

**AUDITED
BASIC FINANCIAL STATEMENTS**

LE ROY CENTRAL SCHOOL DISTRICT
LE ROY, NEW YORK

JUNE 30, 2017

LE ROY CENTRAL SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The President and Members of the
Board of Education of
Le Roy Central School District
Le Roy, 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 the Le Roy Central School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As stated in Note 1, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information, as listed in the table of contents, 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 District's basic financial statements. The supplementary information, as listed in the table of contents; and the Schedule of Expenditures of Federal Awards, 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Batavia, New York
October 10, 2017

**Management Discussion and Analysis
Le Roy Central School District
Fiscal Year ended June 30, 2017**

This section of Le Roy Central School District's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

The District is a public school district serving students in grades Pre-Kindergarten through Twelve. The District was formed under New York State Public Education Law for the sole purpose of educating the children of the Le Roy Central School District area. The District is governed by an elected Board of Education and Board appointed management positions. The Board and Management is empowered by the voters of the District to provide the students with a quality education, in compliance with various local, State and Federal laws.

As further discussed in the overview of the District's financial statements, the District prepares its financial statements at levels that include, but also differ from the operating or budgetary basis that the District uses internally to fund and account for operations. The District provides the voters a proposed budget on an annual basis for its General Fund. The budget represents an authorization of expenditures of the General Fund. Management also estimates revenues for the District to determine the amount of property taxes that are required to be levied for the respective budget. The voters did approve the District's budget for the 2016-17 school year in the amount of \$23,214,782. Also, the proposed 2017-18 school budget was approved by the District's voters at the first presentation with an increase in spending of \$1,305,936 from the 2016-17 budget.

The District maintains other funds that contribute or are related to the education of the students of the District, such as a Special Aid Fund, School Lunch Fund and a Capital Projects Fund. The Special Aid and School Lunch funds do not have voter authorized budgets, in that they are "program" specific and the funding for the respective programs or activities should be predominantly self-sustaining. The budget for the Capital Projects Fund is authorized on a project by project basis, rather than at the fund level.

In accordance with New York State Public Education Law, the District maintains a fund balance in the General Fund of the District. By law, the District cannot retain more than 4% of the 2017-18 school year budget in its General Fund unassigned fund balance. At June 30, 2017, the amount in the unassigned fund balance was \$979,555 or 4.0% of the ensuing year's General Fund budget. Additionally, New York State Law allows the District to establish and maintain various reserves. In an effort to establish financial position and reduce dramatic fluctuations in the District's tax rates, the District previously established the following reserves: Reserve for Employee Benefit Accrued Liability, Reserve for Insurance, and Reserve for Retirement.

The assets and deferred outflows of resources of the District exceed its liabilities and deferred inflows of resources at June 30, 2017 by \$14,994,866 which constitutes the net position of the District. The net position of the District includes all of the governmental funds and the fixed asset value of the District's land, buildings and equipment (net of accumulated depreciation). At June 30, 2017, unrestricted net position amounted to \$7,200,110. Other components of net position were net investment in capital assets of \$6,258,178 and net position restricted for employee benefit accrued liabilities of \$739,891, restricted for insurance of \$665,915 and restricted for retirement contributions of \$130,772.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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 District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of Le Roy Central School District's Annual Financial Report

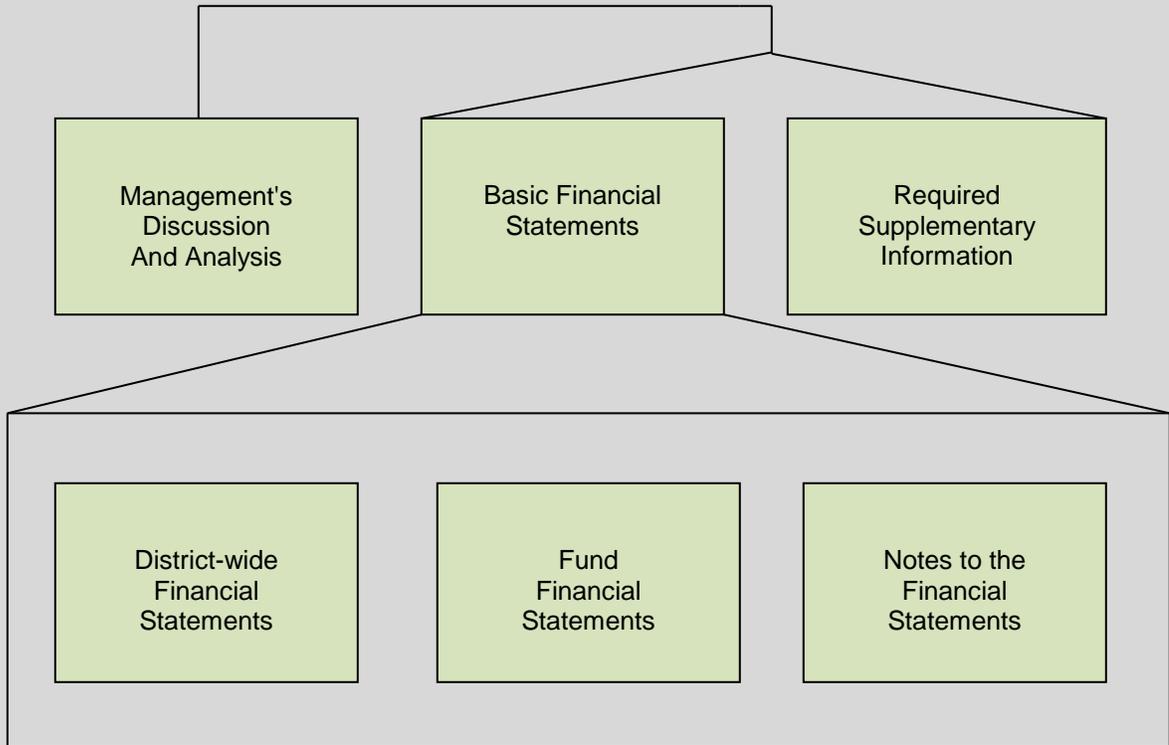


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2**Major Features of the District-wide and Fund Financial Statements**

| | | Fund Financial Statements | |
|--|--|--|---|
| | District-wide Statements | Governmental Funds | Fiduciary Funds |
| Scope | Entire District (except Fiduciary funds) | The activities of the District that are not proprietary or fiduciary. | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement Changes in Net Position-Fund Fiduciary |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and long-term | Generally assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/out-flow information | All revenues and expenditures during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid |

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

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

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

Fund Financial Statements

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

- Some funds are required by state law.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two types of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information reported on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

The largest component of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to the students, and consequently these assets are not available for future spending. As previously discussed, the District's budget process and means of financing is done annually and is mostly supported by real property taxes and New York State Aid. Not only are the net position of the District predominantly without discretion as to their financial flexibility and liquidity, so too is the District's ability to exercise significant discretion over its budget. The District's budget is very much fixed by provisions of employment contracts, transportation obligations and debt service obligations, leaving only a small portion of the annual budget to discretion.

All of the United States continued through uncertain economic times over the course of the past 12 months. Unemployment rates continue to be higher than average, Wallstreet was able to see huge stock market gains as well as to maintain record highs for several months but the effects of this market gain has not yet trickled down to the public sectors of New York State. Obviously, all of the factors mentioned above have continued to affect New York State's economy. School districts across New York State continue to receive record increases in their mandatory retirement system obligation cost as the stock market increases lag in the actuarial calculations to fully fund these obligations.

In developing the 2017-18 budget, the economic outlook for the upcoming school year looked to be improving slightly. The advice from NYS was to expect a slight increase in state aid amounts from the previous year as the state continues to recover financially. The New York State Legislature did approve a state budget that included an increase in aid to all schools. With the modest increase in aid, Le Roy Central School was able to maintain its staffing levels and all educational programs for the 2017-18 school year.

The 2017-18 budget approved by the voters in May 2017 included an increase in expenditures of \$1,305,936. This is a 5.63% increase from the 2016-17 budget. School management is anticipating a significant increase in health care and debt service costs based on a \$12,748,440 capital improvement project approved in 2014 and debt payments scheduled to be made during the upcoming 2017-18 school year.

