenue is state sources which represent \$11,070,000 or 70% of total governmental revenue. The District's state sources increased approximately 1% which was primarily related to an increase in State aid.
- During the year ended June 30, 2017, the District saw an increase in program revenue which mostly resulted from an increase in operating grants in the amount of \$341,000. This increase was primarily related to an increase in grant revenue related to new extended day and 3 year old prekindergarten programs.

IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$12,523,000. The components of net position include: invested in capital assets, net of related debt, of \$3,419,000; restricted net position of \$4,266,000; and unrestricted net position of \$4,838,000 as of June 30, 2017.

Changes in Net Position

The District's total government-wide revenue increased by approximately 2% to \$15,778,000. Approximately 18%, 8% and 70% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 4% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

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

Expenses

Figure A-8 presents the cost of each of the District's largest expenditure-types, which include; general support, instruction, transportation and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$15,339,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$204,000 or 8% which was primarily related to a new actuarial study and change in assumptions for TRS resulting in additional pension expense.
- The District's instruction costs increased by approximately \$1,052,000 or 11% which was primarily the result of the new actuarial study and changes in assumptions for TRS resulting in additional pension expense. In addition, the increase is the result of increases in both salaries and health care costs.
- Debt service of the District decreased approximately \$82,000 during the year ended June 30, 2017, which primarily resulted from a decrease in interest expense.
- Transportation costs of the District decreased 4% or \$20,000 during the year ended June 30, 2017.
- The District's cost of sales (food service fund) totaled \$404,000 during the current year as compared to \$408,000 during the fiscal year ended June 30, 2016. This decrease was related to a decrease in salaries and benefits, along with food costs in the current year.
- The District received approximately \$1,390,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$13.9 million) were financed by state aid and real property taxes.

Figure A-3 – Condensed Statement of Net Position

<i>Genesee Valley Central School District</i>			
Condensed Statement of Net Position (in thousands of dollars)			
	Governmental Activities and Total District-wide		
	2017	2016	% Change
Assets			
Current and other assets	\$ 9,647	\$ 12,571	-23%
Capital assets	25,713	25,897	-1%
Total assets	35,360	38,468	-8%
Deferred outflows of resources			
Deferred outflows related to pensions and	3,417	1,414	142%
Deferred outflows of resources and assets	\$ 38,777	\$ 39,882	-3%
Liabilities			
Other liabilities	\$ 1,581	\$ 1,073	47%
Long-term liabilities	24,391	24,643	-1%
Total liabilities	25,972	25,716	1%
Deferred inflows of resources			
Deferred inflows related to pensions	282	1,106	-75%
Deferred inflows of resources and liabilities	26,254	26,822	-2%
Net position			
Net investment in capital assets	3,419	2,324	47%
Restricted	4,266	7,272	-41%
Unrestricted	4,838	3,464	40%
Total net position	12,523	13,060	-4%
Total liabilities, deferred inflows of resources, and net position	\$ 38,777	\$ 39,882	-3%

Figure A-4 – Changes in Net Position

<i>Genesee Valley Central School District</i>			
Changes in Net Position from Operating Results (in thousands of Dollars)			
	Governmental Activities and Total District-wide		
	2017	2016	% Change
Revenue			
Program revenue			
Charges for services	\$ 169	\$ 224	-25%
Operating grants and contributions	1,221	880	39%
General revenue			
Real property taxes	2,896	2,906	0%
Use of money & property	96	81	19%
Sale of property & comp for loss	3	-	n/a
State sources	11,070	11,013	1%
Federal sources	95	134	-29%
Miscellaneous	228	240	-5%
Total revenue	15,778	15,478	2%
Expenses			
General support	2,850	2,646	8%
Instruction	10,704	9,652	11%
Transportation	535	555	-4%
Debt service - interest	846	928	-9%
Cost of sales	404	408	-1%
Total expenses	15,339	14,189	8%
Change in net position	\$ 439	\$ 1,289	

Figure A-5 – Sources of Revenue

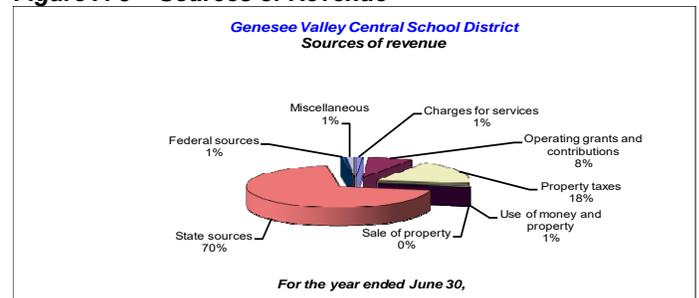


Figure A-6 - Expenses

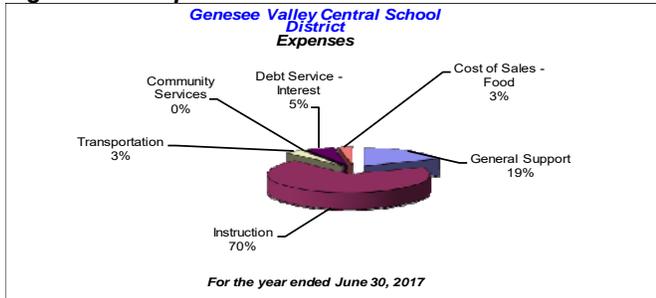


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2017		2016	
Expenditures supported with general revenue (from taxes & other sources)	\$ 13,949	91%	\$ 13,085	92%
Expenditures supported with program revenue	1,390	9%	1,104	8%
Total expenditures related to governmental activities	\$ 15,339	100%	\$ 14,189	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2017	2016	Change	2017	2016	Change
General support	\$ 2,850	\$ 2,646	\$ 204	\$ 2,850	\$ 2,646	\$ 204
Instruction	10,704	9,652	1,052	9,680	8,892	788
Transportation	535	555	(20)	526	554	(28)
Debt service - interest	846	928	(82)	846	928	(82)
Cost of sales - food	404	408	(4)	46	65	(19)
Total	\$ 15,339	\$ 14,189	\$ 1,150	\$ 13,949	\$ 13,085	\$ 864

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term

V. Financial Analysis of the School District's Funds

Debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund expenditures and other uses exceeded its revenue and other sources by approximately \$2,447,000.
- The District's general fund unassigned fund balance equated to approximately \$1,520,000 as of June 30, 2017.
- The District established many fund balance reserves during the year ended June 30, 2017, and had a total restricted fund balance that approximated \$4,254,000.
- The District's total assets decreased approximately \$2,479,000 as of June 30, 2017 primarily as the result of a decrease in cash. The District's liabilities decreased approximately \$32,000, as a result of a decrease in accounts payable and due to TRS which was partially offset by an increase in accrued liabilities.
- Total revenue in the District's general fund decreased \$82,000, which was primarily related to a decrease in Medicaid and tuition from other districts. Total expenditures in the District's general fund increased \$3,226,000 primarily as a result of a transfer of the repair reserve to the capital project fund as authorized by the voters and increases in salaries and health insurance costs.

Food Service Fund

- The District's food service fund experienced a \$4,000 increase in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$407,000 during 2017 as compared with \$393,000 in 2016. Expenditures decreased approximately \$4,000 as compared to the prior year primarily related to lower food costs and a decrease in salaries and benefits. The District made a \$50,000 transfer from the general fund during the current year to subsidize operations.

Special Aid Fund

- The District's special aid fund revenue and expenditures increased approximately \$319,000 or 56% which was primarily related to funding received for the extended school day and 3 year old Pre-K programs

Capital Projects Fund

- The District had expenditures in the amount of \$988,000 in capital projects during the year ended June 30, 2017 related to \$13.8 million capital project.

VI. General Fund Budgetary Highlights

Over the course of the year, the District makes many budget transfers, which is the common method utilized to manage the budget throughout the year. Actual expenditures were approximately \$1,370,000 below the revised budget. The most significant variances were in the area general support, instruction and employee benefits which totaled \$158,000, \$628,000 and \$492,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$535,000 below the final budgeted amount. Significant variance of revenue items consisted of other sources which were approximately \$257,000, below that budgeted and state sources which were \$262,000 below that budgeted.

Figure A-9 – Budget vs. Actual Comparison

<i>Genesee Valley Central School District</i>				
General Fund - Budget vs Actual Comparison (in thousands of dollars)				
	Revised Budget	Actual	Difference	%
Revenue				
Local sources	\$ 3,380	\$ 3,364	\$ (16)	0%
State sources	11,332	11,070	(262)	-2%
Federal sources	95	95	0	0%
Other sources	257	-	(257)	-100%
Total revenue	\$ 15,064	\$ 14,529	\$ (535)	-4%
Expenditures				
General support	\$ 2,359	\$ 2,201	\$ 158	7%
Instruction	7,286	6,658	628	9%
Transportation	646	504	142	22%
Employee benefits	3,111	2,619	492	16%
Debt service	2,128	2,128	-	0%
Operating transfers	2,815	2,865	(50)	-2%
Total expenditures	\$ 18,345	\$ 16,975	\$ 1,370	7%

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2017, the District had invested approximately \$25,713,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles, computer equipment, and other equipment. Capital additions made during the year ended June 30, 2017, totaled approximately \$1,209,000 and consisted primarily of the costs associated with the \$13.8 million capital project and purchase of transportation vehicles. More detailed information about the District's capital assets is presented in the notes of the financial statements.

