

**WEST GENESEE
CENTRAL SCHOOL DISTRICT**

Camillus, New York

FINANCIAL REPORT

June 30, 2018



WEST GENESEE CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
West Genesee Central School District
Camillus, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Genesee Central School District (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As discussed in Notes 11 and 17 to the financial statements, net position as of June 30, 2017 was restated to reflect this change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, the Schedules of School District's Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios, and related notes on pages 4-4i and 47-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Net Investment in Capital Assets (supplementary information) on pages 56-58 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Respectfully Submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 28, 2018

WEST GENESEE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of West Genesee Central School District's (the School District) financial performance for the fiscal year ended June 30, 2018. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As a result, beginning net position was reduced by \$(11,153,368). GASB Statement No. 75 requires the School District to record its total OPEB liability, as well as deferred outflows and deferred inflows related to the OPEB plan. See Note 11 for more detailed information.
- The Statement of Net Position reflects a total net position of \$25,496,953 at June 30, 2018. This increased from a total net position of \$21,209,100 at June 30, 2017.
- The Statement of Activities shows the School District's revenues exceeding its expenses by \$4,287,853 at June 30, 2018. This compares to revenues exceeding expenses by \$2,055,111 at June 30, 2017.
- The General Fund budgeted expenditures, including carry-over encumbrances, were underspent by \$621,296.
- Capital asset additions during 2018 amounted to \$3,038,699. Depreciation expense totaled \$3,399,006.
- Indebtedness of the School District at June 30, 2018, in the amount of \$46,086,298, decreased \$(5,155,828) from \$51,242,126 in 2017.
- Total fund balance in the General Fund, including reserves, was \$13,676,872 at June 30, 2018. Restricted fund balance of \$6,648,652 consisted of General Fund restricted reserves; assigned fund balance of \$3,509,169 consisted of encumbrances of \$2,109,169 and appropriations to support the 2018-2019 budget of \$1,400,000; and unassigned fund balance of \$3,519,051, which is below the maximum limit (4% of the 2018-2019 appropriations) permitted under New York State Real Property Tax Law.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

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

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

District-wide Financial Statements

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

The two District-wide financial statements report the School District's net position and how it has changed. Net position - the difference between the School District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

Governmental Fund Financial Statements

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Current assets</i>	\$ 16,197,875	\$ 16,104,786	\$ (93,089)
<i>Noncurrent assets</i>	6,897,781	8,290,957	1,393,176
<i>Capital assets, net</i>	69,583,281	69,222,361	(360,920)
<i>Total Assets</i>	\$ 92,678,937	\$ 93,618,104	\$ 939,167
<i>Deferred charges on defeased debt</i>	630,775	485,794	(144,981)
<i>Pensions</i>	24,203,643	24,649,389	445,746
<i>Other postemployment benefits</i>	1,465,775	1,297,550	(168,225)
<i>Total Deferred Outflows of Resources</i>	\$ 26,300,193	\$ 26,432,733	\$ 132,540
<i>Current liabilities</i>	18,499,235	17,747,195	(752,040)
<i>Noncurrent liabilities</i>	77,976,116	67,639,679	(10,336,437)
<i>Total Liabilities</i>	\$ 96,475,351	\$ 85,386,874	\$ (11,088,477)
<i>Pensions</i>	1,294,679	7,885,691	6,591,012
<i>Other postemployment benefits</i>	-	1,281,319	1,281,319
<i>Total Deferred Inflows of Resources</i>	\$ 1,294,679	\$ 9,167,010	\$ 7,872,331
<i>Net investment in capital assets</i>	23,971,930	27,621,857	3,649,927
<i>Restricted</i>	7,199,833	6,894,445	(305,388)
<i>Unrestricted (deficit)</i>	(9,962,663)	(9,019,349)	943,314
<i>Total Net Position</i>	\$ 21,209,100	\$ 25,496,953	\$ 4,287,853

WEST GENESEE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Total assets increased 1.01%. This increase is primarily the result of a change in actuarial assumptions for the NYSTRS pension plan which subsequently resulted in the net pension liability increasing to a net pension asset of \$1,642,305; as well as capital outlay exceeding depreciation expense.

Deferred outflows of resources and deferred inflows of resources increased 0.50% and 608.05%, respectively. These increases are the result of changes in actuarial assumptions related to the NYSTRS and NYSLR pension plans, as well as the School District's implementation of GASB Statement No. 75.

Total liabilities decreased (11.49%). This decrease is primarily due to the payment of long-term serial bonds in accordance with approved amortization schedules.

The School District experienced an increase in net investment in capital assets, primarily due to payment of the debt used to finance the purchase of capital assets. Restricted net position decreased (4.24%), primarily due to excess appropriations over additions to General Fund reserves. Finally, unrestricted (deficit) decreased based on revenue in excess of expense.

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

Figure 2

Changes in Net Position	Governmental Activities and Total School District		Total Dollar Change
	2017	2018	2017 - 2018
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 2,337,668	\$ 2,291,325	\$ (46,343)
<i>Operating grants and contributions</i>	3,408,770	5,002,231	1,593,461
<i>Capital grants and contributions</i>	1,033,668	180,668	(853,000)
<i>General Revenues:</i>			
<i>Real property taxes</i>	38,219,995	39,420,332	1,200,337
<i>Other taxes</i>	9,104,065	8,958,637	(145,428)
<i>State sources</i>	32,060,986	33,243,532	1,182,546
<i>Use of money and property</i>	222,098	206,430	(15,668)
<i>Other general revenues</i>	753,314	975,467	222,153
Total Revenues	\$ 87,140,564	\$ 90,278,622	\$ 3,138,058
PROGRAM EXPENSES			
<i>General support</i>	8,347,566	7,837,166	(510,400)
<i>Instruction</i>	66,068,904	66,143,354	74,450
<i>Pupil transportation</i>	7,934,173	8,391,200	457,027
<i>School lunch program</i>	1,888,305	1,961,283	72,978
<i>Interest on debt</i>	846,505	1,657,766	811,261
Total Expenses	\$ 85,085,453	\$ 85,990,769	\$ 905,316
INCREASE IN NET POSITION	\$ 2,055,111	\$ 4,287,853	\$ 2,232,742

WEST GENESEE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Total revenues for the School District's Governmental Activities increased by 3.60%, while total expenses increased by 1.06%. The increase in revenue is due to an increase in the voter approved tax levy of \$1,200,337, general state aid of \$953,986, and smart bond state aid of \$1,739,690, offset by a decrease in capital excel aid of \$(1,033,668). The change in total expenses is primarily due to the increase in interest expense. During the prior year, the School District converted short-term financing to long-term financing with interest payments that began during the current year.

Figures 3 and 4 show the sources of revenue for 2018 and 2017.

Figure 3

Sources of Revenue for 2018

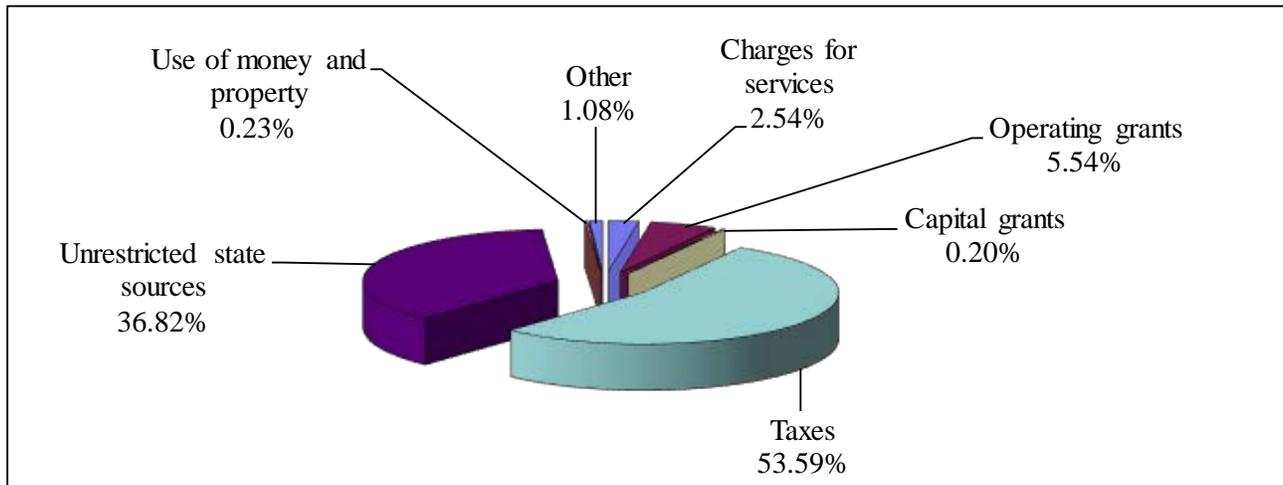
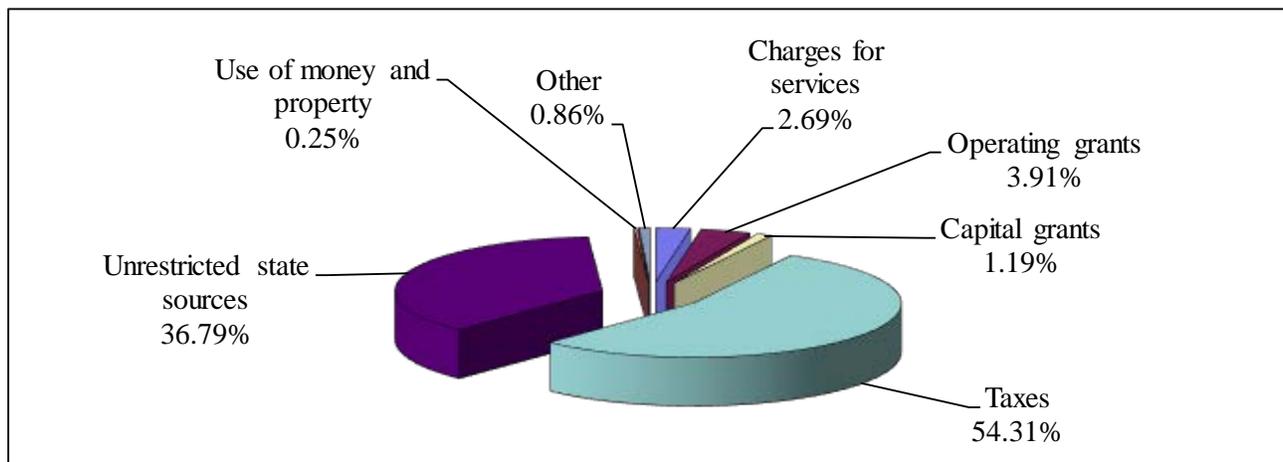