The allowable growth factor set by New York State to determine tax levy limits was 1.0051% for the 2017-18 school year.

Figure A-3

*Condensed Statement of Net Position
(in thousands of dollars)*

| | Governmental Activities and Total District | | Total Percentage Change |
|---|---|------------------|-------------------------------|
| | 2017 | 2016 | 2016-2017 |
| Current and other assets | \$ 8,509 | \$ 6,170 | 37.91% |
| Capital assets not being depreciated | 12,566 | 3,160 | 297.66% |
| Capital assets, net of accumulated depreciation | 22,283 | 23,030 | -3.24% |
| TRS pension asset | - | 5,383 | |
| Total assets | <u>43,358</u> | <u>37,743</u> | <u>14.88%</u> |
| Deferred outflow of resources | <u>6,263</u> | <u>2,385</u> | <u>10000%</u> |
| Other liabilities | 15,630 | 3,354 | 366.01% |
| Long-term liabilities | 18,572 | 19,099 | -2.76% |
| Total liabilities | <u>34,202</u> | <u>22,453</u> | <u>52.33%</u> |
| Deferred inflow of resources | <u>424</u> | <u>2,038</u> | <u>100.00%</u> |
| Net investment in capital assets | 6,258 | 8,420 | -25.68% |
| Restricted for: | | | |
| Employee benefit accrued liability | 740 | 881 | -16.00% |
| Insurance | 666 | 665 | 0.15% |
| Retirement | 131 | 131 | 0.00% |
| Unrestricted | 7,200 | 5,540 | 29.96% |
| Total assets | <u>\$ 14,995</u> | <u>\$ 15,637</u> | <u>-4.11%</u> |

Figure A-4

*Changes in Net Position
(in thousands of dollars)*

| | Governmental Activities and Total District | | Total Percentage Change |
|--|---|-----------------|-------------------------------|
| | 2017 | 2016 | 2016-2017 |
| Revenues: | | | |
| Real property taxes | 9,585 | \$ 9,464 | 1.28% |
| Real property tax items | 40 | 44 | -9.09% |
| Charges for services | 38 | 56 | -32.14% |
| Use of money and property | 21 | 7 | 200.00% |
| Sale of property and compensation for loss | 48 | 8 | 500.00% |
| Miscellaneous local sources | 417 | 299 | 39.46% |
| State and federal aid | 13,918 | 13,601 | 2.33% |
| School lunch | 295 | 309 | -4.53% |
| Total revenues | <u>24,362</u> | <u>23,788</u> | <u>2.41%</u> |
| Expenses: | | | |
| General support | 4,881 | 3,712 | 31.49% |
| Instruction | 15,903 | 14,261 | 11.51% |
| Pupil transportation | 1,344 | 1,192 | 12.75% |
| Debt service | 762 | 583 | 30.70% |
| School lunch | 585 | 572 | 2.27% |
| Unallocated depreciation | 1,096 | 1,084 | 1.11% |
| Total expenses | <u>24,571</u> | <u>21,404</u> | <u>14.80%</u> |
| Changes in net position | <u>\$ (209)</u> | <u>\$ 2,384</u> | <u>-108.77%</u> |

Governmental Activities

This section presents the cost of five major District activities: general support, instruction, pupil transportation, debt service and school lunch. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-5

Sources of Revenues for Fiscal Year 2016

Net Cost of Governmental Activities
(in thousands of dollars)

| | Total Cost of Services | | Percentage Change | Net Cost of Services | | Percentage Change |
|--------------------------|------------------------|------------------|-------------------|----------------------|------------------|-------------------|
| | 2017 | 2016 | 2016-2017 | 2017 | 2016 | 2016-2017 |
| General support | \$ 4,881 | \$ 3,712 | 31.49% | \$ 4,865 | \$ 3,698 | 31.56% |
| Instruction | 15,903 | 14,261 | 11.51% | 11,458 | 8,212 | 39.53% |
| Pupil transportation | 1,344 | 1,192 | 12.75% | 171 | (109) | -256.88% |
| Debt service | 762 | 583 | 30.70% | 762 | 583 | 30.70% |
| School lunch | 585 | 572 | 2.27% | - | (10) | -100.00% |
| Unallocated depreciation | 1,096 | 1,084 | 1.11% | 1,096 | 1,084 | 1.11% |
| Total | <u>\$ 24,571</u> | <u>\$ 21,404</u> | <u>14.80%</u> | <u>\$ 18,352</u> | <u>\$ 13,458</u> | <u>36.36%</u> |

Financial Analysis of The District's Funds

At June 30, 2017, the District's assigned and unassigned fund balance in the General Fund amounted to \$1,500,197 of which \$500,000 has been designated to reduce property taxes in the year ending June 30, 2018. The amount of the fund balance that is unassigned amounted to \$979,554, which is 4.0% of the General Fund budgeted expenditures for the year ending June 30, 2018. The actions of the New York State Legislature over the past two years have made the District become very cautious in regards to the revenue stream coming from state aid. It is a priority of the District to maintain the level of educational programs as well as maintain a stable tax levy.

Figure A-6

Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
(in thousands of dollars)

| | 2017 | | |
|-----------------------|-----------------|---------------------|----------------------|
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Fund Balances</u> |
| General Fund | \$ 23,008 | 23,109 | 3,037 |
| Capital Projects Fund | 313 | 9,774 | (12,002) |
| Special Aid Fund | 676 | 676 | - |
| School Lunch Fund | 585 | 586 | 279 |
| Debt Service Fund | 4,500 | 4,512 | 1,928 |
| 2016 | | | |
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Fund Balances</u> |
| General Fund | \$ 22,452 | 22,238 | 3,138 |
| Capital Projects Fund | 528 | 2,695 | (2,541) |
| Special Aid Fund | 752 | 752 | - |
| School Lunch Fund | 582 | 573 | 280 |
| Debt Service Fund | 2,251 | 2,039 | 1,940 |

General Fund Budgetary Highlights

The District's general fund budget must be voter approved every year or the school is subject to a contingent budget. By New York State Law, the budget must be presented to the voters on the third Tuesday of the month of May.

The original general fund budget for 2017-18 school year approved by the voters budgeted for an increase in expenditures in the amount of \$1,305,936 from the previous school year. However, the 2017-18 amended budget shows an increase to the budget in the amount of \$20,643 which was due to the authorized carryover of general fund appropriations from the 2016-17 school year. A carryover appropriation consists of items which were ordered in the 2016-17 school year but were not physically delivered until the 2017-18 school year.

There were no expenditures in excess of general fund spending as authorized by voters.

Capital Asset and Debt Administration

Capital Assets

For the 2016-17 school year, total expenditures in the Capital Projects Fund amounted to \$9,773,530. The school utilized \$279,961 of the expenditures for the purchase of school vehicles and school vehicle equipment. Generally, school vehicles consist of buses, vans and cars.

In December 2014, the voters of the Le Roy Central School District approved a capital project (RITE project) in the amount of \$12,748,440. This construction project will update classrooms and refurbish the entire Elementary School campus, replace all the structures at the athletic complex at Hartwood Park, as well as to modify some of the main areas in the Jr/Sr High School Building. The required design documents were sent to New York State Education Department for approval in the spring of 2015. NYSED Facilities Department approved the project on February 18, 2016. The Board of Education formally accepted bids on March 29, 2016 and actual construction commenced in April 2016. The entire project is estimated to last through April 2017. In July 2016, Le Roy Central School issued a one year Bond Anticipation Note in the amount of \$12,628,440 to provide the cash flow needed to make payments to construction vendors. Long term financing for this capital project is anticipated to take place sometime in the spring of 2018.

Starting with the 2004-05 school year, the New York State Education Department changed the way New York State pays state aid to school districts for purchases of buses. New York State stated that state aid revenue for all bus purchases would be paid over a five year period of time. As a result, management determined that the District would finance bus purchases over a five year period to match the flow of state aid revenue from the State.