**VII. Capital Assets and Debt Administration
(continued)**

Long-term Debt

As depicted in Figure A-11, as of June 30, 2017, the District had approximately \$24,391,000 in bonds, other post-employment benefits liabilities, net pension liabilities and compensated absences, a decrease of approximately \$252,000 as compared with the previous year. The decrease in bonds payable was the result of the District making regularly scheduled payments. Compensated absences was related to the total sick days accrued for employees over the age of 55. The District had an increase in other post-employment benefits as a result of the implementation of GASB 75.

Figure A-10 – Capital Assets

<i>Genesee Valley Central School District</i>			
Capital Assets (net of depreciation)			
	Governmental Activities & Total District-wide		
	2017	2016	Change
Land	\$ 344,731	\$ 344,731	0%
Buildings	34,673,566	34,673,566	0%
Construction in progress	987,600	-	n/a
Equipment	5,617,470	5,526,304	2%
Accumulated depreciation	(15,910,618)	(14,647,535)	9%
Total Capital Assets, net	\$ 25,712,749	\$ 25,897,066	-1%

Figure A-11 – Outstanding Long-term Debt

<i>Genesee Valley Central School District</i>			
Outstanding Long-Term Debt and Liabilities			
	Governmental Activities & Total District-wide		
	2017	2016	Change
Bonds payable	\$ 22,293,101	\$ 23,573,229	-5%
Net pension liabilities	811,120	866,905	-6%
Other post-employment benefits	1,133,115	47,499	2286%
Compensated absences	153,934	155,248	-1%
Total Long-Term Debt	\$ 24,391,270	\$ 24,642,881	-1%

VIII. Factors Bearing on the District's Future

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

- The factor that will likely have the largest impact on the District is the financial condition of New York State. With the passage of the two percent tax cap which limits the District's ability to raise funds to be used to offset losses of state and federal aid, the economic condition of New York State will undoubtedly have an impact on the District's future financial condition. Unfunded mandates, such as No Child Left Behind and Common Core, continue to increase the District's expenditures while the tax cap decreases the ability to raise funds.
- Rising health insurance rates and increasing personnel costs will also lead to increased program costs.

IX. Contacting the District's Financial Management

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

Genesee Valley Central School District
Attention: Ms. Erin Ostrander
Business Manager
Belmont, New York

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

Schedule 1

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	<u>2017</u>	<u>2016</u>
Assets		
Cash		
Unrestricted	\$ 4,588,752	\$ 1,977,663
Restricted	4,265,655	7,272,335
Receivables		
State and federal aid	752,099	461,793
Other receivables	780	780
Due from other governments	28,210	31,434
Inventories	11,288	7,858
Net pension asset - NYS Teachers' Retirement System	-	2,818,558
Capital assets, net	25,712,749	25,897,066
Total assets	<u>35,359,533</u>	<u>38,467,487</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	3,347,407	1,414,361
Deferred outflows related to OPEB	69,629	-
Total assets and deferred outflows of resources	<u>\$ 38,776,569</u>	<u>\$ 39,881,848</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 772,881	\$ 313,011
Accrued liabilities	99,611	6,786
Accrued interest	36,000	38,000
Due to other fiduciary funds	31	-
Due to retirement systems	671,766	698,863
Unearned revenue	1,114	16,598
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	1,270,000	1,210,000
Portion due or payable after one year		
Bonds payable	21,023,101	22,363,229
Net pension liability - NYS Teachers' Retirement System	304,763	-
Net pension liability - NYS Employees' Retirement System	506,357	866,905
Other post-employment benefit	1,133,115	47,499
Compensated absences	153,934	155,248
Total liabilities	<u>25,972,673</u>	<u>25,716,139</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	281,533	1,105,695
Total liabilities and deferred inflows of resources	<u>26,254,206</u>	<u>26,821,834</u>
Net Position		
Net investment in capital assets	3,419,648	2,323,837
Restricted	4,265,655	7,272,335
Unrestricted	4,837,060	3,463,842
Total net position	<u>12,522,363</u>	<u>13,060,014</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 38,776,569</u>	<u>\$ 39,881,848</u>

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

Schedule 2

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	Expenses	Indirect Expenses Allocation	Program Revenues		2017 Net (Expense) Revenue and Changes in Net Position	2016 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
Functions/Programs						
General support	\$ 2,540,019	\$ 310,389	\$ -	\$ -	\$ (2,850,408)	\$ (2,645,796)
Instruction	9,670,150	1,034,116	139,047	884,382	(9,680,837)	(8,892,992)
Pupil transportation	485,572	49,157	717	7,735	(526,277)	(554,163)
Debt service	846,303	-	-	-	(846,303)	(927,618)
Food service program	403,598	-	28,966	328,414	(46,218)	(64,820)
Depreciation	1,393,662	(1,393,662)	-	-	-	-
Total functions and programs	<u>\$ 15,339,304</u>	<u>\$ -</u>	<u>\$ 168,730</u>	<u>\$ 1,220,531</u>	<u>(13,950,043)</u>	<u>(13,085,389)</u>
General Revenues						
Real property taxes					2,895,976	2,905,693
Use of money and property					96,373	80,856
Sale of property and compensation for loss					3,148	376
Miscellaneous					228,173	240,049
State sources					11,070,456	11,013,661
Federal sources					95,008	133,945
Total general revenues					<u>14,389,134</u>	<u>14,374,580</u>
Change in net assets					439,091	1,289,191
Net position - beginning of year					13,060,014	11,100,265
Prior period adjustment					(976,742)	670,558
Net position - end of year					<u>\$ 12,522,363</u>	<u>\$ 13,060,014</u>

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

Schedule 3

Page 12

	Governmental Funds					
	General	Special Aid	Food Service	Capital Projects	2017 (Memo only) Total	2016 (Memo only) Total
Assets						
Unrestricted cash	\$ 2,068,987	\$ 131,410	\$ 32,417	\$ -	\$ 2,232,814	\$ 1,977,663
Restricted cash	4,254,367	-	-	2,367,226	6,621,593	7,272,335
Due from other funds	662,010	7,025	-	123	669,158	534,901
State and federal aid receivable	167,344	561,661	23,094	-	752,099	461,793
Other receivables	780	-	-	-	780	780
Due from other governments	27,752	-	458	-	28,210	31,434
Inventories	-	-	11,288	-	11,288	7,858
Total assets	<u>\$ 7,181,240</u>	<u>\$ 700,096</u>	<u>\$ 67,257</u>	<u>\$ 2,367,349</u>	<u>\$ 10,315,942</u>	<u>\$ 10,286,764</u>
Liabilities and Fund Equity						
Liabilities						
Accounts payable	\$ 230,843	\$ 53,935	\$ 7,213	\$ 480,890	\$ 772,881	\$ 313,011
Accrued liabilities	99,299	-	312	-	99,611	6,786
Due to other funds	-	646,161	23,028	-	669,189	534,901
Unearned revenue	1,114	-	-	-	1,114	16,598
Due to Teachers' Retirement System	609,355	-	-	-	609,355	639,407
Due to Employees' Retirement System	62,411	-	-	-	62,411	59,456
Total liabilities	<u>1,003,022</u>	<u>700,096</u>	<u>30,553</u>	<u>480,890</u>	<u>2,214,561</u>	<u>1,570,159</u>
Fund Equity						
Fund equity:						
Restricted	4,254,367	-	11,288	-	4,265,655	7,272,335
Assigned	403,568	-	25,416	1,886,459	2,315,443	549,942
Unassigned	1,520,283	-	-	-	1,520,283	894,328
Total fund equity	<u>6,178,218</u>	<u>-</u>	<u>36,704</u>	<u>1,886,459</u>	<u>8,101,381</u>	<u>8,716,605</u>
Total liabilities and fund equity	<u>\$ 7,181,240</u>	<u>\$ 700,096</u>	<u>\$ 67,257</u>	<u>\$ 2,367,349</u>	<u>\$ 10,315,942</u>	<u>\$ 10,286,764</u>