Figure 4

Sources of Revenue for 2017



WEST GENESEE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figures 5 and 6 present the cost for each of the School District's programs for 2018 and 2017.

Figure 5

Cost of Programs for 2018

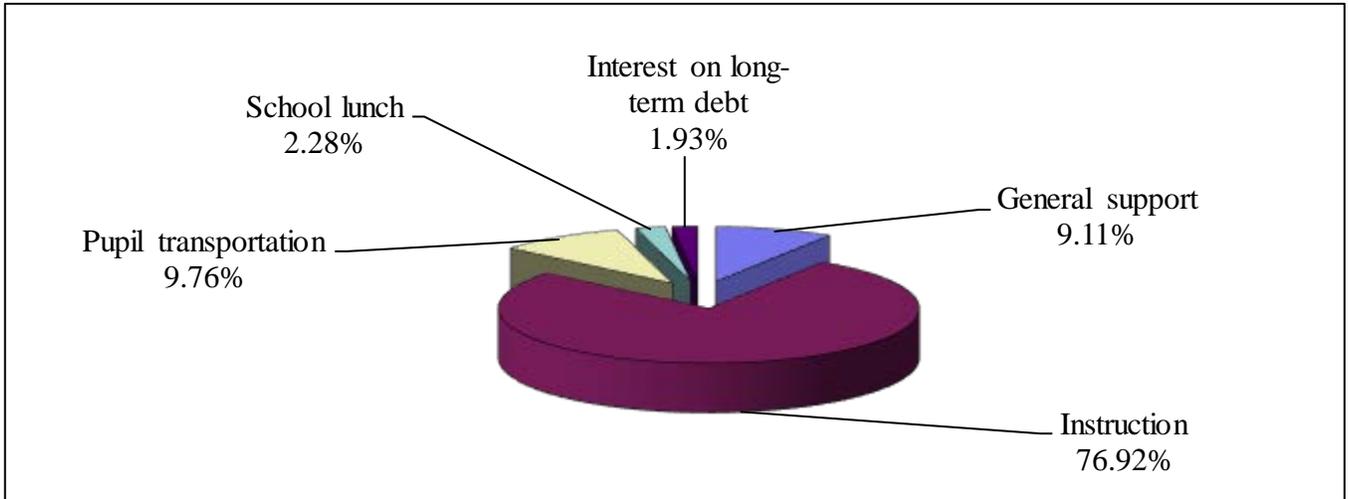
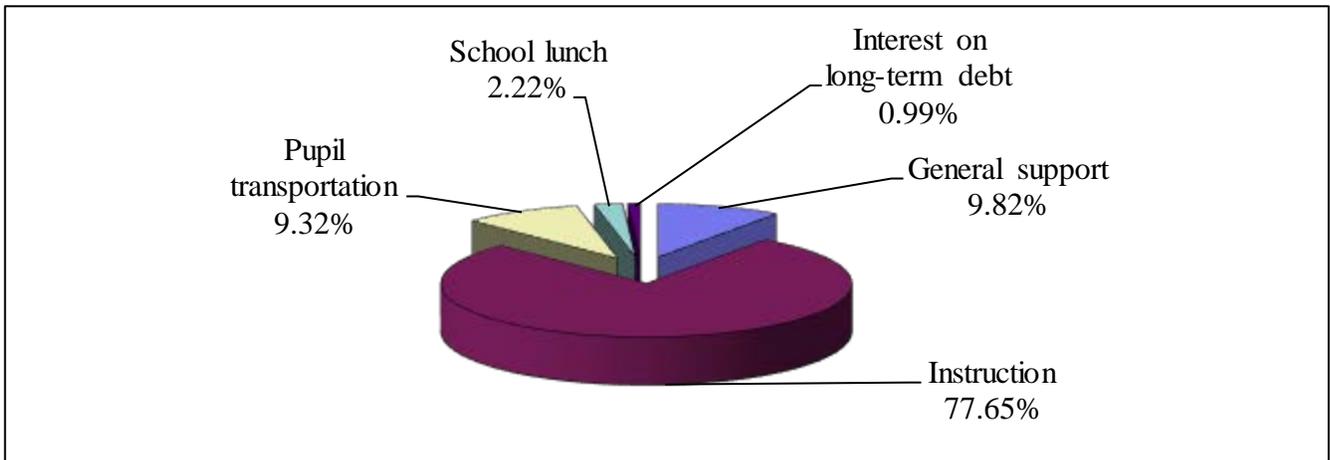


Figure 6

Cost of Programs for 2017



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balance for the year for the School District's Major Funds. As the School District completed the year, total fund balance increased 9.44%.

WEST GENESEE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figure 7

<i>Governmental Fund Balances</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017-2018</i>
<i>General Fund</i>	\$ 12,333,444	\$ 13,676,872	\$ 1,343,428
<i>School Lunch Fund</i>	147,306	191,776	44,470
<i>Capital Fund - Construction</i>	203,199	88,297	(114,902)
<i>Capital Fund - Buses</i>	(3,180,041)	(3,556,162)	(376,121)
<i>Total Governmental Funds</i>	\$ 9,503,908	\$ 10,400,783	\$ 896,875

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School District revised the budget several times. These budget amendments consisted of budget transfers between functions, and budget revisions as noted in the footnotes to required supplementary information. Actual charges to appropriations (expenditures and encumbrances) were below the final budget amounts, and actual revenues exceeded budgeted amounts as shown below.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ended June 30, 2018.

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2018</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real property taxes</i>	\$ 39,229,140	\$ 39,229,140	\$ 39,420,332	\$ 191,192
<i>Other tax items</i>	9,055,065	9,055,065	8,958,637	(96,428)
<i>State sources</i>	34,282,490	36,092,904	35,528,107	(564,797)
<i>Federal Sources</i>	141,000	141,000	302,809	161,809
<i>Others, including financing sources</i>	1,109,175	1,151,054	2,119,122	968,068
<i>Total Revenues and Other Financing Sources</i>	\$ 83,816,870	\$ 85,669,163	\$ 86,329,007	\$ 659,844
<i>Appropriated Fund Balances and Encumbrances</i>	\$ 2,034,381	\$ 2,046,881		
EXPENDITURES				
<i>General support</i>	\$ 7,257,573	\$ 6,995,425	\$ 6,936,052	\$ 59,373
<i>Instruction</i>	48,404,671	50,715,783	50,502,277	213,506
<i>Pupil transportation</i>	5,420,235	5,453,802	5,383,840	69,962
<i>Employee benefits</i>	17,387,752	17,509,930	17,251,393	258,537
<i>Debt service</i>	7,206,020	6,966,104	6,956,576	9,528
<i>Other financing uses</i>	175,000	75,000	64,610	10,390
<i>Total Expenditures and Other Financing (Uses)</i>	\$ 85,851,251	\$ 87,716,044	\$ 87,094,748	\$ 621,296

WEST GENESEE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the School District had invested in a broad range of capital assets totaling \$135,465,014 offset by accumulated depreciation of \$66,242,653. *Figure 9* shows the changes in the School District's capital assets.