The District began depreciating its assets during the year ended June 30, 2003 and with the implementation of GASB Statement No. 34 made changes to how assets of the District were valued and accounted for in the District's financial statements.

Figure A-7

**Capital Assets Net of Depreciation
(in thousands of dollars)**

| | Governmental Activities and Total District | | Percentage Change |
|----------------------------|--|-------------------------|----------------------|
| | 2017 | 2016 | 2016-2017 |
| Land | 802 | \$ 802 | 0.00% |
| Construction in progress | 11,764 | 2,358 | 398.90% |
| Buildings and improvements | 20,523 | 21,258 | -3.46% |
| Vehicles and equipment | 1,760 | 1,772 | -0.68% |
| Total | <u>\$ 34,849</u> | <u>\$ 26,190</u> | <u>33.06%</u> |

Long-Term Debt

The District's long-term debt consists of serial bonds with maturity dates through 2032. As a result of changes in the State Building Aid formula, Districts were given the opportunity to advance refund their existing debt so that actual debt payments would more closely match revised State Building Aid. The District elected not to refinance their existing debt and pay the difference between State Building Aid and debt repayments out of future budget provisions.

Figure A-8

Outstanding Long-Term Debt
(in thousands of dollars)

| | Governmental Activities and Total District | | Percentage Change |
|--|--|------------------|----------------------|
| | 2017 | 2016 | 2016-2017 |
| General obligation bonds & notes (financed with property taxes) | 15,954 | 16,937 | -5.80% |
| Compensated absences | 829 | 880 | -5.80% |
| Pensions | 1,273 | 1,253 | 1.60% |
| Post employment benefits | 516 | 29 | 1679.31% |
| | <u>\$ 18,572</u> | <u>\$ 19,099</u> | <u>-2.76%</u> |

Short-Term Debt

The District's short-term debt consists of bond anticipation notes (BAN). Bond anticipation notes are issued with maturity dates of one year or less from the borrowing date. As a result of changes in State Transportation Aid for bus purchases, the District has stopped purchasing school buses outright and started financing bus purchases with BANs. As of June 30, 2017, the District has one outstanding Bond Anticipation Note (BAN) for the purchases of school buses. The BAN in the amount of \$866,900 has a maturity date of May 19, 2017.

Factors Bearing on the District's Future

The factor that will always have the largest impact on the District and tax rates is the financial condition of New York State. The financial condition of the state determines the amount of monies given to the school districts in state aid. Typically, when finances are tighter the schools receive smaller increases and when finances are more plentiful, school districts receive more money. New York State's economic condition has not been strong over the past several years. However, New York State has been directed by a court ruling to allocate more funds to meet state mandates, such as "academic intervention services". In addition, New York State is trying to find funding for federal mandates, such as "no child left behind".

Related to the State's financial condition, the Governor recently signed pension relief legislation. The pension relief legislation changed the payment date from December 15 to February 1. Each year, the District takes advantage of a discount offered by New York State and Local Retirement System for early payers in December. The bill from the New York State and Local Retirement System, for early payers due on December 15, 2015 was 18.55% of eligible payroll, which amounted to \$357,590 without amortizing. Once again the District chose to pay the entire pension amount due as of December 15, 2016 to take advantage of the discount offered. This resulted in a savings of \$4,129 during the 2016-17 school year.

In March 2012, the voters of the school district approved the establishment of a capital reserve fund. The capital reserve fund was approved with a limit not to exceed \$5,000,000 and the school was authorized to initially fund the reserve with \$120,000 during the 2012-13 school year. Funding continued over the subsequent years and the capital reserve reached a total of \$700,000. With the successful authorization by the voters to begin the RITE capital project in December 2014, Administration transferred all monies from the capital reserve in the General fund to the Capital Fund. The reserve monies are being utilized to help offset the total borrowing needed to finance the project.

Contacting the District's Financial Management

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

**LEROY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

| | | |
|---|----|-----------------------|
| Cash and cash equivalents | \$ | 6,052,607 |
| Restricted cash | | 858,110 |
| Accounts receivable | | 17,065 |
| State and federal aid receivable | | 735,109 |
| Due from fiduciary funds | | 8,410 |
| Due from other governments | | 820,119 |
| Inventory | | 17,139 |
| Capital assets not being depreciated | | 12,566,609 |
| Capital assets, net of accumulated depreciation | | <u>22,282,866</u> |
| Total assets | | <u>43,358,034</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | | |
|--|--|----------------------|
| Deferred pension outflows | | 6,171,102 |
| Deferred postemployment outflows | | <u>91,458</u> |
| Total deferred outflows of resources | | <u>6,262,560</u> |

LIABILITIES

| | | |
|---------------------------------|--|-----------------------|
| Accounts payable | | 261,284 |
| Accrued liabilities | | 733,206 |
| Bond anticipation notes payable | | 13,495,340 |
| Due to other governments | | 1,120 |
| Due to retirement systems | | 1,132,630 |
| Unearned revenue | | 6,455 |
| Long-term liabilities: | | |
| Due and payable within one year | | 1,047,543 |
| Due and payable after one year | | <u>17,524,452</u> |
| Total liabilities | | <u>34,202,030</u> |

DEFERRED INFLOWS OF RESOURCES

| | | |
|---|--|--------------------|
| Deferred pension inflows | | <u>423,698</u> |
| Total deferred inflows of resources | | <u>423,698</u> |

NET POSITION

| | | |
|------------------------------------|----|------------------------------|
| Net investment in capital assets | | 6,258,178 |
| Restricted for: | | |
| Employee benefit accrued liability | | 739,891 |
| Insurance | | 665,915 |
| Retirement | | 130,772 |
| Unrestricted | | <u>7,200,110</u> |
| Total net position | \$ | <u><u>14,994,866</u></u> |

See notes to basic financial statements.

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

| Functions/Programs | Expenses | Indirect Cost Allocation | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|---|---------------------------------|---|--|
| | | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities: | | | | | |
| General support | \$ 4,361,077 | \$ 519,944 | \$ 16,010 | \$ - | \$ (4,865,011) |
| Instruction | 12,408,400 | 3,494,923 | 21,677 | 4,424,002 | (11,457,644) |
| Pupil transportation | 1,043,931 | 300,088 | - | 1,173,205 | (170,814) |
| Interest | 762,003 | - | - | - | (762,003) |
| School lunch | 584,812 | - | 295,219 | 289,278 | (315) |
| Unallocated employee benefits | 4,314,955 | (4,314,955) | - | - | - |
| Unallocated depreciation | 1,095,847 | - | - | - | (1,095,847) |
| Total governmental activities | <u>\$ 24,571,025</u> | <u>\$ -</u> | <u>\$ 332,906</u> | <u>\$ 5,886,485</u> | (18,351,634) |
| General revenues: | | | | | |
| Real property taxes | | | | | 9,584,542 |
| Real property tax items | | | | | 39,557 |
| Use of money and property | | | | | 21,369 |
| Sale of property and compensation for loss | | | | | 48,465 |
| State aid not restricted for a specific purpose | | | | | 8,031,217 |
| Other miscellaneous revenues | | | | | 417,162 |
| Total general revenues | | | | | <u>18,142,312</u> |
| Change in net position | | | | | <u>(209,322)</u> |
| Net assets - beginning, as previously stated | | | | | 15,637,737 |
| Restatement of net position - see note 7 | | | | | <u>(433,549)</u> |
| Net assets - beginning, as restated | | | | | <u>15,204,188</u> |
| Net assets - ending | | | | | <u>\$ 14,994,866</u> |

See notes to basic financial statements.