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

Schedule 4

Page 13

	Governmental Funds				2017	2016
	General	Special Aid	Food Service	Capital Projects	(Memo only) Total	(Memo only) Total
Revenue						
Real property taxes	\$ 2,895,976	\$ -	\$ -	\$ -	\$ 2,895,976	\$ 2,905,693
Charges for services	139,764	-	-	-	139,764	187,708
Use of money and property	96,217	-	4	152	96,373	80,856
Sale of property compensation for loss	3,148	-	-	-	3,148	376
Miscellaneous	227,972	-	4,806	201	232,979	246,870
State sources	11,070,456	494,999	9,451	-	11,574,906	11,212,304
Federal sources	95,008	397,118	290,854	-	782,980	793,772
Surplus food	-	-	28,109	-	28,109	21,502
Sales (school food service)	-	-	24,160	-	24,160	29,100
Total revenue	14,528,541	892,117	357,384	353	15,778,395	15,478,181
Expenditures						
General support	2,200,923	-	155,414	-	2,356,337	2,176,577
Instruction	6,657,357	713,578	-	-	7,370,935	6,965,551
Pupil transportation	504,290	7,735	-	-	512,025	586,564
Employee benefits	2,619,303	170,804	57,384	-	2,847,491	2,621,411
Debt service						
Principal	1,210,000	-	-	-	1,210,000	1,100,000
Interest	918,431	-	-	-	918,431	1,029,707
Capital outlay	-	-	-	987,600	987,600	-
Cost of sales	-	-	190,346	-	190,346	198,860
Other expenses	-	-	454	-	454	777
Total expenditures	14,110,304	892,117	403,598	987,600	16,393,619	14,679,447
Excess (deficiency) of revenue over expenditures	418,237	-	(46,214)	(987,247)	(615,224)	798,734
Other sources and uses						
Operating transfers in	-	-	50,000	2,815,000	2,865,000	97,699
Operating transfers out	(2,865,000)	-	-	-	(2,865,000)	(97,699)
Total other sources (uses)	(2,865,000)	-	50,000	2,815,000	-	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	(2,446,763)	-	3,786	1,827,753	(615,224)	798,734
Fund equity, beginning of year	8,624,981	-	32,918	58,706	8,716,605	7,917,871
Fund equity, end of year	\$ 6,178,218	\$ -	\$ 36,704	\$ 1,886,459	\$ 8,101,381	\$ 8,716,605

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF JUNE 30, 2017

Schedule 5

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	Private Purpose Trusts	Agency Funds	Total 6/30/2017	(Memo only) Total 6/30/2016
Assets				
Cash	\$ 24,059	\$ 73,755	\$ 97,814	\$ 107,609
Due from other funds	-	31	31	-
Total assets	\$ 24,059	\$ 73,786	\$ 97,845	\$ 107,609
Liabilities				
Accrued liabilities	\$ -	\$ 22,433	\$ 22,433	\$ 42,248
Student extraclassroom activity funds	-	51,353	51,353	41,035
Total liabilities	-	73,786	73,786	83,283
Net position				
Reserved for scholarships	24,059	-	24,059	24,326
Total liabilities and net position	\$ 24,059	\$ 73,786	\$ 97,845	\$ 107,609

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

Schedule 6

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	6/30/2017	(Memo only) 6/30/2016
Additions		
Gifts and contributions	\$ -	\$ 6,356
Interest earnings	28	12
Total additions	28	6,368
Deductions		
Scholarships awarded	295	3,275
Change in net position	(267)	3,093
Net position - beginning of year	24,326	21,233
Net position - end of year	\$ 24,059	\$ 24,326

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

Total fund balances - governmental funds		\$ 8,101,381
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:		
Cost of the assets	\$ 41,623,367	
Accumulated depreciation	<u>(15,910,618)</u>	25,712,749
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(36,000)
Deferred inflows/outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds pension expense is based on required contributions.		3,065,874
Deferred inflows/outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds OPEB expense is based on required contributions.		69,629
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:		
Bonds payable	(22,293,101)	
Net pension liability - TRS	(304,763)	
Net pension liability - ERS	(506,357)	
Other post-employment benefits	(1,133,115)	
Compensated absences	<u>(153,934)</u>	(24,391,270)
Total net position - governmental activities		<u>\$ 12,522,363</u>

	Total Governmental Funds	Long-term Asset Transactions	Long-term Liability Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 8,854,407	\$ -	\$ -	\$ -	\$ 8,854,407
Due from other funds	669,158	-	-	(669,158)	-
State and federal aid receivable	752,099	-	-	-	752,099
Other receivables	780	-	-	-	780
Due from other governments	28,210	-	-	-	28,210
Inventories	11,288	-	-	-	11,288
Capital assets, net	-	25,712,749	-	-	25,712,749
Total assets	10,315,942	25,712,749	-	(669,158)	35,359,533
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	3,347,407	-	-	3,347,407
Deferred outflows related to OPEB	-	69,629	-	-	69,629
Total assets and deferred outflows of resources	\$ 10,315,942	\$ 29,129,785	\$ -	\$ (669,158)	\$ 38,776,569
Liabilities and Fund Equity/Net Position					
Liabilities					
Accounts payable	\$ 772,881	\$ -	\$ -	\$ -	\$ 772,881
Accrued liabilities	99,611	-	-	-	99,611
Accrued interest	-	-	36,000	-	36,000
Due to other funds	669,189	-	-	(669,158)	31
Deferred revenue	1,114	-	-	-	1,114
Due to retirement systems	671,766	-	-	-	671,766
Bonds payable	-	-	22,293,101	-	22,293,101
Net pension liability-TRS	-	-	304,763	-	304,763
Net pension liability-ERS	-	-	506,357	-	506,357
Other post-employment benefits	-	-	1,133,115	-	1,133,115
Compensated absences	-	-	153,934	-	153,934
Total liabilities	2,214,561	-	24,427,270	(669,158)	25,972,673
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	281,533	-	-	281,533
Total liabilities and deferred inflows of resources	2,214,561	281,533	24,427,270	(669,158)	26,254,206
Fund equity and net position	8,101,381	28,848,252	(24,427,270)	-	12,522,363
Total liabilities and fund equity/net position	\$ 10,315,942	\$ 29,129,785	\$ -	\$ (669,158)	\$ 38,776,569

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds \$ (615,224)

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

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

Capital outlays	\$ 1,209,345	
Depreciation expense	<u>(1,393,662)</u>	(184,317)

Repayment of bond principal, including payment towards the refunding of bonds, capital lease principal and bond anticipation notes principal is an expenditure the governmental funds but the repayment reduces long-term liabilities in the statement of net assets. 1,210,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus required the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 72,128

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts from changes in proportion are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans. (5,565)

District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows related to OPEB are recorded in the statement of activities, whereas in the governmental funds OPEB expense is based on District's required contribution to the OPEB plan. (39,245)

In the statement of activities, certain operating expenses - compensated absences and other post-employment benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, other post-employment benefits and compensated absences changed by this amount. 1,314

Change in net position of governmental activities \$ 439,091

	Total Governmental Funds	Long-term Asset Transactions	Long-term Liability Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 2,895,976	\$ -	\$ -	\$ -	\$ 2,895,976
Charges for services	139,764	-	-	(139,764)	-
Use of money and property	96,373	-	-	-	96,373
Sale of property compensation for loss	3,148	-	-	-	3,148
Miscellaneous	232,979	-	-	(4,806)	228,173
State sources	11,574,906	-	-	(504,450)	11,070,456
Federal sources	782,980	-	-	(687,972)	95,008
Surplus food	28,109	-	-	(28,109)	-
Sales (school food service)	24,160	-	-	(24,160)	-
Total revenue	15,778,395	-	-	(1,389,261)	14,389,134
Expenditures					
General support	2,356,337	305,687	-	188,384	2,850,408
Instruction	7,370,935	955,829	(1,314)	1,355,387	9,680,837
Pupil transportation	512,025	(89,599)	-	103,851	526,277
Employee benefits	2,847,491	-	44,810	(2,892,301)	-
Debt service	2,128,431	-	(1,282,128)	-	846,303
Capital outlay	987,600	(987,600)	-	-	-
Cost of sales	190,346	-	-	(144,128)	46,218
Other expenses	454	-	-	(454)	-
Total expenditures	16,393,619	184,317	(1,238,632)	(1,389,261)	13,950,043
Excess (deficiency) of revenue over expenditures	(615,224)	(184,317)	1,238,632	-	439,091
Other sources and uses					
Operating transfers in	2,865,000	-	-	(2,865,000)	-
Operating transfers out	(2,865,000)	-	-	2,865,000	-
Total other sources (uses)	-	-	-	-	-
Net change for year	\$ (615,224)	\$ (184,317)	\$ 1,238,632	\$ -	\$ 439,091

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

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

A. Reporting Entity

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

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

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of the *Genesee Valley Central 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. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are included as supplementary information to these audited financial statements, located on pages 58-61 of this report.

B. Joint Venture

The *Genesee Valley Central School District* is one of 22 component school districts in the Cattaraugus-Allegany 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

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

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

During the year, the District was billed approximately \$1,881,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$1,118,000 for the year ended June 30, 2017. Financial statements for the Cattaraugus-Allegany BOCES are available at the BOCES administrative offices in Olean, New York.

C. Basis of Presentation

1. District-wide Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

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

2. Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

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

D. Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Non-expendable trust funds are accounted for on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

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

E. Cash and Cash Equivalents

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

F. Inventory

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

G. Investments

Investments are stated at current market value.

H. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 2,000	Straight-line	40 years
Land improvements	\$ 2,000	Straight-line	25-30 years
Furniture and equipment	\$ 2,000	Straight-line	5-20 years
Transportation vehicles	\$ 2,000	Straight-line	8 years

I. Due To/From Other Funds

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

J. Compensated Absences

Sick leave Pay and Retirement Incentive- certain of the District's employee groups have negotiated retirement incentive benefits payable based on accumulated unused sick and personal days. Generally the employee must have accumulated minimum years of service with the District and must be eligible for retirement under the provisions of either the teacher or employee retirement systems. The District has recorded an estimated liability in the District-wide financial statement amounting to \$153,934 to recognize the cost of the incentive benefits for those employees eligible to receive such a benefit. Payment of these benefits is dependent on many factors, therefore, the timing of future payments is not readily determinable.

The District believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds.

K. Unearned Revenue

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

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

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

K. Unearned Revenue (continued)

expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. Unearned revenues recorded in the governmental funds are not recorded in the District-wide statements.

L. Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Next is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. Lastly, the third item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

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

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

M. Post-Employment Benefits

In addition to the retirement benefits described in Note 3, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of these employees, upon reaching normal retirement age while working for the District, will have the District pay their health insurance premiums from their retirement incentive benefits (until exhausted) in accordance with their respective employment contract.

N. Fund Equity

1. Governmental Funds

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

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

A. Nonspendable

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

1. Inventory Reserve

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

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

1. Property Loss and Liability Reserve

This reserve is used to accumulate funds to pay property loss and liability claims incurred. The total amount accumulated in the reserve may not exceed 3% of the total annual budget. The reserve is accounted for in the General Fund.

2. Employee Retirement Contribution Reserve

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

3. Unemployment Reserve

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

4. Reserve for Employee Benefits

The purpose of this reserve is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

4. Reserve for Employee Benefits (continued)

This reserve fund may be established by a majority vote of the Board of Education 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.

5. Debt Service Reserve

This reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These reserves are accounted for in the General Fund.

6. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve.

7. Reserve for Repairs

This reserve is used to accumulate funds to finance future costs of major repairs to capital improvements or equipment. Voter authorization is required to fund the reserve. Expenditures from this reserve may be made only after a public hearing has been held. In an emergency, expenditures may be made from the reserve fund without a public hearing with approval of two thirds of the Board of Education. The emergency expenditure must be repaid within the next two succeeding years. This reserve is accounted for in the General Fund.

8. Endowment Scholarships Reserve

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2017.

D. Assigned

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

A. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Reserve for encumbrances as of June 30, 2017 totaled \$178,568.

A. Appropriated Fund Equity

General Fund – The amount of \$225,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2018 as allowed by Section 1318 of the Real Property Tax Law.

E. Unassigned

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

2. Government-wide financial statements

A. Invested in Capital Assets, Net of Related Debt

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

A. Restricted

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

A. Unrestricted

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

A. Order of Fund Balance Spending Policy

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Budgetary Procedures and Budgetary Accounting

A. Budget Policies

The budget policies are as follows:

- A) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- A) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the fiscal year ended June 30, 2017, the District had supplemental appropriations in the amount of \$2,815,000 related to the transfer a portion of the repair reserve to the capital projects fund as authorized by the voters.

A. Budget Basis for Accounting

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

The budget and actual comparison for the Food Service Fund reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Property Taxes

A. Calendar

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

A. Enforcement

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

Q. Interfund Transfers

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

R. Deferred Compensation Plan

Genesee Valley Central School District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b) – Tax Sheltered Annuities (TSA). The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' TSA plan administrator. The TSA plans are owned by the individuals and held in trust by the plan administrator. The School District has a fiduciary responsibility for funds withheld and remittance to trustees.

S. Estimates

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

T. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

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

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

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

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

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

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

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

A. Long-term Revenue Differences

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

A. Capital Related Differences

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

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (continued)**

A. Long-term Debt Transaction Differences

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. Cash

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

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

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2017, the District's bank deposits were fully collateralized.

A. Deposits

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

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

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. Deposits

Total financial institution (bank) balances at June 30, 2017 per the bank were approximately \$9,018,000. Deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$255,000	\$ 8,763,000	\$ -	\$ 9,018,000

II. Interfund Transactions

Interfund balances and transactions as of and during the year ended June 30, 2017 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 662,010	\$ -
Food Service Fund	-	23,028
Special Aid Fund	7,025	646,161
Capital Projects Fund	123	-
Trust & Agency Fund	31	-
Total	\$ 669,189	\$ 669,189
	Interfund Revenue	Interfund Expenditures
Special Aid Fund	\$ -	\$ -
Food Service Fund	50,000	50,000
General Fund	-	2,815,000
Capital Projects Fund	2,815,000	-
Total	\$ 2,865,000	\$ 2,865,000

During the year ended June 30, 2017, the District transferred \$2,815,000 from the general fund to the capital projects fund. In addition, the District transferred \$50,000 from the general fund to the food service fund to subsidize the current year loss from operations in the cafeteria.

III. Receivables

Receivables at June 30, 2017 consisted of the following and management has deemed the amounts to be fully collectible.

Fund	Description	Amount
Special Aid	State and Federal Aid	\$ 561,661
Food Service	State and Federal Aid	23,094
Food Service	Due from Other Governments	458
General	State and Federal Aid	167,344
General	Due from Other Governments	27,752
General	Other Receivables	780
		\$ 781,089

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

IV. Capital Assets

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

	Beginning Balance 06/30/16	Net change	Ending Balance 06/30/17
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 344,731	\$ -	\$ 344,731
Construction-in-progress	-	987,600	987,600
Capital assets that are depreciated:			
Buildings and improvements	34,673,566	-	34,673,566
Furniture and equipment	5,526,304	91,166	5,617,470
Total depreciable historical cost	40,544,601	1,078,766	40,291,036
Less accumulated depreciation:			
Buildings and improvements	11,331,027	1,011,096	12,342,123
Furniture and equipment	3,316,508	251,987	3,568,495
Total accumulated depreciation	14,647,535	\$ 1,263,083	15,910,618
Total net book value	\$25,897,066		\$25,712,749

Depreciation expense was charged to governmental functions during the current year as follows:

General support	\$ 310,389
Instruction	1,034,116
Pupil transportation	49,157
	\$ 1,393,662

The District had capital additions in the amount of \$1,209,345.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities

A. Pension Plans

A. General Information

The *Genesee Valley Central School District* participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). These are cost-sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

A. Plan Descriptions

A. Teachers' Retirement System (ERS)

The NYS TRS is administered by the New York State Teachers' Retirement Board. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The NYS TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

A. Plan Descriptions (continued)

b. Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

3. Funding Policies

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976. Employees who joined the Teachers' Retirement System after 1976, who have less than ten years of service are required to contribute 3% of their salary. Employers are required to contribute at an actuarially determined rate, currently at 11.72%, of the annual covered payroll for the fiscal year ended June 30, 2017. Rates applicable to the fiscal years ended June 30, 2016 and 2015 were 13.26% and 17.53%, respectively. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of members' payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Funding Policies (continued)

The School District is required to contribute at an actuarially determined rate. The required and actual contributions for the current year and two preceding years were:

<u>Year</u>		<u>TRS</u>		<u>ERS</u>
2017	\$	609,000	\$	228,000
2016		639,000		208,000
2015		762,000		216,000

The School District contributions made to the Systems were equal to 100% of the contributions required for each year.

Since 1989, the TRS' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

Over the years, State Legislature authorized local governments to make available retirement incentive programs to qualifying employees. The District had no expenditures incurred or liability accrued related to the retirement incentive liabilities as of and for the year ended June 30, 2017.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

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

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

<u>Actuarial valuation date</u>	<u>ERS</u>	<u>TRS</u>
	<u>3/31/2017</u>	<u>6/30/2016</u>
Net pension liability	\$ 506,357	\$ 304,763
District's portion of the Plan's total net Pension liability	.0053889%	.028455%

For the year ended June 30, 2017, the District's recognized pension expense of \$292,798 for ERS and \$489,368 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 12,689	\$ -	\$ 76,893	\$ 99,004
Changes of assumptions	172,990	1,736,126	-	-
Net difference between projected and actual earnings on pension plan investments	101,140	685,268	-	-
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	18,258	-	11,775	93,861
District's contributions subsequent to the measurement date	62,411	558,525	-	-
Total	\$ 367,488	\$ 2,979,919	\$ 88,668	\$ 192,865

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

Year ended:	ERS		TRS	
2018	\$	160,999	\$	755,755
2019		98,588		197,230
2020		84,913		729,428
2021		(65,680)		563,846
2022		-		250,616
2023		-		290,179

5. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

5. Actuarial Assumptions (continued)

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

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

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

Measurement date	3/31/16	Expected Rate of Return	6/30/15	Expected Rate of Return
Asset Type:				
Domestic equity	36%	4.55%	37%	6.1%
International equity	14%	6.35%	18%	7.3%
Private Equity	10%	7.75%	7%	-%
Real Estate	10%	5.80%	10%	5.4%
Absolute return strategies	2%	4.00%	-%	-%
Opportunistic portfolio	3%	5.89%	-%	-%
Real assets	3%	5.54%	-%	-%
Domestic fixed income securities	-%	-%	17%	1.0%
Global fixed income securities	-%	-%	2%	.8%
Bonds and Mortgages	17%	1.31%	8%	3.1%
Cash and short-term	1%	(.25%)	1%	.1%
Inflation-indexed bond funds	4%	1.50%	-%	-%
Total:	<u>100%</u>		<u>100%</u>	

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

6. Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1- percentage point lower (6% for ERS and 6.5% for TRS) or 1-percentage point higher (8% for ERS and 8.5% for TRS) than the current rate:

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's Proportionate share of the net pension (asset) liability	\$ 1,617,204	\$ 506,357	\$ (432,862)
TRS			
Employer's proportionate share of the net pension (asset) liability	\$ 3,976,331	\$ 304,763	\$ (2,774,755)

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

8. 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:

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

9. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$62,411.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$609,355 (employer contribution \$558,525 and employee contributions of \$50,830).