Figure 9

<i>Changes in Capital Assets</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017-2018</i>
<i>Land</i>	\$ 941,810	\$ 941,810	\$ -
<i>Construction in progress</i>	19,359,651	13,188,793	(6,170,858)
<i>Buildings, net</i>	42,663,412	47,225,006	4,561,594
<i>Improvements, net</i>	914,320	776,080	(138,240)
<i>Equipment, net</i>	5,704,088	7,090,672	1,386,584
<i>Total</i>	\$ 69,583,281	\$ 69,222,361	\$ (360,920)

Capital asset activity for the year ended June 30, 2018 included the following:

Construction in progress	\$ 149,277
Buses	1,317,385
Equipment	1,572,037
Total additions	<u>3,038,699</u>
Less net book value of disposed equipment	(613)
Less depreciation expense	<u>(3,399,006)</u>
Net (Decrease) in Capital Assets	\$ <u><u>(360,920)</u></u>

WEST GENESEE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Debt Administration

Figure 10 shows the changes in the School District's outstanding debt. Total indebtedness represented 29.9% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017-2018</i>
<i>RANs</i>	\$ 5,000,000	\$ 4,000,000	\$ (1,000,000)
<i>BANs</i>	3,201,200	3,565,305	364,105
<i>Installment purchase debt</i>	1,226,000	1,086,000	(140,000)
<i>Serial bonds</i>	41,814,926	37,434,993	(4,379,933)
<i>Total</i>	\$ 51,242,126	\$ 46,086,298	\$ (5,155,828)

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

The School District's bond rating is AAA, which did not change from the prior year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- The School District continues to work through significant changes in state and federal funding methodologies. The School District has also seen a reduction in sales tax revenues received from Onondaga County. In the face of these challenges, including the tax cap legislation, the School District will continue to focus on providing the best educational and extracurricular programs possible. The School District retains the expectation to exceed New York State academic achievement standards. As a result of these expectations, each graduating class since 1994 has performed at a very high level. The class of 2018 had 94% of graduates receive a Regents Diploma and an overall completion rate of 95% prior to the final August 2018 exam results.

WEST GENESEE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

- As shown below, the School District's enrollment has seen a moderate decline, which appears to be stabilizing. In reviewing enrollment projections, student enrollment will stabilize over the next several years. The School District completed a comprehensive census during the 2008-2009 school year. The results of this census are being used to guide direction of future facility additions and renovations.

<u>Year</u>	<u>Enrollment</u>
2006-07	5,175
2007-08	5,184
2008-09	5,103
2009-10	5,000
2010-11	4,939
2011-12	4,794
2012-13	4,779
2013-14	4,787
2014-15	4,721
2015-16	4,632
2016-17	4,584
2017-18	4,524

- The School District continues to monitor its enrollment and complete long-range budget planning. This planning will play an essential role in evaluating the potential and timing of offering a Pre-K program in future years. This has been placed on hold until state funding becomes available.
- Residential and commercial development is ongoing within the School District's boundaries. This will have a positive economic impact moving forward.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, West Genesee Central School District, at 300 Sanderson Drive, Camillus, New York 13031-1655.

WEST GENESEE CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS

Current Assets

Cash - Unrestricted	\$ 13,148,868
Cash - Restricted	220,954
Receivables:	
State and federal aid	1,010,352
Due from other governments	1,526,107
Other	164,225
Inventories	34,280
Total Current Assets	16,104,786

Noncurrent Assets

Restricted cash	6,648,652
Net pension asset - Proportionate share	1,642,305
Capital assets, net:	
Nondepreciable capital assets	14,130,603
Depreciable capital assets, net	55,091,758
Total Noncurrent Assets	77,513,318

Total Assets	93,618,104
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DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on defeased debt	485,794
Other postemployment benefits	1,297,550
Pensions	24,649,389
Total Deferred Outflows of Resources	26,432,733

LIABILITIES

Current Liabilities

Payables:	
Accounts payable	11,521
Accrued liabilities	315,446
Due to other governments	32,662
Bond interest and matured bonds	285,772
Revenue anticipation notes payable	4,000,000
Bond anticipation notes payable	3,565,305
Unearned revenues	1,819
Overpayments and collections in advance	37,054
Due to Teachers' Retirement System	3,901,531
Due to Employees' Retirement System	436,772
Current portion of long-term liabilities:	
Compensated absences	187,380
Bonds payable	4,824,933
Installment purchase debt payable	147,000
Total Current Liabilities	17,747,195

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018 (Continued)

LIABILITIES (CONTINUED)

Noncurrent Liabilities

Bonds payable	\$ 32,610,060
Installment purchase debt payable	<u>939,000</u>
Compensated absences payable	<u>8,019,826</u>
Other postemployment benefits liability	<u>25,134,865</u>
Net pension liability - Proportionate share	<u>935,928</u>
Total Noncurrent Liabilities	<u>67,639,679</u>

Total Liabilities	<u>85,386,874</u>
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DEFERRED INFLOWS OF RESOURCES

Other postemployment benefits	<u>1,281,319</u>
Pensions	<u>7,885,691</u>

Total Deferred Inflows of Resources	<u>9,167,010</u>
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NET POSITION

Net investment in capital assets	<u>27,621,857</u>
Restricted	<u>6,894,445</u>
Unrestricted (deficit)	<u>(9,019,349)</u>

Total Net Position	\$ <u>25,496,953</u>
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WEST GENESEE CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	<u>Capital</u> <u>Grants</u>	<u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
General support	\$ 7,837,166	\$ 302,809	\$	\$	\$ (7,534,357)
Instruction	66,143,354	936,676	4,057,047	34,375	(61,115,256)
Pupil transportation	8,391,200			146,293	(8,244,907)
School lunch program	1,961,283	1,051,840	945,184		35,741
Interest on debt	1,657,766				(1,657,766)
Total Functions and Programs	\$ 85,990,769	\$ 2,291,325	\$ 5,002,231	\$ 180,668	(78,516,545)

GENERAL REVENUES

Real property taxes	39,420,332
Real property tax items	8,803,130
Nonproperty taxes	155,507
Use of money and property	206,430
Unrestricted state sources	33,243,532
Sale of property and compensation for loss	140,631
Miscellaneous	834,836
Total General Revenues	82,804,398
Change in Net Position	4,287,853
Total Net Position - Beginning of Year	21,209,100
Total Net Position - End of Year	\$ 25,496,953

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2018

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 12,920,319	\$ 114,821	\$ 104,585
Cash - Restricted	6,648,652		132,657
Receivables:			
Due from other funds	379,902		
State and federal aid	743,452	266,900	
Due from other governments	1,526,107		
Other	139,386		24,839
Inventories			34,280
Total Assets	\$ 22,357,818	\$ 381,721	\$ 296,361
LIABILITIES			
Payables:			
Accounts payable	\$ 11,521	\$	\$
Accrued liabilities	306,585		8,861
Due to other funds		379,902	
Due to other governments			32,662
Bond interest and matured bonds payable	50,545		
Revenue anticipation notes payable	4,000,000		
Bond anticipation notes payable			
Unearned revenue		1,819	
Overpayments and collections in advance			37,054
Due to Teachers' Retirement System	3,901,531		
Due to Employees' Retirement System	410,764		26,008
Total Liabilities	8,680,946	381,721	104,585
FUND BALANCES			
Nonspendable			34,280
Restricted	6,648,652		157,496
Assigned	3,509,169		
Unassigned	3,519,051		
Total Fund Balances (Deficit)	13,676,872	-	191,776
Total Liabilities and Fund Balances	\$ 22,357,818	\$ 381,721	\$ 296,361

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

Major Funds

Capital Fund - Buses	Capital Fund - Construction	Total Governmental Funds
\$ 9,143	\$	\$ 13,148,868
	88,297	6,869,606
		379,902
		1,010,352
		1,526,107
		164,225
		34,280
\$ 9,143	\$ 88,297	\$ 23,133,340
\$	\$	\$ 11,521
		315,446
		379,902
		32,662
		50,545
		4,000,000
3,565,305		3,565,305
		1,819
		37,054
		3,901,531
		436,772
3,565,305	-	12,732,557
		34,280
	88,297	6,894,445
		3,509,169
(3,556,162)		(37,111)
(3,556,162)	88,297	10,400,783
\$ 9,143	\$ 88,297	\$ 23,133,340

WEST GENESEE CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Fund Balance - Total Governmental Funds **\$ 10,400,783**

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

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

Total historical cost	\$ 135,465,014	
Less accumulated depreciation	<u>(66,242,653)</u>	69,222,361

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

Bonds payable	\$ (37,434,993)	
Installment purchase debt payable	<u>(1,086,000)</u>	(38,520,993)

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.

Accrued interest on long-term debt	\$ (235,227)	
Compensated absences payable	(8,207,206)	
Other postemployment benefits liability	<u>(25,134,865)</u>	(33,577,298)

The School District's proportionate share of the collective net pension (asset) or liability is not reported in the Governmental Funds.