**LEROY CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>School Lunch</u> | <u>Special Aid</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---------------------|-----------------------------|-------------------------|-------------------------|--------------------|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 3,419,997 | \$ 341,915 | \$ 1,975,088 | \$ 274,901 | \$ 40,706 | \$ 6,052,607 |
| Restricted cash | - | 858,110 | - | - | - | 858,110 |
| Accounts receivable | 15,324 | - | - | 1,741 | - | 17,065 |
| State and federal aid receivable | 289,318 | - | - | 16,819 | 428,972 | 735,109 |
| Due from other funds | 1,683,115 | 297,069 | 917,624 | - | 529,557 | 3,427,365 |
| Due from other governments | 820,119 | - | - | - | - | 820,119 |
| Inventory | - | - | - | 17,139 | - | 17,139 |
| Total assets | <u>\$ 6,227,873</u> | <u>\$ 1,497,094</u> | <u>\$ 2,892,712</u> | <u>\$ 310,600</u> | <u>999,235</u> | <u>\$ 11,927,514</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Accounts payable | \$ 253,428 | \$ - | \$ - | \$ 348 | \$ 7,508 | \$ 261,284 |
| Accrued liabilities | 358,656 | - | - | 10,572 | - | 369,228 |
| Bond anticipation notes payable | - | 13,495,340 | - | - | - | 13,495,340 |
| Due to other funds | 1,447,470 | 3,263 | 964,374 | 12,121 | 991,727 | 3,418,955 |
| Due to other governments | 699 | - | - | 421 | - | 1,120 |
| Due to retirement systems | 1,124,390 | - | - | 8,240 | - | 1,132,630 |
| Unearned revenue | 6,455 | - | - | - | - | 6,455 |
| Total liabilities | <u>3,191,098</u> | <u>13,498,603</u> | <u>964,374</u> | <u>31,702</u> | <u>999,235</u> | <u>18,685,012</u> |

See notes to basic financial statements.

**LEROY CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017
(Continued)**

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>School Lunch</u> | <u>Special Aid</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-----------------------------|-------------------------|-------------------------|--------------------|---|
| FUND BALANCES (DEFICIT) | | | | | | |
| Nonspendable | - | - | - | 17,139 | - | 17,139 |
| Restricted | 1,536,578 | - | - | - | - | 1,536,578 |
| Assigned | 520,643 | 177,337 | 1,928,338 | 261,759 | - | 2,888,077 |
| Unassigned (deficit) | 979,554 | (12,178,846) | - | - | - | (11,199,292) |
| Total fund balances (deficit) | <u>3,036,775</u> | <u>(12,001,509)</u> | <u>1,928,338</u> | <u>278,898</u> | <u>-</u> | <u>(6,757,498)</u> |
| Total liabilities and fund balances (deficit) | <u>\$ 6,227,873</u> | <u>\$ 1,497,094</u> | <u>\$ 2,892,712</u> | <u>\$ 310,600</u> | <u>\$ 999,235</u> | |

Amounts reported for governmental activities in the statement of net position (page 14) are different because:

| | |
|---|-----------------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation | 34,849,475 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Serial bonds payable | (14,955,000) |
| Premium amortization payable | (999,067) |
| Accrued compensated absences | (829,086) |
| Net postemployment benefits | (515,804) |
| Net pension liabilities | (1,273,038) |
| Retainages payable | (363,978) |
| Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds: | |
| Net postemployment deferred outflows and inflows of resources | 5,747,404 |
| Net pension deferred outflows and inflows of resources | 91,458 |
| | <u> </u> |
| Net position of governmental activities | <u>\$ 14,994,866</u> |

See notes to basic financial statements.

**LEROY CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>School Lunch</u> | <u>Special Aid</u> | <u>Total Governmental Funds</u> |
|--|-------------------|-----------------------------|-------------------------|-------------------------|--------------------|---|
| REVENUES | | | | | | |
| Real property taxes | \$ 9,584,542 | \$ - | \$ - | \$ - | \$ - | \$ 9,584,542 |
| Real property tax items | 39,557 | - | - | - | - | 39,557 |
| Charges for services | 37,687 | - | - | - | - | 37,687 |
| Use of money and property | 10,990 | - | 10,353 | 26 | - | 21,369 |
| Sale of property and compensation for loss | 48,465 | - | - | - | - | 48,465 |
| Miscellaneous local sources | 334,609 | 73,498 | - | 343 | - | 408,450 |
| State sources | 12,835,081 | - | - | 10,410 | 120,352 | 12,965,843 |
| Federal sources | 117,394 | - | - | 278,868 | 555,597 | 951,859 |
| School lunch | - | - | - | 295,219 | - | 295,219 |
| Total revenues | <u>23,008,325</u> | <u>73,498</u> | <u>10,353</u> | <u>584,866</u> | <u>675,949</u> | <u>24,352,991</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General support | 3,742,618 | - | - | - | - | 3,742,618 |
| Instruction | 11,946,928 | - | - | - | 675,949 | 12,622,877 |
| Pupil transportation | 1,065,292 | - | - | - | - | 1,065,292 |
| School lunch | - | - | - | 525,999 | - | 525,999 |
| Employee benefits | 4,400,042 | - | - | 59,563 | - | 4,459,605 |
| Debt service: | | | | | | |
| Principal | - | - | 1,195,000 | - | - | 1,195,000 |
| Interest | - | - | 550,180 | - | - | 550,180 |
| Capital outlay: | | | | | | |
| General support | - | 8,777,648 | - | - | - | 8,777,648 |
| Instruction | - | 715,921 | - | - | - | 715,921 |
| Pupil transportation | - | 279,961 | - | - | - | 279,961 |
| Total expenditures | <u>21,154,880</u> | <u>9,773,530</u> | <u>1,745,180</u> | <u>585,562</u> | <u>675,949</u> | <u>33,935,101</u> |

See notes to basic financial statements.

**LEROY CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>School Lunch</u> | <u>Special Aid</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-----------------------------|-------------------------|-------------------------|--------------------|---|
| Excess (deficit) of revenues over expenditures | 1,853,445 | (9,700,032) | (1,734,827) | (696) | - | (9,582,110) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Interfund transfers in | - | 240,000 | 1,714,862 | - | - | 1,954,862 |
| Interfund transfers out | (1,954,862) | - | - | - | - | (1,954,862) |
| Payment to refunded bond escrow agent | - | - | (2,767,168) | - | - | (2,767,168) |
| Premiums on obligations | - | - | 325,880 | - | - | 325,880 |
| Proceeds from refunding of debt | - | - | 2,450,000 | - | - | 2,450,000 |
| Total other financing sources (uses) | <u>(1,954,862)</u> | <u>240,000</u> | <u>1,723,574</u> | <u>-</u> | <u>-</u> | <u>8,712</u> |
| Net change in fund balances | (101,417) | (9,460,032) | (11,253) | (696) | - | (9,573,398) |
| Fund balances (deficit) - beginning | <u>3,138,192</u> | <u>(2,541,477)</u> | <u>1,939,591</u> | <u>279,594</u> | <u>-</u> | <u>2,815,900</u> |
| Fund balances (deficit) - ending | <u>\$ 3,036,775</u> | <u>\$ (12,001,509)</u> | <u>\$ 1,928,338</u> | <u>\$ 278,898</u> | <u>\$ -</u> | <u>\$ (6,757,498)</u> |

See notes to basic financial statements.

**LEROY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

| | | |
|--|----|-------------------------|
| Net change in fund balances - total governmental funds (page 19) | \$ | (9,573,398) |
| Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$9,778,027) exceeded depreciation (\$1,095,847) in the current period. | | 8,682,180 |
| In the statement of activities, the gain (loss) on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources and therefore are not reported as revenues or expenditures in the governmental funds | | (23,140) |
| The repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. Additionally, in the statement of activities, certain operating expenses measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows: | | |
| Repayment of serial bonds | | 3,690,000 |
| Proceeds of serial bonds | | (2,450,000) |
| Bond premium | | (317,168) |
| Change in compensated absences | | 51,237 |
| Change in other postemployment benefit obligations | | (53,854) |
| Change in retainages payable | | (363,978) |
| Change in proportionate share of net pension liability reported in the statement of net position does not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds. | | (5,403,057) |
| Change in proportionate share of net pension deferred inflows and outflows reported in the statement of net position during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | 5,400,053 |
| Change in the net postemployment deferred inflows and outflows reported in the statement of net position during the measurement period between the District's contributions to its post-employment liability subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | 91,458 |
| Amortization of debt premium in the statement of activities does not use current financial resources and therefore is not reported as an expenditure in the governmental funds. | | 60,345 |
| Change in net position of governmental activities | \$ | <u><u>(209,322)</u></u> |

See notes to basic financial statements.