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits

1. General Information about the OPEB Plan

Plan Description

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

Benefits Provided

The District provides healthcare for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	25
Active Employees	146
	171

1. Total OPEB Liability

The District's total OPEB liability of \$1,133,115 was measured as of July 1, 2016 for the fiscal year ended June 30, 2017.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

1. General Information about the OPEB Plan (continued)

Actuarial Assumptions and Other Inputs

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

Inflation – 1.3%

Salary Increases

<u>Years of Service</u>	<u>Non-Teachers</u>	<u>Teachers/ Administrators</u>
0	10.30%	10.00%
10	4.86%	4.07%
20	4.06%	2.82%
30	3.68%	2.06%
40	3.36%	1.76%

Discount Rate – 2.92%

Healthcare Cost Trend Rates – 9.0% for 2017, decreasing 0.5% to 5.0% for 2025 and later.

Retirees' Share of Benefit-Related Costs – most retirees are responsible for the entire premium rate.

The discount rate was 2.92%, which was based on 20-Year tax-exempt Municipal Bond Index.

Mortality rates were based on the RPH-2015 Total Dataset Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2015-July 1, 2016.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

2. Changes in the Total OPEB Liability

Balance at June 30, 2016, as previously stated	\$ 47,499
Prior period adjustment	976,742
Balance at June 30, 2016, as restated	<u>1,024,241</u>
<u>Changes for the Year</u>	
Service Costs	58,946
Interest	39,103
Changes of Benefit Terms	-
Differences between expected and actual experience	-
Changes in assumptions	74,985
Benefit payments	<u>(64,160)</u>
Net change in total OPEB liability	<u>108,874</u>
Balance at June 30, 2017	<u>\$ 1,133,115</u>

Changes in assumptions

Changes of assumptions and other inputs reflect a change in the discount rate from 3.94% in 2016 to 2.92% in 2017. Payroll growth rate from 2% in 2016 to NYSERS and NYSTRS valuations in 2017. Inflation rate from 2% in 2016 to 1.3% in 2017. Health care trend rate from 8.5%-5.0% in 2016 to 9.0%-5.0% in 2017. Mortality rates based on RP-2000 in 2016 to Scale MP-2015 in 2017.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.92%) or 1% point higher (3.92%) than the current discount rate:

	1% Decrease (1.92%)	Discount Rate (2.92%)	1% Increase (3.92%)
Total OPEB liability	<u>\$ 1,212,259</u>	<u>\$ 1,133,115</u>	<u>\$ 1,059,547</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

3. Changes in the Total OPEB Liability (continued)

Sensitivity of the Total OPEB Liability to changes in the Healthcare Trend Costs

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend costs that are 1% point lower (8%-4%) or 1% point higher (10%-6%) than the current discount rate:

	1% Decrease (8%-4%)	Discount Rate (9%-5%)	1% Increase (10%-6%)
Total OPEB liability	<u>\$ 1,035,501</u>	<u>\$ 1,133,115</u>	<u>\$ 1,246,922</u>

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$103,405. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	<u>69,629</u>	<u>-</u>
Total	<u>\$ 69,629</u>	<u>\$ -</u>

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

Year ended:	Amount
2018	\$ 5,356
2019	5,356
2020	5,356
2021	5,356
2022	5,356
Thereafter	<u>42,849</u>
Total	<u>\$ 69,629</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds is recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the financial statements when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. The District had no short term debt as of June 30, 2017.

2. Long-Term Debt

a. Debt Limit

At June 30, 2017, the total indebtedness represents approximately 124% of its debt limit.

b. Serial Bonds

The District borrows money in order to acquire 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 capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the Statement of Net Position. The provisions to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the year ending June 30, 2012 *Genesee Valley Central School District* issued serial bonds in the amount of \$22,100,000. The bonds carried interest at rate of between of two hundredths percent (2.00%) per annum and five hundredths percent (5.00%) per annum and were set to mature during the fiscal year ended June 30, 2030.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

On June 10, 2015 the District issued serial bonds in the amount of \$4,620,000 carrying a variable interest between a rate of three hundredths percent (3.00%) per annum and five hundredths percent (5.00%) per annum and were set to mature on June 15, 2034.

c. Changes

The changes in the School District's indebtedness during the year ended June 30, 2017 and 2016 are summarized as follows:

	<u>Balance June 30, 2017</u>	<u>Balance June 30, 2016</u>
2012 serial bonds	\$ 17,560,000	\$ 18,540,000
2015 serial bonds	4,733,101	5,033,229
Other post-employment benefits	1,133,115	47,499
Net pension liabilities-		
TRS	304,763	-
ERS	506,357	866,905
Compensated absences	153,934	155,248
	<u>\$ 24,391,270</u>	<u>\$ 24,642,881</u>

During the year, the District made principal payments on its serial bonds in the amount of \$1,210,000 and had amortization on bond premiums in the amount of \$70,128. The net change in compensated absences was a net decrease of \$1,314 during the fiscal year ended June 30, 2017. The net change in other post-employment benefits was an increase of \$1,085,616 during the fiscal year ended June 30, 2017 related to the implementation of GASB 75. Lastly, the District's proportionate share of the NYSERS net pension liability - ERS decreased by \$360,548 during the current year, while TRS went from having a net pension asset in the prior year to a net pension liability in the amount of \$304,763 in the current year.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity

1. The following is a summary of serial bonds indebtedness:

Description of Issue	Outstanding at June 30, 2017
Serial Bonds, issued in 2012 with a maturity date of 2030, with interest rates ranging from 2% - 5%.	\$ 17,560,000
Serial Bonds, issued in 2015 with a maturity date of 2034, with interest rates ranging from 3%-5%. Proceeds used to refund previously issued Serial Bonds. Plus: Unamortized premiums on bonds	\$ 4,230,000
	503,101
	<u>4,733,101</u>
	<u>\$ 22,293,101</u>

2. The following is a summary of maturing debt service requirements for serial bonds and retirees' health insurance:

Year	Serial Bonds – 2012	
	Construction Bond	
	Principal	Interest
2018	\$ 1,025,000	\$ 660,650
2019	1,070,000	619,650
2020	1,130,000	566,150
2021	1,190,000	509,650
2022	1,250,000	450,150
2023-2027	7,055,000	1,529,890
2028-2030	4,840,000	353,526
Total	<u>\$ 17,560,000</u>	<u>\$ 4,689,666</u>

Year	Serial Bonds – 2015	
	Construction Bond	
	Principal	Interest
2018	\$ 245,000	\$ 207,081
2019	255,000	194,831
2020	270,000	182,081
2021	285,000	168,581
2022	295,000	154,331
2023-2027	1,720,000	534,655
2028-2032	1,015,000	118,299
2033-2034	145,000	8,251
Total	<u>\$ 4,230,000</u>	<u>\$ 1,568,110</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

e. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$918,431 for the year ended June 30, 2017.

3. Refunding of Long-Term Debt

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

4. Debt Issuance Costs, Premium and Amortization

Net premiums resulting from bond and other debt refinancing are being amortized over the life of the relating debt using the interest method. These premiums are accordingly included in the outstanding principal balances for the bonds. Debt issuance costs were expensed when the bonds were issued in accordance with GASB 65.

VI. Fund Equity

A. Fund Equity

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

Category/Fund	Description	Balance June 30, 2017
Nonspendable:		
Food Service	Inventory	\$ 11,288
Restricted:		
General	Reserve for employee benefits	\$ 489,089
	Reserve for retirement system contributions	804,234
	Unemployment insurance reserve	86,139
	Reserve for debt service	765,465
	Reserve for property loss and liability	441,712
	Reserve for capital	469,554
	Reserve repairs	1,198,174
		<u>\$ 4,254,367</u>
Trust & Agency	Reserve for scholarship	\$ 24,059

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity (continued)

A. Fund Equity (continued)

Category/Fund	Description	Balance June 30, 2017
Assigned:		
General	Reserve for encumbrances	\$ 178,568
	Appropriated fund balance	225,000
		<u>\$ 403,568</u>
Food Service	Fund Equity	<u>\$ 25,416</u>
Capital Projects	Fund Equity	<u>\$ 1,886,459</u>

B. District-wide Net Position

Net position of the District includes restricted net position of \$4,265,655 which represent restricted amounts in the general fund as presented above.