ERS net pension liability - Proportionate share	\$ (935,928)	
TRS net pension asset - Proportionate share	<u>1,642,305</u>	706,377

Deferred outflows of resources represent a consumption of net position that applies to future periods and, therefore, is not reported in the Governmental Funds.

Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the Governmental Funds.

Deferred charges on defeased debt	\$ 485,794	
Other postemployment benefits deferred outflows of resources	1,297,550	
ERS deferred outflows of resources - Pension	3,023,001	
TRS deferred outflows of resources - Pension	21,626,388	
Other postemployment benefits deferred inflows of resources	(1,281,319)	
ERS deferred inflows of resources - Pension	(2,976,740)	
TRS deferred inflows of resources - Pension	<u>(4,908,951)</u>	<u>17,265,723</u>

Net Position of Governmental Activities **\$ 25,496,953**

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 39,420,332	\$	\$
Real property tax items	19		
Nonproperty taxes	155,507		
Other tax items	8,803,111		
Charges for services	936,676		
Use of money and property	206,366		
Sale of property and compensation for loss	141,244		
Miscellaneous	834,836	13	70,570
State sources	35,528,107	322,023	34,319
Medicaid reimbursement	302,809		
Federal sources		1,596,729	784,942
Surplus food			125,923
Sales - School lunch			981,270
Total Revenues	86,329,007	1,918,765	1,997,024
EXPENDITURES			
General support	6,616,875		625,876
Instruction	48,713,475	1,633,078	
Pupil transportation	5,382,920	64,678	
Employee benefits	17,251,123	285,619	271,098
Debt service:			
Principal	4,996,200		
Interest	1,960,376		
Cost of sales			1,055,580
Capital outlay			
Total Expenditures	84,920,969	1,983,375	1,952,554
Excess (Deficiency) of Revenues			
Over Expenditures	1,408,038	(64,610)	44,470
OTHER FINANCING SOURCES AND (USES)			
BANs redeemed from appropriations			
Operating transfers in		64,610	
Operating transfers (out)	(64,610)		
Total (Uses) Other Sources	(64,610)	64,610	-
Net Change in Fund Balances	1,343,428	-	44,470
Fund Balances (Deficit) - Beginning of Year	12,333,444	-	147,306
Fund Balances (Deficit) - End of Year	\$ 13,676,872	\$ -	\$ 191,776

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

Major Funds

Capital Fund - Buses	Capital Fund - Construction	Total Governmental Funds
\$ _____	\$ _____	\$ 39,420,332
_____	_____	19
_____	_____	155,507
_____	_____	8,803,111
_____	_____	936,676
64	_____	206,430
_____	_____	141,244
_____	34,375	939,794
_____	_____	35,884,449
_____	_____	302,809
_____	_____	2,381,671
_____	_____	125,923
_____	_____	981,270
64	34,375	90,279,235
_____	_____	7,242,751
_____	_____	50,346,553
_____	_____	5,447,598
_____	_____	17,807,840
_____	_____	4,996,200
_____	_____	1,960,376
_____	_____	1,055,580
1,317,385	149,277	1,466,662
1,317,385	149,277	90,323,560
(1,317,321)	(114,902)	(44,325)
941,200	_____	941,200
_____	_____	64,610
_____	_____	(64,610)
941,200	-	941,200
(376,121)	(114,902)	896,875
(3,180,041)	203,199	9,503,908
\$ (3,556,162)	\$ 88,297	\$ 10,400,783

WEST GENESEE CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds **\$ 896,875**

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

Governmental Funds report capital outlay and purchases of capitalizable assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 3,038,699	
Depreciation expense	(3,399,006)	
Net book value of disposals	<u>(613)</u>	(360,920)

Long-term debt proceeds, and related issue costs and deferred amounts on refunding, provide current financial resources to Governmental Funds, but issuing debt and the related premiums increase long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Repayment of bond principal	\$ 3,915,000	
Repayment of installment purchase debt	<u>140,000</u>	4,055,000

Long-term obligations are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statements.

Other postemployment benefits liability	\$ (577,055)	
Compensated absences	481,049	
Retainage payable	<u>49,483</u>	(46,523)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the Governmental Funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest reported in the Statement of Activities is the result of accrued interest on bonds, BANs and RANs, the amortization of bond premiums, and the deferred amount of refunded bonds.

Changes in accrued interest	\$ (17,342)	
Amortization of bond premiums	464,933	
Amortization of deferred charges on defeased debt	<u>(144,981)</u>	302,610

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

ERS	\$ 35,607	
TRS	<u>(594,796)</u>	<u>(559,189)</u>

Net Change in Net Position of Governmental Activities **\$ 4,287,853**

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2018

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash - Unrestricted	\$	\$ 709,672
Cash - Restricted	1,699	
Investments - Restricted	195,385	
Total Assets	197,084	\$ 709,672
 LIABILITIES		
Extraclassroom Activity Fund balances		\$ 173,790
Other liabilities	1,284	535,882
Total Liabilities	1,284	\$ 709,672
 NET POSITION		
Restricted for scholarships	\$ 195,800	

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 11,527
Investment earnings	106
Total Additions	11,633
DEDUCTIONS	
Scholarships and awards	33,239
Change in Net Position	(21,606)
Net Position - Beginning of Year	217,406
Net Position - End of Year	\$ 195,800

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

Reporting Entity

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

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 85, "Omnibus 2017."

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

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

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

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District's fiduciary responsibility in relation to the Funds, they are reported in the School District's Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's Business Office, located at 300 Sanderson Drive, Camillus, NY.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Joint Venture

The West Genesee Central School District is one of 23 component school districts in the Onondaga-Cortland-Madison Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §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 §1950 of the Education Law. BOCES' financial statements may be obtained from the Onondaga-Cortland-Madison BOCES administration office at 6820 Thompson Road, Syracuse, New York 13088.

Basis of Presentation - District-wide Financial Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Basis of Presentation - Governmental Fund Financial Statements

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

The School District reports the following Major Governmental Funds:

- **General Fund:** The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - **Special Aid Fund:** Used to account for proceeds received from state and federal grants restricted for special educational programs.
 - **School Lunch Fund:** Accounts for revenues and expenditures in connection with the School District's food service program.
- **Capital Fund - Buses:** Accounts for financial resources used to purchase school buses.
- **Capital Fund - Construction:** Accounts for financial resources used for capital construction.

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

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- **Agency Funds:** Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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 School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within 90 days after the end of the fiscal year, except for BOCES aid, which is accrued only if receivable within 60 days after the end of the fiscal year.

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

Cash and Investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

Accounts Receivable

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies - Continued

Due To/From Other Funds

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

Inventories and Prepaid Items

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

Nonspendable fund balances for these non-liquid assets (inventories and prepaid items) have been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

Capital Assets

Capital assets are reported using estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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 financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 500	40 years
Building improvements	500	20-40 years
Furniture and equipment	500	3-10 years

Capital assets are depreciated over their estimated useful lives using the straight-line method.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Vested Employee Benefits - Compensated Absences

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

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

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

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

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

Other Postemployment Benefits

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

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

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 11 for additional information.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, 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 School District reports deferred charges on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows of resources related to pensions and OPEB plans in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions and OPEB plans are described in Notes 10 and 11, respectively.

In addition to liabilities, the Statement of Net Position reports 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 will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to pensions and OPEB plans which are further described in Notes 10 and 11, respectively.

Unearned and Unavailable Revenues

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

The Governmental Fund financial statements report unavailable revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded.

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

Restricted Resources

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Equity Classifications - District-wide Financial Statements

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

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of “restricted” or “net investment in capital assets.”

Equity Classifications - Governmental Fund Financial Statements

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

- Nonspendable: Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.
- Restricted: Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District’s legally adopted reserves are reported here.
- Committed: Consists of amounts subject to a purpose constraint imposed by formal action of the government’s highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Equity Classifications - Governmental Fund Financial Statements - Continued

- **Assigned:** Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned:** Represents the residual classification of the government's General Fund and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

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

The Board of Education of the School District has adopted resolutions to commit or assign fund balance. By resolution, fund balance of the School District may be committed for a specific source by formal action of the Board of Education. Furthermore, the Board of Education delegates authority to assign fund balance for a specific purpose to the Business Official of the School District. The Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District applies expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Legally Adopted Reserves

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Legally Adopted Reserves - Continued

- Capital Reserve (Education Law §3651): Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.
- Tax Certiorari Reserve (Education Law §3651.1-a): Used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year, such monies deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.
- Unemployment Insurance Reserve (GML §6-m): Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- Workers Compensation Reserve (GML §6-j): Used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses for administering this self-insurance program. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the succeeding fiscal year's budget. The reserve is accounted for in the General Fund.
- Retirement Contribution Reserve (GML §6-r): Used to reserve funds for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Legally Adopted Reserves - Continued

- Employee Benefit Accrued Liability Reserve (GML §6-p): Used to reserve funds for the payment of accrued employee benefits due upon termination of an employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 3, and became a lien on August 23, 2017. Taxes were collected during the period September 5, 2017 to November 17, 2017.