**LEROY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION -
FIDUCIARY FUNDS
JUNE 30, 2017**

| | <u>Private Purpose Trust</u> | <u>Agency</u> |
|--|--------------------------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ - | \$ 23,203 |
| Cash and cash equivalents - restricted | 463,596 | 60,669 |
| Restricted investments | 105,482 | - |
| Due from other funds | <u>31,853</u> | <u>629</u> |
| Total assets | <u>600,931</u> | <u>\$ 84,501</u> |
| LIABILITIES | | |
| Accrued liabilities | - | 1,316 |
| Agency liabilities | - | 22,512 |
| Extraclassroom activity balances | - | 60,669 |
| Due to other funds | <u>40,888</u> | <u>4</u> |
| Total liabilities | <u>40,888</u> | <u>\$ 84,501</u> |
| NET POSITION | | |
| Reserved for scholarships | <u>\$ 560,043</u> | |

See notes to basic financial statements.

**LEROY CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION -
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | Private Purpose Trust |
|---|--------------------------------------|
| | <hr/> |
| ADDITIONS | |
| Interest | \$ - |
| Gifts and donations | 49,232 |
| | <hr/> |
| Total additions | 49,232 |
| DEDUCTIONS | |
| Net decrease in fair value of investments | (47,784) |
| Scholarships | 79,911 |
| | <hr/> |
| Total deductions | 32,127 |
| | <hr/> |
| Change in net position | 17,105 |
| Net position - beginning | 542,938 |
| | <hr/> |
| Net position - ending | \$ 560,043 |
| | <hr/> <hr/> |

See notes to basic financial statements.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The District is governed by the Education Law and other laws of the State of New York. The District is an independent entity governed by an elected Board of Education. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and are primarily accountable for all fiscal matters.

The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the 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 includes all funds, account groups, functions and organizations over which the District officials exercise oversight responsibility.

The reporting entity of the District is based upon criteria set forth by the Governmental Accounting Standards Board. The financial reporting entity consists of the primary government, 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 financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

1. INCLUDED IN THE REPORTING ENTITY

The Extraclassroom Activity Funds of the District represent funds of the students within the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to financial transactions and designation of student management. The District accounts for assets held as an agent for various student organizations in the Agency Fund of the District.

2. JOINT VENTURE

The District is a component school district of the Genesee Valley Educational Partnership (BOCES). The 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 is organized under Section 1950 of NYS Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards are also considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of New York State General Municipal Law.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2017, the District was billed \$3,095,602 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 80 Munson Street, Le Roy, New York 14482.

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

B. BASIS OF PRESENTATION

1. DISTRICT-WIDE STATEMENTS:

While separate district-wide and fund financial statements are presented, they are interrelated. The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall District 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 property taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operating or capital) grants.

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

2. FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District has elected to report all funds as major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants that are legally restricted to expenditures for a specified purpose. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

School Lunch Fund: This fund is used to account for activities associated with the District's school lunch program.

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

Debt Service Fund: This fund is used to account for the accumulation of resources and the payment of debt of the District (principal and interest) on general long-term obligations.

Additionally, the District reports the following fund types:

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that are the property of others. These activities are not included in the district-wide financial statements because their resources are not the property of the District, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits from these trust agreements.

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement or results of operations. Assets are held by the District as an agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholdings.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 the timing of related cash flows.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, grants and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period with the exception of property taxes, which the period of availability is sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Agency Fund has no measurement focus but utilized the accrual basis of accounting for reporting its assets and liabilities.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

1. CASH AND CASH EQUIVALENTS

The 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.

2. RESTRICTED ASSETS

Certain assets are classified on the Balance Sheet as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund, are restricted specifically for those purposes. Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment, are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

3. INVESTMENTS

Investments for the District are reported at fair value (generally based on quoted market prices).

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. RECEIVABLES

Accounts receivables are carried at their net realizable value. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible accounts, however, no allowance for uncollectible accounts has been provided since management believes that such allowance would not be material.

5. INVENTORY

Inventories of food and/or supplies 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 market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial.

These assets are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

5. CAPITAL ASSETS

Capital assets, which include property and equipment are reported in the district-wide financial statements.

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair value at the time received. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings | \$ 5,000 | straight-line | 50 years |
| Building improvements | 5,000 | straight-line | 20 years |
| Site improvements | 5,000 | straight-line | 20-50 years |
| Vehicles | 5,000 | straight-line | 8 years |
| Furniture and equipment | 5,000 | straight-line | 5 years |

6. INSURANCE

The District insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability, the difference during the measurement period between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense and any contributions to pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 2.D. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. See details of deferred OPEB outflows in Note 2.F.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 2.D. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the net effect of the changes of assumptions or other inputs. See details of deferred OPEB inflows in Note 2.F.

8. UNEARNED REVENUE

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant funds are received prior to the occurrence of qualifying expenditures. In subsequent periods when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

9. VESTED EMPLOYEE BENEFITS

Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment or a credit to be used towards health insurance based on unused accumulated sick leave, based on contractual provisions. These payments are budgeted annually without accrual.

District employees are granted vacation 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.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end in the district-wide financial statements. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.

In the governmental fund statements only, the amount of matured vacation time is accrued within the General Fund based on expendable and available financial resources. Sick time is expensed on a pay-as-you-go basis.

10. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full from current financial resources. Claims and judgments, retainages payable and compensated absences that will be paid from governmental funds, are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the governmental fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

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

11. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State Employees' Retirement System.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method (see Note 2.E).

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the statement of net position.

12. NET POSITION FLOW ASSUMPTION

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy that the District's Board of Education will assess the current financial condition of the District and then determine the order of application of expenditures to which restricted and unrestricted net position will be applied.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. FUND BALANCE FLOW ASSUMPTIONS

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy that the District's Board of Education will assess the current financial condition of the District and then determines the order of application of expenditures to which fund balance classifications will be charged.

14. FUND BALANCE POLICIES

Fund balance of the District's funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Business Administrator to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

E. REVENUES AND EXPENDITURES/EXPENSES

1. PROGRAM REVENUES

Amounts reported as *program revenues* include 1) charges to tax payers or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. PROPERTY TAXES

Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period of September through November. Uncollected real property taxes are subsequently enforced by the Counties of Genesee and Livingston, in which the District is located. Uncollected real property taxes transmitted to the Counties for enforcement are paid by the Counties to the District no later than the forthcoming April 1.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 79, *Certain External Investment Pools and Pool Participants*; Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary objective of Statement No. 75 is to improve accounting and financial reporting by governments, such as the District, for postemployment benefits. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The primary objective of Statement No. 77 is to require governments, such as the District, that enter into tax abatement agreements to disclose information about the tax abatement agreements that are entered into by other governments and that reduce the District's tax revenues.

The District has evaluated Statements No. 74, 78, 79, 80 and 82 and have determined that they have no impact on the District's operations.

The GASB has issued the following new pronouncements:

- Statement No. 81, *Split-Interest Agreements*, which will be effective for the year ending June 30, 2018;
- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending June 30, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020;
- Statement No. 85, *Omnibus*, which will be effective for the year ending June 30, 2018;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending June 30, 2018; and
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021.

The District is currently reviewing these statements and plans on adoption, as required.

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 10, 2017 which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. The District funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

The District's aggregate bank balances were fully collateralized at June 30, 2017.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes. Restricted cash as of year-end includes \$858,110 in the Capital Projects Fund for unexpended debt proceeds, \$60,669 within the Agency Fund restricted for extraclassroom activities, \$463,596 in the Private Purpose Trust Fund restricted for scholarships.

Investments

The District has investments donated to scholarship funds. The 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 registered in the District's name.

| | | <u>Cost</u> | <u>Market Value</u> <u>June 30, 2017</u> |
|-------|-----------------------------|-------------|---|
| 4,348 | Bank of America Corporation | \$ 4,775 | \$ 105,482 |

For the year ended June 30, 2017, the District recognized a net increase in the value on investments of \$47,784.