VII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

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

2. Risk Sharing Pools

For its employee health and accident coverage, *Genesee Valley Central School District* is a participant in the Cattaraugus-Allegany Regional Medical Plan, a public entity risk pool operated for the benefit of 23 individual governmental units located within Allegany and Cattaraugus Counties. The School District pays monthly premiums to the Plan for this health coverage.

The Plan is authorized to assess supplemental premiums to the participating districts. The Plan provides coverage for its members up to \$100,000 per insured event. The Cattaraugus-Allegany Regional Medical Plan obtains independent coverage for insured events in excess of this amount.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Commitments and Contingencies (continued)

A. Risk Financing and Related Insurance (continued)

2. Risk Sharing Pools (continued)

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

B. Federal and State Grants

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

C. Compensated Absences

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$409,000 as of June 30, 2017 for accumulating non-vesting sick leave.

D. Contingencies

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

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

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2017 the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position. The District has recorded a prior period adjustment in the amount of \$976,742 as a reduction in the District's net position as a result of this change in accounting principle.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 2, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 2,891,291	\$ 2,891,291	\$ 2,891,291	\$ -
Real property tax items	5,000	5,000	4,685	(315)
Charges for services	90,000	90,000	139,764	49,764
Use of money and property	95,000	95,000	96,217	1,217
Sale of property and compensation for loss	1,000	1,000	3,148	2,148
Miscellaneous	298,000	298,000	227,972	(70,028)
State Sources:				
Basic formula	10,444,810	10,444,810	10,149,617	(295,193)
BOCES	854,602	854,602	835,846	(18,756)
Textbooks	-	-	30,931	30,931
All other aid	32,550	32,550	54,062	21,512
Federal Sources:				
Medicaid reimbursement	95,000	95,000	95,008	8
Total revenue	14,807,253	14,807,253	14,528,541	(278,712)
Other Sources				
Operating transfer in	256,888	256,888	-	(256,888)
Total revenue and other sources	15,064,141	15,064,141	<u>\$ 14,528,541</u>	<u>\$ (535,600)</u>
Appropriated fund equity and carryover encumbrances	225,000	3,281,176		
Total revenue, other sources and appropriated fund equity	<u>\$ 15,289,141</u>	<u>\$ 18,345,317</u>		

	Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 39,338	\$ 48,040	\$ 52,045	\$ 2,640	\$ (6,645)
Central administration	197,523	215,492	215,466	-	26
Finance	158,957	135,856	132,229	-	3,627
Staff	252,862	256,157	237,720	-	18,437
Central services	1,301,352	1,454,268	1,331,887	16,665	105,716
Special items	250,704	249,004	231,576	-	17,428
Instructional:					
Instruction, administration and improvement	529,107	523,172	477,677	1,905	43,590
Teaching - regular school Programs for children with handicapping conditions	3,484,598	3,735,748	3,482,653	86,735	166,360
Teaching - special schools	1,718,640	1,429,131	1,256,245	625	172,261
Occupational education	18,076	14,589	9,606	-	4,983
Instructional media	427,710	427,710	427,710	-	-
Pupil services	442,693	541,903	437,075	57,818	47,010
	587,236	613,730	566,391	12,180	35,159
Pupil Transportation	642,211	646,267	504,290	-	141,977
Employee Benefits	3,109,703	3,110,819	2,619,303	-	491,516
Debt Service:					
Debt service principal	1,210,000	1,210,000	1,210,000	-	-
Debt service interest	918,431	918,431	918,431	-	-
Total expenditures	<u>15,289,141</u>	<u>15,530,317</u>	<u>14,110,304</u>	<u>178,568</u>	<u>1,241,445</u>
Other Uses:					
Transfer to other funds	-	2,815,000	2,865,000	-	(50,000)
Total other uses	<u>-</u>	<u>2,815,000</u>	<u>2,865,000</u>	<u>-</u>	<u>(50,000)</u>
Total expenditures and other uses	<u>\$ 15,289,141</u>	<u>\$ 18,345,317</u>	<u>16,975,304</u>	<u>\$ 178,568</u>	<u>\$ 1,191,445</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses			<u>\$ (2,446,763)</u>		

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule SS1A

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	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 10,000	\$ 9,451	\$ (549)
Federal sources	290,000	290,854	854
Sales	33,500	24,160	(9,340)
Miscellaneous	10,000	4,806	(5,194)
Surplus food	22,000	28,109	6,109
Use of money and property	2	4	2
Total revenue	<u>365,502</u>	<u>357,384</u>	<u>(8,118)</u>
Expenditures			
General support	154,925	155,414	(489)
Employee benefits	59,980	57,384	2,596
Cost of sales	190,782	190,346	436
Other expenses	2,000	454	1,546
Total expenditures	<u>407,687</u>	<u>403,598</u>	<u>4,089</u>
Excess (deficiency) of revenue over expenditures	<u>(42,185)</u>	<u>(46,214)</u>	<u>(4,029)</u>
Other sources (uses)			
Transfer from general fund	35,000	50,000	15,000
Excess (deficiency) of revenue over expenditures	<u>\$ (7,185)</u>	<u>3,786</u>	<u>\$ 10,971</u>
Fund equity, beginning of year		<u>32,918</u>	
Fund equity, end of year		<u>\$ 36,704</u>	

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2017

Schedule SS2

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CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 15,289,141
Additions:	
Prior year encumbrances	<u>241,176</u>
Original Budget	15,530,317
Budget Revisions:	<u>2,815,000</u>
Final budget	<u><u>\$ 18,345,317</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	\$ 15,523,697
Maximum allowed (4% of 2017-18 budget)	620,948

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	403,568
Unassigned fund balance	<u>1,520,283</u>
Total unrestricted fund balance	<u>1,923,851</u>
Less:	
Appropriated fund balance	225,000
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>178,568</u>
Total adjustments	<u>403,568</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,520,283</u></u>
Actual percentage	<u><u>9.8%</u></u>

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

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017

Schedule SS3

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Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2017
			Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Capital Project - 2017	\$ 13,800,000	\$ 13,800,000	\$ -	\$ 987,600	\$ 987,600	\$ 12,812,400	\$ -	\$ -	\$ 2,815,353	\$ 2,815,353	\$ 1,827,753
Prior years' projects	-	-	-	-	-	-	-	-	-	-	58,706
	<u>\$ 13,800,000</u>	<u>\$ 13,800,000</u>	<u>\$ -</u>	<u>\$ 987,600</u>	<u>\$ 987,600</u>	<u>\$ 12,812,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,815,353</u>	<u>\$ 2,815,353</u>	<u>\$ 1,886,459</u>

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule SS4A

Page 41

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Universal Pre-kindergarten	0409-17-7216	2017	\$ 121,139	\$ 116,510	\$ 116,510
Extended School Day	0640-17-3020	2017	184,455	141,959	141,959
3 Year Old Pre-Kindergarten	0451-17-0012	2017	203,065	201,406	201,406
Summer School Program	N/A	2017	35,124	35,124	35,124
School breakfast programs	N/A	2017	N/A	4,840	4,840
School lunch programs	N/A	2017	N/A	4,611	4,611
			<u>\$ 543,783</u>	<u>\$ 504,450</u>	<u>\$ 504,450</u>

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule SS4B

Note 1 - Basis of Presentation

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

Note 2 - Non-monetary Federal Program

The accompanying **Genesee Valley Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2017, the District reported in the Schedule of Federal Awards \$28,109 of donated commodities at fair market value received and disbursed.

Note 3 - Indirect Cost Rate

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

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

Schedule SS4C

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
Direct Program:					
Small, Rural School Achievement Program	84.358A	S358A158276	\$ 14,795	\$ 10,363	\$ 10,363
Passed through NYS Department of Education:					
Title I	84.010A	0021-17-0085	191,838	190,843	190,843
Title II	84.367A	0147-17-0085	44,516	44,416	44,416
IDEA Part B, Section 611 *	84.027A	0032-17-0035	142,236	140,192	140,192
IDEA Part B, Section 619 *	84.173A	0033-17-0035	11,304	11,304	11,304
Total U.S. Department of Education				397,118	397,118
US Department of Agriculture:					
Passed through NYS Department of Education:					
National School Breakfast Program **	10.553	N/A	N/A	102,571	102,571
National School Lunch Program **	10.555	N/A	N/A	188,283	188,283
Passed through NYS Office of General Services:					
National School Lunch Program ** Noncash assistance (commodities)	10.555	N/A	N/A	28,109	28,109
Total U.S. Department of Agriculture				318,963	318,963
Total expenditures and revenue				\$ 716,081	\$ 716,081

* Constitutes a cluster of Federal programs named Special Education Cluster with revenue and expenditures of \$ 151,496

** Constitutes a cluster of Federal programs named Child Nutrition Cluster with revenue and expenditures of \$ 318,963

Total expenditures of Federal Awards did not exceed \$750,000, and therefore the District was not subjected to a single audit in accordance with the Uniform Guidance.