Uncollected real property taxes are subsequently enforced by the County of Onondaga. 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 following April 1.

Interfund Transfers

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

New Accounting Standards

The School District has adopted and implemented the following (all) current statements of the Governmental Accounting Standards Board (GASB) which are applicable as of June 30, 2018:

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

New Accounting Standards - Continued

- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ended June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ended June 30, 2018.

Future Changes in Accounting Standards

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

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," effective for the year ending June 30, 2020. This statement improves the information disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2021.

***Note 2* Participation in BOCES**

During the year ended June 30, 2018, the School District's share of BOCES income amounted to \$2,904,839. The School District was billed \$8,331,746 for BOCES administration and program costs. Financial statements for Onondaga-Cortland-Madison BOCES are available from the BOCES Administrative Office at 6820 Thompson Road, Syracuse, New York.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 3 Cash and Cash Equivalents - Custodial and Concentration of Credit Risks

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

The School District's aggregate bank balances of \$22,007,830, including certificates of deposit, are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

The School District has few investments (primarily donated Scholarship Funds) and chooses to disclose its investments by specifically identifying each.

The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

1. Insured or registered, or investments held by the School District or by the School District's agent in the School District's name, or
2. Uninsured and unregistered, with investments held by the financial institution's trust department in the School District's name, or
3. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

	<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Type of Investment</u>	<u>Category</u>
Private Purpose Trust Fund	\$ <u>195,385</u>	\$ <u>195,385</u>	Certificate of Deposit	(1)

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 3 Cash and Cash Equivalents - Custodial and Concentration of Credit Risks - Continued
The School District does not typically purchase investments for a duration long enough to cause it to believe that it is exposed to any material interest rate risk.

The School District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

Restricted cash and investments at June 30, 2018 consisted of the following:

General Fund reserves	\$	6,648,652
Restricted for capital		88,297
Restricted for school lunch		132,657
Subtotal		6,869,606
Private Purpose Trust Fund		197,084
Total	\$	7,066,690

Note 4 Due from Other Governments
Due from other governments consisted of the following, which are stated at net realizable value.

Description	Amount
BOCES September aid	\$ 1,307,178
Other	218,929
Total	\$ 1,526,107

Note 5 Interfund Balances and Activity
Interfund balances at June 30, 2018, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 379,902	\$	\$	\$ 64,610
Special Aid Fund		379,902	64,610	
Total	\$ 379,902	\$ 379,902	\$ 64,610	\$ 64,610

Interfund receivables and payables, other than between Governmental Activities and Fiduciary Funds, are eliminated on the Statement of Net Position.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 5 Interfund Balances and Activity - Continued

The School District typically transfers, from the General Fund to the Special Aid Fund, the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize the School Lunch Fund.

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

Note 6 Capital Assets

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 941,810	\$	\$	\$ 941,810
Construction in progress	19,359,651	149,277	(6,320,135)	13,188,793
Total Nondepreciable Historical Cost	<u>20,301,461</u>	<u>149,277</u>	<u>(6,320,135)</u>	<u>14,130,603</u>
Capital assets that are depreciated:				
Buildings	85,973,407		6,320,135	92,293,542
Improvements	4,133,329			4,133,329
Furniture and equipment	22,655,407	2,889,422	(637,289)	24,907,540
Total Depreciable Historical Cost	<u>112,762,143</u>	<u>2,889,422</u>	<u>5,682,846</u>	<u>121,334,411</u>
Total Historical Cost	<u>133,063,604</u>	<u>3,038,699</u>	<u>(637,289)</u>	<u>135,465,014</u>
Less accumulated depreciation:				
Buildings	(43,309,995)	(1,758,541)		(45,068,536)
Improvements	(3,219,009)	(138,240)		(3,357,249)
Furniture and equipment	(16,951,319)	(1,502,225)	636,676	(17,816,868)
Total Accumulated Depreciation	<u>(63,480,323)</u>	<u>(3,399,006)</u>	<u>636,676</u>	<u>(66,242,653)</u>
Total Historical Cost, Net	\$ <u>69,583,281</u>	\$ <u>(360,307)</u>	\$ <u>(613)</u>	\$ <u>69,222,361</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 136,903
Instruction	2,000,841
Pupil transportation	<u>1,261,262</u>
Total Depreciation Expense	\$ <u>3,399,006</u>

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 7 Short-term Debt

The School District may issue revenue anticipation notes (RANs) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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

The following is a summary of the School District's BANs and RANs for the year ended June 30, 2018:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2018</u>
RANs	06/28/2018	12/28/2018	2.75%	\$ 4,000,000
BANs - Bus Purchases	07/06/2017	07/06/2018	2.25%	3,565,305
Total				\$ <u>7,565,305</u>

Transactions in short-term debt for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Refinanced/ Redeemed</u>	<u>Ending Balance</u>
RANs	\$ 5,000,000	\$ 4,000,000	\$ (5,000,000)	\$ 4,000,000
BANs	3,201,200	3,565,305	(3,201,200)	3,565,305
Total	\$ <u>8,201,200</u>	\$ <u>7,565,305</u>	\$ <u>(8,201,200)</u>	\$ <u>7,565,305</u>

Interest on short-term debt for the year was composed of:

Interest paid	\$ 60,842
(Less) interest accrued in the prior year	(33,162)
Plus interest accrued in the current year	<u>79,503</u>
Total	\$ <u>107,183</u>

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-Term Debt

At June 30, 2018, the total outstanding indebtedness of the School District represented 29.9% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- **Serial Bonds and Statutory Installment Bonds:** The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.
- **Installment Purchase Debt:** The School District leases energy conservation equipment with the intent to purchase.

The following is a summary of the School District's notes payable and long-term debt for the year ended June 30, 2018:

	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2018
Refunding bonds	10/26/2011	04/15/2022	2.00% - 5.00%	\$ 3,430,000
Refunding bonds	03/29/2012	03/15/2022	2.00% - 4.00%	2,945,000
DASNY refunding bonds	10/31/2012	02/01/2031	2.00% - 4.00%	3,065,000
Refunding bonds	02/07/2013	06/15/2021	2.00% - 4.00%	4,920,000
Revenue bonds	06/08/2017	06/15/2032	3.00% - 5.00%	19,015,000
Subtotal Serial Bonds				33,375,000
Plus: Unamortized premium				4,059,993
Total Serial Bonds				37,434,993
 Installment Purchase Debt:				
Energy performance contract lease	07/22/2009	02/18/2025	5.39%	1,086,000
 Total				\$ 38,520,993

Interest expense on long-term debt during the year was comprised of the following:

Interest paid	\$ 1,899,534
Less interest accrued in the prior year	(184,723)
Plus interest accrued in the current year	155,724
Plus amortization of deferred charges on defeased debt	144,981
Less amortization of bond premium	(464,933)
 Total	 \$ 1,550,583

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-Term Debt - Continued

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds	\$ 37,290,000	\$	\$ (3,915,000)	\$ 33,375,000	\$ 4,360,000
Plus: Unamortized premium	4,524,926		(464,933)	4,059,993	464,933
Total bonds payable	41,814,926	-	(4,379,933)	37,434,993	4,824,933
Installment purchase debt	1,226,000		(140,000)	1,086,000	147,000
Total	\$ 43,040,926	\$ -	\$ (4,519,933)	\$ 38,520,993	\$ 4,971,933

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

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

Year	Principal	Interest	Total
2019	\$ 4,360,000	\$ 1,406,609	\$ 5,766,609
2020	4,510,000	1,249,009	5,759,009
2021	4,665,000	1,089,409	5,754,409
2022	3,080,000	923,859	4,003,859
2023	1,470,000	781,909	2,251,909
2024-2028	8,385,000	2,873,494	11,258,494
2029-2032	6,905,000	774,703	7,679,703
Total	\$ 33,375,000	\$ 9,098,992	\$ 42,473,992

Installment Purchase Debt

The following is a schedule of future minimum lease payments under capital leases:

Year	Principal	Interest	Total
2019	\$ 147,000	\$ 58,535	\$ 205,535
2020	154,000	50,612	204,612
2021	161,000	42,312	203,312
2022	169,000	33,634	202,634
2023	176,000	24,524	200,524
2024-2025	279,000	20,105	299,105
Total	\$ 1,086,000	\$ 229,722	\$ 1,315,722

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-Term Debt - Continued

Installment Purchase Debt - Continued

On July 22, 2009, the School District entered into a lease/purchase agreement as part of their energy performance contract. The School District qualified for a New York Energy Research and Development Authority (NYSERDA) New York Energy Smart Loan Fund grant in the amount of \$1,000,000. As part of this grant, NYSERDA will pay lease interest of 4.0% up to \$1,000,000. During 2018, NYSERDA paid \$15,642 in interest on behalf of the School District's lease/purchase agreement.