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

B. RECEIVABLES

Significant revenues accrued by the District include the following:

Due from other governments:

| | |
|---------------|-------------------|
| General Fund: | |
| BOCES aid | \$ 711,677 |
| Others | <u>108,442</u> |
| | <u>\$ 820,119</u> |

State and federal aid receivable, consist of the following at June 30, 2017:

| | |
|-----------------------------|-------------------|
| General Fund: | |
| State aid - excess cost aid | \$ 289,318 |
| Special Aid Fund | 428,972 |
| School Lunch Fund | <u>16,819</u> |
| Total | <u>\$ 735,109</u> |

C. CAPITAL ASSETS

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

| | Balance <u>7/1/16</u> | Increases | Decreases | Balance <u>6/30/17</u> |
|--|--------------------------|------------------|----------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 802,028 | \$ - | \$ - | \$ 802,028 |
| Construction work in progress | <u>2,357,803</u> | <u>9,406,778</u> | <u>-</u> | <u>11,764,581</u> |
| Total capital assets not being depreciated | 3,159,831 | 9,406,778 | - | 12,566,609 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 34,872,911 | - | - | 34,872,911 |
| Vehicles and equipment | <u>4,614,780</u> | <u>371,251</u> | <u>184,465</u> | <u>4,801,564</u> |
| Total capital assets, being depreciated | <u>39,487,691</u> | <u>371,251</u> | <u>184,465</u> | <u>39,674,475</u> |

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

| | Balance <u>7/1/16</u> | <u>Increases</u> | <u>Decreases</u> | Balance <u>6/30/17</u> |
|--|--------------------------|-------------------------|----------------------|---------------------------|
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 13,614,353 | 734,870 | - | 14,349,223 |
| Vehicles and equipment | <u>2,842,734</u> | <u>360,977</u> | <u>161,325</u> | <u>3,042,386</u> |
| Total accumulated depreciation | <u>16,457,087</u> | <u>1,095,847</u> | <u>161,325</u> | <u>17,391,609</u> |
| Total capital assets being depreciated, net | <u>23,030,604</u> | <u>(724,596)</u> | <u>23,140</u> | <u>22,282,866</u> |
| Governmental activities capital assets, net | \$ <u>26,190,435</u> | \$ <u>8,682,182</u> | \$ <u>23,140</u> | \$ <u>34,849,475</u> |

Depreciation has not been allocated to the individual functions of the District operation as no allocation methodology has been established.

D. PENSION OBLIGATIONS

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

Provisions and Administration

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

The ERS 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 District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Funding Policies

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

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

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

| | <u>TRS</u> | <u>ERS</u> |
|--|---------------|----------------|
| Measurement date | June 30, 2016 | March 31, 2017 |
| Net pension liability/(asset) | \$570,982 | \$ 702,056 |
| District's portion of the Plan's total net pension liability/(asset) | 0.053311% | 0.007472% |
| Change in proportion since the prior measurement date | 0.001486 | 0.000334 |

For the year ended June 30, 2017, the District's recognized pension expense of \$926,276 for TRS and \$443,270 for ERS, respectively. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---|-------------------|--|-------------------|
| | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> |
| Differences between expected and actual experience | \$ - | \$ 17,593 | \$ 185,487 | \$ 106,611 |
| Changes of assumptions | 3,252,679 | 239,848 | - | - |
| Net difference between projected and actual earnings on pension plan investments | 1,283,869 | 140,229 | - | - |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | - | 137,009 | 117,499 | 14,101 |
| District's contributions subsequent to the measurement date | <u>985,910</u> | <u>113,965</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$5,522,458</u> | <u>\$ 648,644</u> | <u>\$ 302,986</u> | <u>\$ 120,712</u> |

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

| | <u>TRS</u> | <u>ERS</u> |
|-------------|------------|------------|
| Year ended: | | |
| 2018 | \$ 378,947 | \$ 174,001 |
| 2019 | 378,947 | 174,001 |
| 2020 | 1,376,035 | 148,439 |
| 2021 | 1,065,812 | (82,474) |
| 2022 | 478,968 | - |
| Thereafter | 554,853 | - |

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

| | <u>TRS</u> | <u>ERS</u> |
|----------------------------|--|--|
| Measurement date | June 30, 2016 | March 31, 2017 |
| Actuarial valuation date | June 30, 2015 | April 1, 2016 |
| Interest rate | 7.5% | 7.0% |
| Salary scale | 1.9% - 4.7% | 3.8% |
| Decrement tables | July 1, 2009 – June 30, 2014 System's Experience | April 1, 2010 - March 31, 2015 System's Experience |
| Inflation rate | 2.5% | 2.5% |
| Cost of living adjustments | 1.5% | 1.3% |

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

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The long-term expected 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 the target asset allocation percentage and by adding expected inflation.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

| Measurement Date | <u>Target Allocation</u> | | <u>Long-Term Expected Real Rate of Return</u> | |
|----------------------------|--------------------------|---------------|---|-------------------------------|
| | <u>TRS</u> | <u>ERS</u> | <u>TRS June 30, 2016</u> | <u>ERS March 31, 2017</u> |
| Asset Class: | | | | |
| Domestic equities | 37.0% | 36.0% | 6.1% | 4.6% |
| International equities | 18.0 | 14.0 | 7.3 | 6.4 |
| Private equity | - | 10.0 | - | 7.8 |
| Real estate | 10.0 | 10.0 | 5.4 | 5.8 |
| Alternative Investments | 7.0 | - | 9.2 | - |
| Absolute return strategies | 20.0 | 2.0 | 1.9 | 4.0 |
| Opportunistic portfolio | - | 3.0 | - | 5.9 |
| Real assets | - | 3.0 | - | 5.5 |
| Bond and Mortgages | 8.0 | 17.0 | 3.1 | 1.3 |
| Cash | - | 1.0 | - | (0.3) |
| Inflation-indexed bonds | - | 4.0 | - | 1.5 |
| Total | <u>100.0%</u> | <u>100.0%</u> | | |

Discount Rate

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

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

The following tables present the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 6.5% for TRS) or 1-percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate :

| TRS | 1% Decrease <u>(6.5%)</u> | Current Assumption <u>(7.5%)</u> | 1% Increase <u>(8.5%)</u> |
|---|---------------------------------|--|---------------------------------|
| Employer's proportionate share of the net pension liability (asset) | \$7,449,763 | \$570,982 | (\$5,198,578) |
| ERS | 1% Decrease <u>(6.0%)</u> | Current Assumption <u>(7.0%)</u> | 1% Increase <u>(8.0%)</u> |
| Employer's proportionate share of the net pension liability (asset) | \$2,242,228 | \$702,056 | (\$600,157) |

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension Plan Fiduciary Net Position

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

| | ERS | TRS (Dollars in Thousands) | Total |
|---|---------------------|-------------------------------|----------------------|
| Measurement date | March 31, 2017 | June 30, 2016 | |
| Employers' total pension liability | \$ 177,400,586 | \$ 108,577,184 | \$ 285,977,770 |
| Plan net position | <u>168,004,363</u> | <u>107,506,142</u> | <u>275,510,505</u> |
| Employers' net pension liability | <u>\$ 9,396,223</u> | <u>\$ 1,071,042</u> | <u>\$ 10,467,265</u> |
| Ratio of Plan net position to the employers' total pension liability | 94.7% | 99.0% | |

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$1,018,665.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$113,965.

E. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB)

Plan Description

The Le Roy Central School District administers the Le Roy Central School District Retiree Medical, Prescription Vision and Dental Plan (the Plan) as a single-employer defined benefit Other Post-employment Benefit Plan (OPEB). The Plan provides for continuation of medical, prescription vision and dental benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Employees Covered by Benefit Terms

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

| | |
|---|-------------------|
| Active employees not eligible to retire | 125 |
| Active employees eligible to retire | 41 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Retired employees and spouses currently receiving benefit payments | 33 |
| Retiree spouses covered | <u>20</u> |
| Total | <u><u>219</u></u> |

The District's total OPEB liability of \$515,804 was measured as of April 1, 2017, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | 2.20% |
| Salary Increases | 3.31%, average, including inflation |
| Discount Rate | 3.80% |
| Healthcare Cost Trend Rates | 5.30% of 2017, with an ultimate rate of 4.17% for 2051 and later years |
| Retirees' Share of Benefit-Related Costs | Two former administrators are eligible for an employer subsidy. All future retirees are eligible to continue coverage under the Plan by paying 100% of premiums. |

The discount rate was based on the Fidelity Mutual General Obligation AA 20 year Bond rate as of the measurement date.