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUE AND EXPENDITURES
COMPARED TO ST-3 DATA – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

Schedule SS5

Page 43

	Account Code	ST-3 Amount	Audited Amount
Revenues			
Property taxes	A-1001	\$ 2,895,976	\$ 2,895,976
State aid	AT-3999	11,070,456	11,070,456
Federal aid	AT-4999	95,008	95,008
Total revenue	AT-5999	14,528,541	14,528,541
Expenditures			
General support	AT-1999	2,200,923	2,200,923
Pupil transportation	AT-5599	504,290	504,290
Debt service - principal	AT-9798.6	1,210,000	1,210,000
Debt service - interest	AT-9798.7	918,431	918,431
Total expenditures	AT-9999	\$ 16,975,304	\$ 16,975,304

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

Schedule SS6

Page 44

Capital Assets	\$ 25,712,749
Less:	
Serial bonds	<u>(22,293,101)</u>
Investment in capital assets, net of related debt	<u><u>\$ 3,419,648</u></u>

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2017

Schedule SS7

Page 45

As of the measurement date of July 1,	<u>2016</u>
Total OPEB Liability	
Service cost	\$ 58,946
Interest	39,103
Differences between expected and actual experience	-
Changes in assumptions	74,985
Benefit payments	<u>(64,160)</u>
Net change in total OPEB liability	108,874
Total OPEB liability - beginning	47,499
Prior period adjustment	976,742
Total OPEB liability - ending	<u><u>\$ 1,133,115</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 64,160
Net investment income	-
Benefit payments	<u>(64,160)</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<u><u>\$ -</u></u>
District's net OPEB liability	<u><u>\$ 1,133,115</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	<u><u>0.00%</u></u>
Covered-employee payroll	<u><u>\$ 6,032,124</u></u>
District's net OPEB liability as a percentage of covered-employee payroll	<u><u>18.78%</u></u>

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate from 3.94% as of 7/1/15 to 2.92% as of 7/1/16
 Payroll growth rate from 2% as of 7/1/15 to salary schedule for non-teachers is based on NYERS valuations as of 6/30/15 and teachers and administrators' payroll growth based on the NYSTRS valuation as of 6/30/15.
 Inflation rate from 2% as of 7/1/15 to 1.3% as of 7/1/16
 Health care trend rates from 8.5% through 5.0% as of 7/1/15 to 9.0% to 5.0% as 7/1/16
 Mortality rates based on RP-2000 combined mortality table, fully generational using Scale AA as of 7/1/15 and RPH total dataset mortality table fully generational using Scale MP-2015

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2017

Schedule SS8

Page 46

For the year ended June 30,	<u>2017</u>
Actuarially determined contributions	\$ 64,160
Contributions in relation to the actuarially determined contribution	<u>(64,160)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 6,032,124</u>
Contributions as a percentage of District's covered-employee payroll	<u>1.06%</u>

Notes to Schedule:

Valuation date: 7/1/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	2.92% as of July 1, 2016
Inflation	1.3% per year
Healthcare cost trend rates	2017 - 9.0%. Rates expected to decrease 0.5% each year thereafter with an ultimate rate of 5.0% after 2025.
Salary increases	Based on NYSERS and NYSTRS valuation as of June 30, 2015.
Mortality	RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 Most retirees are responsible for the entire premium rate. Certain current retirees are receiving free subsidized coverage. All future retirees are required to pay the full cost of coverage, except for Administrators.
Retiree Cost Sharing Participants	146 Active and 25 Retirees

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2017

Schedule SS9

Page 47

New York State Teachers' Retirement System

For the year ended June 30,	2017	2016	2015	2014	2013
Contractually required contributions	\$ 558,525	\$ 582,229	\$ 714,555	\$ 630,064	\$ 453,007
Contributions in relation to the contractually required contribution	(558,525)	(582,229)	(714,555)	(630,064)	(453,007)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,765,572	\$ 4,390,867	\$ 4,076,184	\$ 3,877,317	\$ 3,826,073
Contributions as a percentage of District's covered-employee payroll	11.72%	13.26%	17.53%	16.25%	11.84%

New York State Local Employees' Retirement System

For the year ended March 31,	2017	2016	2015	2014	2013
Contractually required contributions	\$ 224,887	\$ 216,182	\$ 286,421	\$ 274,755	\$ 245,758
Contributions in relation to the contractually required contribution	(224,887)	(216,182)	(286,421)	(274,755)	(245,758)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,408,553	\$ 1,339,530	\$ 1,384,289	\$ 1,307,755	\$ 1,297,720
Contributions as a percentage of District's covered-employee payroll	17.48%	17.48%	17.65%	18.23%	17.91%

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET – NYSTRS AND PROPORTIONATE SHARE OF
NET PENSION LIABILITY - NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2017

Schedule SS10

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New York State Teachers' Retirement System - Net Pension (Asset) Liability

As of the measurement date of June 30,	2017	2016	2015	2014	2013
District's proportion of the net pension liability or asset	n/a	0.028455%	0.027136%	0.026579%	0.026331%
District's proportionate share of the net pension liability (asset)	n/a	\$ 304,763	\$ (2,818,558)	\$ (2,960,708)	\$ (173,322)
District's covered-employee payroll	n/a	\$ 4,390,867	\$ 4,076,184	\$ 3,877,317	\$ 3,826,073
District's proportionate share of the net pension liability or asset as a percentage of its covered employee payroll	n/a	6.94%	69.15%	76.36%	4.53%
Plan fiduciary net position as a percentage of the total pension liability	n/a	99.01%	110.46%	111.48%	100.70%

New York State Local Employees' Retirement System - Net Pension Liability

As of the measurement date of March 31,	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.0053889%	0.0054012%	0.0054131%	n/a	n/a
District's proportionate share of the net pension liability	\$ 506,357	\$ 866,905	\$ 182,867	\$ 244,610	n/a
District's covered-employee payroll	\$ 1,408,553	\$ 1,339,530	\$ 1,384,289	\$ 1,307,755	\$ 1,297,720
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	35.95%	64.72%	13.21%	18.70%	n/a
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%	n/a	n/a

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

**To the President and
Members of the Board of Education
Genesee Valley Central School District
Belmont, New York**

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of *Genesee Valley Central School District* as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise *Genesee Valley Central School District's* basic financial statements and have issued our report thereon dated October 2, 2017.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Genesee Valley Central School District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2017-002.

We noted other matters that we have reported to management of *Genesee Valley Central School District* in a separate letter dated October 2, 2017.

Genesee Valley Central School District's Responses to Findings

Genesee Valley Central School District's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. **Genesee Valley Central School District's** responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 2, 2017**

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

Page 51

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of **Genesee Valley Central School District**.
2. One material weakness relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". The material weakness is described in the accompanying schedule of findings and questioned costs as item II.A.2017-001.
3. There was one instance of noncompliance material to the financial statements of **Genesee Valley Central School District** reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards". This instance of noncompliance is described in the accompanying schedule of findings and questioned costs as item II.B.2017-002.
4. A single audit in accordance with the Uniform Guidance was not required during the fiscal year ended June 30, 2017, as the District's expenditures of Federal Awards were below \$750,000

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

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2017-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2017

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

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

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

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

Year ended June 30, 2016

A similar finding related to internal control over financial was reported on during the fiscal year ended June 30, 2016.

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

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

B. COMPLIANCE AND OTHER MATTERS

2017-002 Fund Balance

Year ended June 30, 2017

Conditions and criteria: **Genesee Valley School District's** unassigned fund balance as of June 30, 2017 amounted to \$1,520,000. This amount constitutes approximately 9.8% of the 2017-2018 school budget.

Effect: The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget. In addition, the funding of the repair reserve and the transportation reserve were not in compliance with New York State law.

Auditor's Recommendation: **Genesee Valley School District** should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation of fund balance. In addition, we recommend that the District document its rationale to support the purpose and dollar level of reserves and to ensure it is in compliance with New York State guidelines. With respect to the repair reserve, the District should obtain voter approval for the existing balance, while additional funding of the transportation reserve should first be approved by the voters.

School District's Response: **Genesee Valley School District** realizes that its unassigned fund balance as of June 30, 2017 was in excess of the NYS mandated 4% level. The District has and will continue to closely monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance. The District will also review its options with respect to the repair and transportation reserve.

Year ended June 30, 2016

A similar finding related to compliance and other matters was reported on during the fiscal year ended June 30, 2016.

**To the President and Members of the
Board of Education and School Administration
Genesee Valley Central School District
Belmont, New York**

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2017 of the District's financial statements and have issued our reports thereon dated October 2, 2017. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Genesee Valley Central School District* for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the District generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2013 through June 30, 2017. In addition, we have also presented a summary of additional comments which we desire to bring to the Board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Genesee Valley Central School District* has provided responses to the additional comments, however, we did not audit these responses and, accordingly, we express no opinion on them.