The net book value of capital assets procured through capital leases at June 30, 2018 follows:

Cost of leased assets	\$	2,058,674
Accumulated depreciation		<u>(1,166,582)</u>
Net Book Value	\$	<u>892,092</u>

Deferred Charges on Defeased Debt

A deferred charge on defeased debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
2011 Refunding Bonds	\$ 78,218	\$	\$ (15,644)	\$ 62,574
2012 Refunding Bonds	129,417		(25,884)	103,533
2012 DASNY Refunding Bonds	13,060		(933)	12,127
2013 Refunding Bonds	<u>410,080</u>		<u>(102,520)</u>	<u>307,560</u>
Total	\$ <u>630,775</u>	\$ <u>-</u>	\$ <u>(144,981)</u>	\$ <u>485,794</u>

Note 9 Compensated Absences

Compensated Absences represents funds accrued to pay for the School District's share of sick and vacation time. This liability is liquidated through the General Fund.

Compensated absences balances and activity for the year ended June 30, 2018 are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ <u>8,688,255</u>	\$	\$ <u>(481,049)</u>	\$ <u>8,207,206</u>	\$ <u>187,380</u>

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

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

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

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

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

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Summary of Significant Accounting Policies

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

Contributions

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

	<u>ERS</u>		<u>TRS</u>
2018	\$ 1,277,718	\$	4,012,549
2017	1,204,609		4,325,613
2016	1,312,531		5,523,431

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

At June 30, 2018, the School District reported the following (asset) liability for its proportionate share of the net pension (asset) liability for each of the Systems. The net pension (asset) liability was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation. The School District's proportionate share of the net pension (asset) liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	ERS	TRS
Actuarial valuation date	4/01/2017	6/30/2016
Net pension liability (asset)	\$ 3,227,444,946	\$ (760,099,284)
School District's proportionate share of the Plan's total net pension liability (asset)	935,928	(1,642,305)
School District's share of the net pension liability	0.0289990%	0.216065%

For the year ended June 30, 2018, the School District recognized pension expense of \$1,221,754 for ERS and \$4,081,323 for TRS in the District-wide financial statements. At June 30, 2018 the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 333,815	\$ 1,351,213	\$ 275,852	\$ 640,316
Changes of assumptions	620,598	16,710,772		
Net differences between projected and actual earnings on pension plan investments	1,359,361		2,683,243	3,868,103
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	272,455	78,420	17,645	400,532
School District's contributions subsequent to the measurement date	436,772	3,485,983		
Total	\$ 3,023,001	\$ 21,626,388	\$ 2,976,740	\$ 4,908,951

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) – Continued

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

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension (asset) liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>ERS</u>	<u>TRS</u>
2019	290,619	332,421
2020	220,900	4,373,531
2021	(626,369)	3,116,224
2022	(275,661)	737,798
Thereafter		4,671,480

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.0%	7.25%
Salary increases	3.8%	1.9%-4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

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

For ERS, the actuarial assumptions used in the April 1, 2017 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) – Continued

Actuarial Assumptions - Continued

For 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.

For TRS, long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Asset Type:		
Domestic equities	4.6%	5.9%
International equities	6.4%	7.4%
Real estate	5.6%	4.3%
Private equity/Alternative investments	7.5%	9.0%
Absolute return strategies	3.8%	
Opportunistic portfolio	5.7%	
Real assets	5.3%	
Cash	(0.3%)	
Inflation-indexed bonds	1.3%	
Domestic fixed income securities		1.6%
Global fixed income securities		1.3%
High-yield fixed income securities		3.9%
Mortgages and bonds	1.3%	2.8%
Short-term		0.6%

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Discount Rate

The discount rate used to calculate the total pension (asset) liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

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

The following presents the School District's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the School District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	\$ 7,081,484	\$ 935,928	\$ (4,262,966)

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's proportionate share of the net pension (asset) liability	\$ 28,292,050	\$ (1,642,305)	\$ (26,710,841)

Pension Plan Fiduciary Net Position

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

	Dollars in Thousands	
	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension (asset) liability	\$ 183,400,590	\$ 114,708,261
Plan net position	(180,173,145)	(115,468,360)
Employers' net pension (asset) liability	\$ 3,227,445	\$ (760,099)
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	98.2%	(100.7%)

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$436,772.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October, and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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, 2018 amounted to \$3,901,531.

Current Year Activity

The following is a summary of current year activity:

	Beginning Balance	Change	Ending Balance
ERS			
Net pension (asset) liability	\$ 2,615,492	\$ (1,679,564)	\$ 935,928
Deferred outflows of resources	(2,110,921)	(912,080)	(3,023,001)
Deferred inflows of resources	420,703	2,556,037	2,976,740
Subtotal	925,274	(35,607)	889,667
TRS			
Net pension (asset) liability	\$ 2,264,208	\$ (3,906,513)	\$ (1,642,305)
Deferred outflows of resources	(22,092,722)	466,334	(21,626,388)
Deferred inflows of resources	873,976	4,034,975	4,908,951
Subtotal	(18,954,538)	594,796	(18,359,742)
Total	\$ (18,029,264)	\$ 559,189	\$ (17,470,075)

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Postemployment Benefits Other Than Pensions (OPEB)

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

General Information About the OPEB Plan

Plan Description - The Plan is a single employer, defined benefit healthcare plan administered by Excellus Blue Cross Blue Shield. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Benefits Provided - The School District provides healthcare benefits for eligible retirees and their spouses. Benefit provisions are established through negotiations between the School District and bargaining units and are renegotiated each as each contract expires.

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	172
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>581</u>
	<u><u>753</u></u>

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 11* Postemployment Benefits Other Than Pensions (OPEB) - Continued**

Total OPEB Liability

The School District's total OPEB liability of \$25,134,865 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Single Discount Rate	3.6%
Salary Scale	4.0%
Rate of Inflation	2.2%
Marriage Rate	70.0%
Participation Rate	100.0%
Healthcare Cost Trend Rates	7.5% for 2018, decreasing to an ultimate rate of 3.84% for 2087

The single discount rate above is based on the Bond Buyer Weekly 20-Bond GO Index.

Mortality rates were based on the Scale MP-2014 projected forward with scale MP-2015 (generation mortality) published by the pension mortality study released by the Society of Actuaries.

Termination rates were based on the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement.

Retirement rates are based on tables used by the New York State Teachers' Retirement System and New York State and Local Retirement System.

The actuarial assumptions used in the July 1, 2016 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 26,007,354
Changes for the year	
Service cost	1,298,011
Interest cost	757,316
Changes of benefit terms	
Differences between expected and actual experience	
Changes in assumptions	(1,462,041)
Benefit payments	(1,465,775)
Net change	(872,489)
Balance at June 30, 2018	\$ 25,134,865

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower (2.6%) or 1-percentage-point higher (4.6%) than the current discount rate:

	1% Decrease (2.60%)	Discount Rate (3.60%)	1% Increase (4.60%)
Total OPEB liability	\$ 27,094,502	\$ 25,134,865	\$ 23,309,844

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% in 2017 to 3.6% in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (2.84% to 6.5%) or 1 percentage point higher (4.84% to 8.5%) than the current healthcare cost trend rate:

	1% Decrease (2.84% to 6.50%)	Healthcare Cost Trend Rate (3.84% to 7.50%)	1% Increase (4.84% to 8.50%)
Total OPEB liability	\$ 22,338,259	\$ 25,134,865	\$ 28,452,447

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$1,874,605.

At June 30, 2018, the School 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
Changes in assumptions or other inputs	\$	\$ 1,281,319
Contributions subsequent to measurement date	1,297,550	
Total	\$ 1,297,550	\$ 1,281,319

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

Fiscal Year Ending June 30,	Amount
2019	\$ (180,722)
2020	(180,722)
2021	(180,722)
2022	(180,722)
2023	(180,722)
Thereafter	(377,709)

Current Year Activity

The following is a summary of current year activity:

	Beginning Balance	Change	Ending Balance
OPEB Liability	\$ 26,007,354	\$ (872,489)	\$ 25,134,865
Deferred outflows of resources	(1,465,775)	168,225	(1,297,550)
Deferred inflows of resources		1,281,319	1,281,319
Total	\$ 24,541,579	\$ 577,055	\$ 25,118,634

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 12* Commitments and Contingencies**

Risk Financing and Related Insurance

General Information

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

Health Insurance

The School District incurs costs related to an employee health insurance plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

Districts joining the Plan must remain members for a minimum of one year; a member district may withdraw from the Plan after that time by providing notice to the Plan prior to the May 1 immediately preceding the commencement of the next school year. Plan members include 23 districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

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

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount.

Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2018, the School District incurred premiums or contribution expenditures totaling \$8,514,878. Plan financial statements may be obtained from the Onondaga-Cortland-Madison BOCES administration office at 110 Elwood Davis Road, Liverpool, New York 13088.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 12* Commitments and Contingencies - Continued**

Risk Financing and Related Insurance - Continued

Workers' Compensation

The School District incurs costs related to workers' compensation claims as a member of the OCM BOCES Workers' Compensation Consortium (the Consortium). The Consortium's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School districts joining the Consortium must remain members for a minimum of two years; a member may withdraw from the Consortium after that time.