Mortality rates for active members were based on the 2015 New York State Teacher Retirement System mortality rates for active members and all active employees. Mortality rates for retirees and surviving spouses were based on the 2015 New York State Teacher Retirement System mortality base rates for service and deferred annuitants and beneficiaries, fully generational using Mortality Improvement Scale MP-2016.

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

Changes in the Total OPEB Liability

| | |
|--|--------------------------|
| Balance at July 1, 2016 | \$ 461,950 |
| Changes for the year- | |
| Service cost | 9,715 |
| Interest | 13,654 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | 80,665 |
| Changes in assumptions or other inputs | 13,906 |
| Benefit payments | <u>(64,086)</u> |
| Net changes | <u>53,854</u> |
| Balance at June 30, 2017 | <u><u>\$ 515,804</u></u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 4.0% in 2016 to 3.8% in 2017.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

The following present the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.80%) or 1 percentage point higher (4.80%) than the current discount rate.

| | 1% Decrease <u>(2.80%)</u> | Discount Rate <u>(3.80%)</u> | 1% Increase <u>(4.80%)</u> |
|----------------------|-------------------------------|---------------------------------|-------------------------------|
| Total OPEB Liability | \$ <u>467,500</u> | \$ <u>515,804</u> | \$ <u>535,016</u> |

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.30%) or 1 percentage point higher (6.30%) than the current healthcare cost trend rate:

| | 1% Decrease <u>(4.30% to 3.17%)</u> | Healthcare Cost Trend Rates <u>(5.30% to 4.17%)</u> | 1% Increase <u>(6.30% to 5.17%)</u> |
|----------------------|--|---|--|
| Total OPEB Liability | \$ <u>526,394</u> | \$ <u>515,804</u> | \$ <u>478,218</u> |

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$31,889. At June 30, 2017, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 73,398 | \$ - |
| Changes of assumptions | 12,653 | - |
| Contributions subsequent to the measurement date | <u>5,407</u> | <u>-</u> |
| Total | <u>\$ 91,458</u> | <u>\$ -</u> |

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2018 | \$ 8,520 |
| 2019 | 8,520 |
| 2020 | 8,520 |
| 2021 | 8,520 |
| 2022 | 8,520 |
| Thereafter | <u>43,451</u> |
| | <u>\$ 86,051</u> |

F. SHORT-TERM DEBT

The purpose of all of the short-time borrowings was to provide resources for bus purchases and various capital construction or improvement projects. The form of financing used in all cases was bond anticipation notes (BAN). The amounts issued are accounted for in the capital projects fund.

State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The schedule below details the changes in short-term capital borrowings during the year ended June 30, 2017:

| | <u>Balance</u> <u>7/1/16</u> | <u>Issues</u> | <u>Redeemed</u> | <u>Balance</u> <u>6/30/17</u> |
|-------------------------------|---------------------------------|----------------------|-------------------|----------------------------------|
| BAN maturing 5/19/17 at 1.03% | \$ 832,600 | \$ - | \$ 832,600 | \$ - |
| BAN maturing 5/18/18 at 2.50% | - | 866,900 | - | 866,900 |
| BAN maturing 7/20/17 at 1.50% | - | <u>12,628,440</u> | - | <u>12,628,440</u> |
| | <u>\$ 832,600</u> | <u>\$ 13,495,340</u> | <u>\$ 832,600</u> | <u>\$ 13,495,340</u> |

G. LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding at June 30, 2017 are as follows:

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The District's outstanding long-term liabilities include serial bonds, compensated absences, other postemployment benefit obligations and net pension liability.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The following is a summary of maturities of indebtedness:

| <u>Description</u> | <u>Issue Date</u> | <u>Original Issue Amount</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Outstanding 6/30/17</u> |
|--------------------------|-------------------|------------------------------|-----------------------|----------------------|----------------------------|
| Governmental activities: | | | | | |
| Serial Bonds | 06/15/09 | \$ 3,520,000 | 06/15/29 | 3.125%-4.50% | \$ 355,000 |
| Refunding Bonds | 08/12/14 | \$13,795,000 | 06/15/32 | 1.75%-5.0% | 12,195,000 |
| Refunding Bonds | 11/15/16 | \$2,435,000 | 06/15/29 | 3.00%-4.00% | <u>2,405,000</u> |
| | | | | | <u>\$ 14,955,000</u> |

OTHER LONG-TERM LIABILITIES

In addition to the above long-term debt, the District had a non-current liability for compensated absences, pensions and other postemployment benefit obligations (see Note 2.E.).

CHANGES IN LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2017 are as follows:

| | <u>Balance 7/1/16</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 6/30/17</u> | <u>Due Within One Year</u> |
|--|-----------------------|---------------------|---------------------|------------------------|----------------------------|
| Government activities: | | | | | |
| Serial bonds | \$16,195,000 | \$ 2,450,000 | \$ 3,690,000 | \$14,955,000 | \$ 975,000 |
| Bond premium | <u>742,244</u> | <u>317,168</u> | <u>60,345</u> | <u>999,067</u> | <u>72,543</u> |
| Total bonds payable | 16,937,244 | 2,767,168 | 3,750,345 | 15,954,067 | 1,047,543 |
| Other liabilities: | | | | | |
| Compensated absences | 880,323 | 90,082 | 141,319 | 829,086 | 82,909 |
| Net pension liabilities* | (4,130,019) | 5,403,057 | - | 1,273,038 | - |
| Postemployment benefit obligations | <u>28,401</u> | <u>551,489</u> | <u>64,086</u> | <u>515,804</u> | <u>-</u> |
| Total governmental long-term liabilities | <u>\$13,715,949</u> | <u>\$ 8,811,796</u> | <u>\$ 3,955,750</u> | <u>\$18,571,995</u> | <u>\$1,130,452</u> |

*Additions to net pension liability are presented net of reductions.

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and postemployment benefit obligations.

The following is a summary of maturing debt service requirements for the District's serial bonds:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Premium</u> |
|--------------------|---------------------|--------------------|-------------------|
| 2018 | \$ 975,000 | \$ 656,806 | \$ 72,543 |
| 2019 | 1,000,000 | 521,269 | 72,544 |
| 2020 | 1,035,000 | 487,619 | 72,543 |
| 2021 | 1,065,000 | 449,619 | 72,544 |
| 2022 | 1,110,000 | 406,419 | 72,543 |
| 2023-2027 | 4,845,000 | 1,305,619 | 362,718 |
| 2028-2032 | <u>4,925,000</u> | <u>416,591</u> | <u>273,632</u> |
| Total | <u>\$14,955,000</u> | <u>\$4,243,942</u> | <u>\$ 999,067</u> |

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

On October 15, 2016, the District issued \$2,450,000 in serial bonds with interest rates ranging from 3.00% to 5.00%. The proceeds were used to advance refund \$2,495,000 of outstanding School District Serial Bonds which had interest rates ranging from 3.13% to 4.50%. The net proceeds of \$2,767,168 (including a \$317,168 premium and after payment of \$92,105 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds have been removed from the District's financial statements. The District advance refunded the bonds to reduce its total debt service payments over 11 years by \$132,365 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$122,950.