The analysis of the use of the District's fund equity shows that the District maintains a number of reserves. The reserves presented here are only those that are reported in the General Fund. The uses and legal restrictions of each of these reserve categories are listed in the footnotes to the financial statements. These reserves reduce the amount of the District's unassigned fund equity.

We have reviewed the financial statements extensively with the Audit Committee, School Superintendent and the Business Manager. We believe these individuals have a good understanding of the financial condition of the District as well as the comments expressed in our annual report. We have enjoyed working with the District this year, and wish to thank all of the staff who have assisted us during our audit.

Very truly yours,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 2, 2017**

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND
EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)

	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Revenue and other sources					
Property taxes	\$ 2,896	\$ 2,906	\$ 2,839	\$ 2,792	\$ 2,704
State aid	11,070	11,014	11,612	10,060	9,729
All other	562	690	745	460	544
	<u>14,528</u>	<u>14,610</u>	<u>15,196</u>	<u>13,312</u>	<u>12,977</u>
Expenditures and other uses					
General support	2,201	2,030	1,995	1,986	1,803
Instruction	6,657	6,500	6,127	5,950	5,783
Transportation	504	587	497	499	515
Benefits	2,619	2,452	2,807	2,694	2,445
Debt	2,129	2,130	3,032	1,829	1,833
Transfers	2,865	50	-	158	-
	<u>16,975</u>	<u>13,749</u>	<u>14,458</u>	<u>13,116</u>	<u>12,379</u>
Excess (deficiency) of revenue over expenditures	(2,447)	861	738	196	598
Fund equity					
Beginning of year	8,625	7,764	7,026	6,830	6,232
End of year	<u>\$ 6,178</u>	<u>\$ 8,625</u>	<u>\$ 7,764</u>	<u>\$ 7,026</u>	<u>\$ 6,830</u>
Analysis of fund equity					
Restricted					
Reserve for retirement system	\$ 804	\$ 804	\$ 804	\$ 804	\$ 804
Reserve for debt service	765	824	883	1,001	1,001
Reserve for employee benefits	489	495	468	426	431
Reserve for liability	442	449	449	359	359
Reserve for repairs	1,198	4,013	3,413	2,753	2,911
Reserve for unemployment insurance	86	86	86	86	186
Reserve for capital	470	592	600	600	-
Assigned					
Reserve for encumbrances	179	241	89	50	429
Next year's budget	225	225	225	200	200
Unassigned	1,520	896	747	747	509
	<u>\$ 6,178</u>	<u>\$ 8,625</u>	<u>\$ 7,764</u>	<u>\$ 7,026</u>	<u>\$ 6,830</u>

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

Page 56

Technology

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

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

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

District's response: The District will continue to monitor the risks associated with technology. We will ensure there are proper controls put in place over access to computer equipment and software. There are policies established that will continue to reviewed and updated as necessary.

Equipment and Inventory

The District reports approximately \$26 million of capital assets. The most significant dollar amount of these assets consist of the District buildings and capital improvements that are not as susceptible to the risk of loss or misuse. Assets that are more susceptible to such risk include equipment and inventory items. It is extremely important for the District to be aware of the risks associated with these assets and have processes in place to safeguard against their loss or misuse. Internal controls that the District may consider the following:

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

District response: The District is aware and will continue to be aware of the risks associated with capital assets. The District hires an outside firm to monitor fixed assets and perform scans of new inventory. We will continue updating fixed assets and inventory within an annual report provided at year-end.

Fund Balance

As of June 30, 2017, the District has certain fund balance reserves. The New York State Comptroller's Office in its audits of school districts has increased its scrutiny of fund balance reserves established by districts. We commend the District for developing a reserve plan and recommend that this document continue to be evaluated, modified when appropriate, and reviewed with the Board of Education during a public meeting at least annually.

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

Lastly, the District's employee benefit accrued liability reserve (EBLAR) is adjusted at the end of each fiscal year to a level that is consistent with the District's calculated compensated absence balance. Although, the EBLAR reserve is allowed to be funded for such purposes, the District should increase its balance (fund the reserve) only when the Board of Education provides authority to do so. In addition, the balance should continue to only be reduced for payments that are made during the year for compensated absences.

District response: The District will no longer increase the balance of the EBLAR reserve without Board of Education approval.

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

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Food Service Fund

During the year ending June 30, 2016 the District began participating in the Community Eligibility Provision which provided free meals to all students. The meals are reimbursed on a monthly basis at a rate determined by the Federal government based which is based on the number of students that were directly certified in the previous fiscal year. Although student participation in the food service program has increased significantly since beginning the program, the financial results diminished as the loss from operations (before general fund transfer) total \$65,000 in 2016 and \$46,000 in 2017. The District should continue to evaluate this operating deficit and develop an approach to alleviate this deficit in the future.

District response: The District is currently in the Community Eligibility Provision, providing free meals to all students. We are hopeful to decrease our deficit in the future through this program. The District will continue to evaluate the cafeteria program and monitor the deficit.

Uniform Guidance

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

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

Reporting of Financial Documents on the District Website

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

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

GENESEE VALLEY CENTRAL SCHOOL DISTRICT

**EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S REPORT

**To the President and
Members of the Board of Education
Genesee Valley Central School District
Belmont, New York**

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the **Genesee Valley Central School District** for the year ended June 30, 2017, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the basis for qualified opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Genesee Valley Central School District** for the year ended June 30, 2017 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 2, 2017**

GENESEE VALLEY CENTRAL SCHOOL DISTRICT
ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND
JULY 1, 2016 THROUGH JUNE 30, 2017

	Balances July 1, 2016	Total Receipts 2016-17	Total Receipts & Balances	Total Payments 2016-17	Balances June 30, 2017
Class of 2016	\$ 1,638	\$ -	\$ 1,638	\$ 1,638	\$ -
Class of 2017	3,098	56,322	59,420	58,625	795
Class of 2018	2,170	10,632	12,802	6,640	6,162
Class of 2019	1,097	2,229	3,326	1,474	1,852
Class of 2020	-	8,126	8,126	6,000	2,126
Arts/Tech Club	1,077	3,774	4,851	3,674	1,177
Athletic/PE	2,028	9,111	11,139	8,610	2,529
Band/Jazz	822	184	1,006	184	822
Choir	163	-	163	-	163
Drama Club	1,317	-	1,317	-	1,317
Elementary Student Council	5,122	708	5,830	36	5,794
Lote Club	5,760	-	5,760	-	5,760
JAG Enterprises/FBLA	3,590	4,410	8,000	3,098	4,902
Middle school activities	2,297	14,769	17,066	13,710	3,356
Middle school band	312	-	312	-	312
Middle school choir	1,794	-	1,794	375	1,419
National honor society	313	92	405	-	405
Sales tax payable	198	4,022	4,220	4,177	43
Student Activity Reserve	2,808	6	2,814	13	2,801
High School Student Council	1,568	6,294	7,862	4,932	2,930
Yearbook Club	2,528	8,203	10,731	10,436	295
Garden Group	566	439	1,005	113	892
Scholastic Challenge	769	-	769	-	769
Robotics Club	-	6,427	6,427	1,695	4,732
Total activity fund	\$ 41,035	\$ 135,748	\$ 176,783	\$ 125,430	\$ 51,353

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of **Genesee Valley Central School District**. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$51,353 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

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

**GENESEE VALLEY CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

Point of Sale Records

We commend the District for its improvement in this area. We recommend the District continue its efforts of ensuring that each cash receipt received by the central treasurer is accompanied by supporting documentation which reconciles cash received to participation times rates/fees.

District response: The District will continue to encourage the use of point of sale forms to better document point of sale records.

Inactive Activity Funds

During the audit of the extraclassroom activity fund, we noticed certain activities (Choir, Drama Club, Lote Club, Middle School Band, and Scholastic Challenge) had very little or no activity during the current fiscal year and seem to be inactive accounts. We recommend that the District review the status of these clubs and those activities which are determined to be inactive should be closed out and transferred to the Trust and Agency Fund, General Fund or to another Activity Fund. The District may wish to develop a policy which dictates the course of action when activity funds remain inactive for a period of time, such as being transferred to the student council fund.

District's response: The District will continue to evaluate each activity fund to determine appropriateness and takes steps necessary to either transfer funds on inactive accounts to active accounts or remove these funds from the Extracurricular activity ledgers.

Student Involvement

During our audit, we noticed that in some activity funds are not being run by the students, whereby meetings are held to establish the mission of the club, along with decisions on fundraisers, purchases and other business items. State Education Law defines an activity fund as "an organization within the School District whose activities are conducted by students and whose financial support is raised other than taxation or through charges of the Board of Education". We recommend that students become involved in the decision making process of activity funds, including the cash receipts and cash disbursements function.

District response: The District will continue to evaluate each activity fund to determine appropriateness and takes steps necessary to either involve students, transfer funds on inactive accounts to active accounts or remove these funds from the Extracurricular activity ledgers.