Consortium members include 31 school districts, with the School District bearing a share of the Consortium's assets and claims liabilities. Consortium members are subject to a supplemental assessment in the event of deficiencies. If the Consortium's assets were to be exhausted, members would be responsible for the Consortium's liabilities. The Consortium uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Consortium as direct insurer of the risks reinsured.

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

During the year ended June 30, 2018, the School District incurred premiums or contribution expenditures totaling \$602,135.

The Consortium financial statements may be obtained from the Onondaga-Cortland-Madison BOCES administration office at 6820 Thompson Road, Syracuse, New York 13211.

Other Items

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

Contingencies

Numerous real estate tax certiorari proceedings are presently pending against the Town of Camillus on grounds of alleged inequality of assessment. Adverse decisions to the town could have a substantial impact through the reduction of assessments and tax refunds to successful litigants. The School District is the principal recipient of property taxes levied under the assessments and would be responsible for such liabilities, if any. The School District has reserved \$751,149 of fund balance in the General Fund for tax certiorari claims.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 13 Fund Balance Detail

At June 30, 2018, fund balances in the governmental funds were as follows:

	General Fund	Capital Fund Buses	Capital Fund - Construction	School Lunch Fund
Nonspendable				
Inventory	\$ _____	\$ _____	\$ _____	\$ 34,280
Total Nonspendable Fund Balance	\$ _____ -	\$ _____ -	\$ _____ -	\$ 34,280
Restricted				
Tax certiorari reserve	\$ 751,149	\$ _____	\$ _____	\$ _____
Unemployment insurance reserve	246,883			
Retirement contribution reserve	1,798,125			
Employee benefit accrued liability reserve	2,819,043			
Capital reserve	701,632			
Workers compensation reserve	331,820			
Capital fund			88,297	
School lunch				157,496
Total Restricted Fund Balance	\$ 6,648,652	\$ _____ -	\$ 88,297	\$ 157,496
Assigned				
Appropriated for next year's budget	\$ 1,400,000	\$ _____	\$ _____	\$ _____
Encumbered for:				
General support	319,177			
Instruction	1,788,802			
Pupil transportation	920			
Employee benefits	270			
Total Assigned Fund Balance	\$ 3,509,169	\$ _____ -	\$ _____ -	\$ _____ -

Note 14 Restricted Fund Balances

Portions of fund balance are reserved and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2018 of the General Fund reserves were as follows:

General Fund	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
Tax certiorari reserve	\$ 750,118	\$ _____	\$ 1,031	\$ _____	\$ 751,149
Workers compensation reserve	556,099		721	(225,000)	331,820
Unemployment insurance reserve	258,995		388	(12,500)	246,883
Retirement contribution reserve	1,816,629	204,000	2,496	(225,000)	1,798,125
Employee benefit accrued liability reserve	2,815,271		3,772		2,819,043
Capital reserve	700,669		963		701,632
Total	\$ 6,897,781	\$ 204,000	\$ 9,371	\$ (462,500)	\$ 6,648,652

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 15 Stewardship, Compliance, and Accountability

The Capital Fund - Buses had a deficit balance of \$(3,556,162) at June 30, 2018. This deficit will be eliminated when short-term financing is converted to long-term debt.

Note 16 Tax Abatements

For the year ended June 30, 2018, the School District was subject to tax abatements negotiated by the Onondaga County Industrial Development Agency (OCIDA), and the Town of Camillus, New York (the Town).

The OCIDA entered into various property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced by \$425,630. The School District received payment in Lieu of Tax (PILOT) payments totaling \$537,119.

The Town also entered into a property tax abatement program for the purpose of economic development. School District property tax revenue was reduced by \$34,156. The School District received payment in Lieu of Tax (PILOT) payments totaling \$20,069.

Note 17 Restatement

The School District's June 30, 2017 net position has been restated to reflect the following:

Net Position Beginning of Year	\$ 32,362,468
GASB Statement No. 75 Implementation	
Change in beginning OPEB plan liability	(12,619,143)
Beginning OPEB plan deferred outflows of resources	<u>1,465,775</u>
Net Position Beginning of Year, as Restated	<u><u>\$ 21,209,100</u></u>

Note 18 Subsequent Events

On July 6, 2018 the School District issued bond anticipation notes in the amount of \$3,850,815 at an interest rate of 2.75% to finance the purchase of school buses.

WEST GENESEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 39,229,140	\$ 39,229,140	\$ 39,420,332	\$ 191,192
Real property tax items	8,935,445	8,935,445	8,803,130	(132,315)
Nonproperty taxes	119,620	119,620	155,507	35,887
Charges for services	782,250	782,250	936,676	154,426
Use of money and property	82,895	82,895	206,366	123,471
Sale of property and compensation for loss	30,000	30,000	141,244	111,244
Miscellaneous	214,030	255,909	834,836	578,927
Total Local Sources	49,393,380	49,435,259	50,498,091	1,062,832
State sources	34,282,490	36,092,904	35,528,107	(564,797)
Medicaid reimbursement	141,000	141,000	302,809	161,809
Total Revenues	83,816,870	85,669,163	\$ 86,329,007	\$ 659,844
Appropriated Fund Balance	1,400,000	1,400,000		
Appropriated Reserves	-	12,500		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	634,381	634,381		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	\$ 85,851,251	\$ 87,716,044		

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 31,686	\$ 36,370
Central administration	296,525	307,755
Finance	736,253	740,340
Staff	470,446	467,127
Central services	5,010,473	4,835,584
Special items	712,190	608,249
Total General Support	7,257,573	6,995,425
Instruction		
Instruction, administration, and improvement	2,863,233	2,829,669
Teaching - Regular school	26,959,152	27,229,926
Programs for children with handicapping conditions	11,010,887	10,407,496
Occupational education	711,905	711,905
Teaching - Special school	346,505	262,046
Instructional media	2,467,849	5,193,550
Pupil services	4,045,140	4,081,191
Total Instruction	48,404,671	50,715,783
Pupil transportation	5,420,235	5,453,802
Employee benefits	17,387,752	17,509,930
Debt Service		
Principal	5,406,200	4,996,200
Interest	1,799,820	1,969,904
Total Debt Service	7,206,020	6,966,104
Total Expenditures	85,676,251	87,641,044
OTHER FINANCING USES		
Operating transfers out	175,000	75,000
Total Expenditures and Other Financing Uses	\$ 85,851,251	\$ 87,716,044

Net Change in Fund Balances

Fund Balance - Beginning of Year

Fund Balance - End of Year

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

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 34,939	\$ 127	\$ 1,304
305,933		1,822
728,679	1,077	10,584
450,821	11,073	5,233
4,491,509	306,900	37,175
604,994	-	3,255
<u>6,616,875</u>	<u>319,177</u>	<u>59,373</u>
2,783,095	11,256	35,318
26,846,932	374,170	8,824
10,343,649	17,730	46,117
711,900		5
251,421		10,625
3,795,674	1,372,463	25,413
3,980,804	13,183	87,204
<u>48,713,475</u>	<u>1,788,802</u>	<u>213,506</u>
5,382,920	920	69,962
17,251,123	270	258,537
4,996,200		-
1,960,376		9,528
6,956,576	-	9,528
84,920,969	2,109,169	610,906
64,610		10,390
<u>84,985,579</u>	<u>\$ 2,109,169</u>	<u>\$ 621,296</u>
1,343,428		
12,333,444		
<u>\$ 13,676,872</u>		

WEST GENESEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,277,718	\$ 1,204,609	\$ 1,312,531
Contributions in relation to the contractually required contribution	(1,277,718)	(1,204,609)	(1,312,531)
Contribution deficiency (excess)			
School District's covered - employee payroll for year ending June 30,	9,168,673	8,436,411	8,093,059
Contributions as a percentage of covered - employee payroll	13.9%	14.3%	16.2%

* Information not readily available

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,485,983	\$ 4,012,549	\$ 4,325,613
Contributions in relation to the contractually required contribution	(3,485,983)	(4,012,549)	(4,325,613)
Contribution deficiency (excess)			
School District's covered - employee payroll for year ending June 30,	35,571,255	34,236,766	32,621,516
Contributions as a percentage of covered - employee payroll	9.8%	11.7%	13.3%

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

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,473,049	\$ 1,497,113	\$ 1,443,582	\$ 1,090,789	\$ 822,201	\$ 477,794	\$ 520,284
(1,473,049)	(1,497,113)	(1,443,582)	(1,090,789)	(822,201)	(477,794)	(520,284)
7,782,635	7,742,154	7,670,843	7,212,369	7,509,327	*	*
18.9%	19.3%	18.8%	15.1%	10.9%	N/A	N/A

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 5,523,431	\$ 5,114,078	\$ 3,534,384	\$ 3,262,565	\$ 2,674,852	\$ 1,936,577	\$ 2,278,086
(5,523,431)	(5,114,078)	(3,534,384)	(3,262,565)	(2,674,852)	(1,936,577)	(2,278,086)
31,508,448	31,471,249	29,851,216	29,366,022	31,030,766	31,285,574	29,856,959
17.5%	16.3%	11.8%	11.1%	8.6%	6.2%	7.6%

WEST GENESEE CENTRAL SCHOOL DISTRICT

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.0289990%	0.0278356%	0.0285582%	0.0281297%
School District's proportionate share of the net pension (asset) liability	\$ 935,928	\$ 2,615,492	\$ 4,583,670	\$ 950,292
School District's covered-employee payroll during the measurement period	8,806,638	8,115,410	7,658,921	7,880,633
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	10.6%	32.2%	59.8%	12.1%
Plan fiduciary net position as a percentage of the total pension (asset) liability	98.2%	94.7%	90.7%	97.9%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.216065%	0.211402%	0.209758%	0.213053%
School District's proportionate share of the net pension (asset) liability	\$ (1,642,305)	\$ 2,264,208	\$ (21,787,138)	\$ (23,732,780)
School District's covered-employee payroll during the measurement period	34,236,766	32,621,516	31,508,448	31,471,249
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	(4.8%)	6.9%	(69.1%)	(75.4%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	(100.7%)	99.0%	(110.5%)	(111.5%)

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2018	2017	2016
Service cost	\$ 1,298,011	\$ *	\$ *
Interest cost	757,316	*	*
Changes of benefit terms	-	*	*
Differences between expected and actual experience	-	*	*
Changes in assumptions or other inputs benefit payments	(1,462,041)	*	*
Benefit payments	(1,465,775)	*	*
	(872,489)	*	*
Total OPEB Liability - Beginning	26,007,354	*	*
Total OPEB Liability - Ending	\$ 25,134,865	\$ 26,007,354	\$ *
Covered employee payroll	\$ 44,760,853	\$ *	\$ *
Total OPEB Liability as a Percentage of Covered Payroll	56%	*	*

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate in effect for this period is 3.6%

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed for each year going forward as it becomes available.

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 1 **Budget Procedures and Budgetary Accounting**

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

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

The following supplemental appropriations occurred during the year:

Adopted Budget:	\$	85,216,870
Prior year's encumbrances		634,381
Original Budget		<u>85,851,251</u>
Additions:		
Gifts and donations		41,880
Additional state aid		1,810,413
Use of reserves		12,500
Total Additions		<u>1,864,793</u>
Final Budget	\$	<u><u>87,716,044</u></u>

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

An annual legal budget is not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls are established in accordance with applicable grant agreements and management estimates.

Note 2 **Reconciliation of the General Fund Budget Basis to GAAP**

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as encumbrances are shown in a separate column and are not included in the actual results at June 30, 2018.

Note 3 **Schedule of Changes in the School District's Total OPEB Liability and Related Ratios**

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates in each period:

2018 - 3.60%
2017 - 2.85%

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 4 Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability
The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present four years of information. These schedules will present ten years of information as it becomes available from the pension plans.

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

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2017 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2017 actuarial valuation determines the employer rates for contributions payable in fiscal year 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	Five-year phase in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

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

NYSTRS

Changes in Benefit Terms

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

Changes of Assumptions

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

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

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years. Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

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

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School District's Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School District's Contributions.

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
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Asset valuation method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 3.0%.
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Inflation	2.5%
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Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
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<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return	7.25% compounded annually, net of investment expenses, including inflation.
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Projected cost of living adjustments	1.5% compounded annually
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WEST GENESEE CENTRAL SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ <u>85,216,870</u>
Prior year's encumbrances	<u>634,381</u>
Original Budget	<u>85,851,251</u>
Budget Additions:	
Gifts and donations	41,880
Additional state aid	1,810,413
Use of reserves	<u>12,500</u>
Total Additions	<u>1,864,793</u>
Final Budget	\$ <u><u>87,716,044</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget	\$ <u><u>88,000,070</u></u>
2018-2019 Voter-Approved Expenditure Budget Maximum allowed (4% of 2018-2019 Budget)	\$ <u><u>3,520,003</u></u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law:	
Unrestricted Fund Balance:	
Assigned fund balance	\$ 3,509,169
Unassigned fund balance	<u>3,519,051</u>
Total Unrestricted Fund Balance	<u><u>7,028,220</u></u>
Less:	
Appropriated fund balance	\$ 1,400,000
Encumbrances included in committed and assigned fund balance	<u>2,109,169</u>
Total Adjustments	<u><u>3,509,169</u></u>
General Fund Fund Balance Subject to §1318 of Real Property Law	\$ <u><u>3,519,051</u></u>
Actual Percentage	4.00%

See Independent Auditor's Report

WEST GENESEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2018

PROJECT TITLE	Expenditures					
	Original Budget	Revised Budget	Prior Years	Current Year	Transfer to General Fund	Total
Prior Year Buses	\$ 3,893,489	\$ 5,093,042	\$ 5,118,880	\$	\$	\$ 5,118,880
2017-2018 Buses	1,153,999			1,317,385		1,317,385
East Hill Elementary Construction - 0002-009	3,513,450	2,742,760	3,528,441	1,150		3,529,591
West Genesee Middle Construction - 0009-005	3,154,769	2,340,070	2,243,358			2,243,358
Split Rock Elementary Construction - 0005-006	1,858,232	2,038,054	1,800,899	120		1,801,019
High School 0007-009	4,618,501	4,344,594	4,934,159	147,307		5,081,466
Onondaga Road Elementary Construction 0004-006	3,192,935	3,286,988	3,138,117	700		3,138,817
Unredeemed Bond Anticipation Notes						
Total	\$ 21,385,375	\$ 19,845,508	\$ 20,763,854	\$ 1,466,662	\$ -	\$ 22,230,516

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

See Independent Auditor's Report

Unexpended Balance	Methods of Financing				Fund Balance (Deficit) June 30, 2018
	Proceeds of Obligations	State Aid	Local Sources	Total	
\$ (25,838)	\$ 3,825,709	\$	\$ 1,314,330	\$ 5,140,039	\$ 21,159
(1,317,385)	1,305,369			1,305,369	(12,016)
(786,831)	1,750,524	550,000	34,375	2,334,899	(1,194,692) *
96,712	2,243,358			2,243,358	-
237,035	802,802	183,668		986,470	(814,549) *
(736,872)	7,759,793		585,123	8,344,916	3,263,450 *
148,171	1,672,905	300,000		1,972,905	(1,165,912) *
	(3,565,305)			(3,565,305)	(3,565,305)
\$ (2,385,008)	\$ 15,795,155	\$ 1,033,668	\$ 1,933,828	\$ 18,762,651	\$ (3,467,865)

WEST GENESEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net	\$ <u>69,222,361</u>
Add:	
Deferred charges on defeased debt	<u>485,794</u>
Deduct:	
Bond anticipation notes	<u>(3,565,305)</u>
Premium on bonds payable	<u>(4,059,993)</u>
Short-term portion of capital installment purchase debt	<u>(147,000)</u>
Long-term portion of capital installment purchase debt	<u>(939,000)</u>
Short-term portion of bonds payable	<u>(4,360,000)</u>
Long-term portion of bonds payable	<u>(29,015,000)</u>
Net Investment in Capital Assets	\$ <u><u>27,621,857</u></u>

See Independent Auditor's Report

**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***

Board of Education
West Genesee Central School District
Camillus, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Genesee Central School District (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 28, 2018



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

Board of Education
West Genesee Central School District
Camillus, New York

Report on Compliance for Each Major Federal Program

We have audited West Genesee Central School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 28, 2018

WEST GENESEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/Pass - Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass - Through Grantor #</u>	<u>Pass - Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed Through NYS Department of Education				
Title I Grants to Local Educational Agencies	84.010	0021182085	\$	\$ 450,442
Special Education Cluster:				
Special Education - Grants to States	84.027	0032180638		1,001,215
Special Education - Preschool Grants	84.173	0033180638		35,388
Total Special Education Cluster				<u>1,036,603</u>
Improving Teacher Quality State Grants	84.367	0147182085		<u>109,684</u>
Total U.S. Department of Education			<u>-</u>	<u>1,596,729</u>
U.S. Department of Agriculture				
Passed Through NYS Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	006731		130,925
National School Lunch Program	10.555	006731		779,940
Total Child Nutrition Cluster				<u>910,865</u>
Total U.S. Department of Agriculture				<u>910,865</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,507,594</u>

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 **Basis of Presentation**

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

Note 2 **Basis of Accounting**

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

Note 3 **Indirect Costs**

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

Note 4 **Matching Costs**

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

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a Federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2018, the School District received \$125,923 of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

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

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

WEST GENESEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Result

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes no

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.173</u>	<u>Special Education Cluster</u>

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

Auditee qualified as low-risk? yes no

Section II - Financial Statement Findings None

Section III - Federal Award Findings and Questioned Costs None