I. INTERFUND ACTIVITY

Interfund activity at June 30, 2017 are as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> | <u>Interfund Revenues</u> | <u>Interfund Expenditures</u> |
|--------------------------|----------------------------------|-------------------------------|-------------------------------|-----------------------------------|
| General Fund | \$ 1,683,115 | \$ 1,447,470 | \$ - | \$ 1,954,862 |
| Capital Projects Fund | 297,069 | 3,263 | 240,000 | - |
| Special Aid Fund | 529,557 | 991,727 | - | - |
| School Lunch Fund | - | 12,121 | - | - |
| Expendable Trust Fund | 120 | 40,888 | - | - |
| Nonexpendable Trust Fund | 31,733 | - | - | - |
| Debt Service Fund | 917,624 | 964,374 | 1,714,862 | - |
| Agency Fund | 629 | 4 | - | - |
| Total | <u>\$ 3,459,847</u> | <u>\$ 3,459,847</u> | <u>\$ 1,954,862</u> | <u>\$ 1,954,862</u> |

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

Due from other funds in the General Fund is comprised primarily of expenditures paid on behalf of the Special Aid and School Lunch Funds. Due to other funds from the General Fund is comprised primarily of aid payments that have been received in the General Fund that have not been transferred into the Special Aid and School Lunch Funds and funds on deposit in the General Fund money market account.

Interfund transfers consist of budgetary transfers from the General Fund to the Debt Service Fund for future debt service payments, and to the Capital Projects Fund for the completion of Capital Projects.

J. DETAIL OF FUND BALANCES

As of June 30, 2017, fund balances were classified as follows:

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>School Lunch</u> | <u>Total</u> |
|---------------------------------------|----------------|-----------------------------|-------------------------|---------------------|--------------|
| <u>Nonspendable</u> | | | | | |
| Inventory | \$ - | \$ - | \$ - | \$ 17,139 | \$ 17,139 |
| <u>Restricted:</u> | | | | | |
| Insurance | 665,915 | - | - | - | 665,915 |
| Retirement | 130,772 | - | - | - | 130,772 |
| Employee benefit accrued liability | 739,891 | - | - | - | 739,891 |

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>School Lunch</u> | <u>Total</u> |
|--------------------------------|---------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| <u>Assigned:</u> | | | | | |
| Subsequent years' expenditures | 500,000 | - | - | - | 500,000 |
| Debt service | - | - | 1,928,338 | - | 1,928,338 |
| School lunch | - | - | - | 261,759 | 261,759 |
| <u>Encumbrances:</u> | | | | | |
| General support | 1,910 | - | - | - | 1,910 |
| Instruction | 18,733 | - | - | - | 18,733 |
| <u>Unassigned:</u> | | | | | |
| General fund | 979,554 | - | - | - | 979,554 |
| Capital projects | - | (12,001,509) | - | - | (12,001,509) |
| Total | <u>\$3,036,775</u> | <u>\$(12,001,509)</u> | <u>\$1,928,338</u> | <u>\$ 278,898</u> | <u>\$(6,757,498)</u> |

Assigned to subsequent year's expenditure – Represents available fund balance being appropriated to meet expenditure requirements in the 2018 fiscal year.

Assigned to specific use – Represents fund balance within the special revenue and other funds that is assigned for a specific purpose. The assignment's purpose related to each fund's operations and represents amounts within funds that are not restricted or committed.

Unassigned fund balance – Represents all amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEFICIT FUND EQUITY

At June 30, 2017, the capital projects fund, a major fund, has a deficit fund balance of \$12,001,509. The deficit is the result of the issuance of bond anticipation notes (BANs), which do not qualify for treatment as a long-term liability. Accordingly, BANs and interfund borrowings are reported as fund liabilities in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When cash from BANs is spent, expenditures are reported and fund balance is reduced. Because BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs and to repay interfund borrowings.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4 - RISK MANAGEMENT

A. HEALTH INSURANCE PLAN

The District is allowed to participate and incur costs related to an employee health insurance plan (the Plan) sponsored by the Genesee Valley Educational Partnership and its component districts, which is a public entity risk pool under Article 5-G of General Municipal Law. 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 may withdraw from the Plan after that time by written notification to be provided prior to March 1st of the respective year. 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 (including future claim adjustment expenses) costs depend on complex factors, the process used in computing claim liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims 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 occur.

As of June 30, 2016, the date of the most recent audited financial statements, the Plan accrued a liability for incurred but not reported and incurred but not paid healthcare claims. The accrual was based upon historical trend information. As of June 30, 2016, the Plan's equity after provision for liabilities was \$13,648,305.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. ENCUMBRANCES

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$20,643 recorded in the General Fund.

B. CONTINGENCIES

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6 – TAX ABATEMENTS

The Genesee County Industrial Development Agency d/b/a Genesee County Economic Development Center (the Agency), created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively “the Act”), has nine real property tax abatement agreements with various businesses in the District under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purpose of economic development in the District.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements. Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

As a result of these tax abatement agreements, for the year ended June 30, 2017, the District’s total tax revenues were reduced by \$18,309.

Copies of the agreements may be obtained from the LeRoy Central School District, 2-6 Trigon Park, LeRoy, NY 14482

NOTE 7 – RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2017, the District implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The implementation of Statement No. 75 resulted in the reporting of a deferred postemployment outflow of resources, postemployment liability and deferred postemployment inflow of resources related to the District’s single-employer defined benefit other postemployment plan.

| | |
|--|----------------------|
| Net position beginning of year, as previously stated | \$ 15,637,737 |
| GASB Statement No. 75 implementation | |
| Beginning plan liability under GASB Statement No. 75 | (461,950) |
| Beginning plan liability under GASB Statement No. 45 | <u>28,401</u> |
| Net position beginning of year, as restated | \$ <u>15,204,188</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**LEROY CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION (ASSET) LIABILITY -
EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS***

| | Year Ended June 30, | | |
|---|---------------------|-----------------------|-------------------|
| | 2015 | 2016 | 2017 |
| Teachers' Retirement System (TRS) | | | |
| Measurement date | June 30, 2014 | June 30, 2015 | June 30, 2016 |
| District's proportion of the net pension (asset) liability | 0.0507250% | 0.051825% | 0.053311% |
| District's proportionate share of the net pension liability | \$ <u>5,650,466</u> | \$ <u>5,382,964</u> | \$ <u>570,982</u> |
| District's covered-employee payroll | \$ 7,938,934 | \$ 8,257,414 | \$ 8,226,410 |
| District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll | 71.2% | 65.2% | 7.0% |
| Plan fiduciary net position as a percentage of the total pension (asset) liability | -111.5% | -110.5% | 99.0% |
| Employees' Retirement System (ERS) | | | |
| Measurement date | March 31, 2015 | March 31, 2016 | March 31, 2017 |
| District's proportion of the net pension liability | 0.00801% | 0.00781% | .007472% |
| District's proportionate share of the net pension (asset) liability | \$ <u>(270,443)</u> | \$ <u>(1,252,945)</u> | \$ <u>702,056</u> |
| District's covered-employee payroll | \$ 2,421,033 | \$ 2,492,797 | \$ 2,716,168 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | -11.2% | -50.3% | 29.0% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.9% | 90.7% | 94.7% |

* Information prior to the year ended June 30, 2015 is not available.

**LEROY CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS-
EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30,**

| TEACHERS' RETIREMENT SYSTEM | | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|----------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Contractually required contribution | \$ 686,807 | \$ 612,776 | \$ 482,578 | \$ 659,448 | \$ 831,373 | \$ 879,624 | \$ 1,217,596 | \$ 1,364,678 | \$ 1,094,933 | \$ 985,910 |
| Contributions in relation to the contractually required contribution | <u>686,807</u> | <u>612,776</u> | <u>482,578</u> | <u>659,448</u> | <u>831,373</u> | <u>879,624</u> | <u>1,217,596</u> | <u>1,364,678</u> | <u>1,094,933</u> | <u>985,910</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 8,165,214 | \$ 7,729,774 | \$ 7,803,571 | \$ 7,580,278 | \$ 7,503,228 | \$ 7,605,616 | \$ 7,938,934 | \$ 8,257,414 | \$ 8,226,410 | \$ 8,412,197 |
| Contributions as a percentage of covered-employee payroll | 8% | 8% | 6% | 9% | 11% | 12% | 15% | 17% | 13% | 12% |
| EMPLOYEES' RETIREMENT SYSTEM | | | | | | | | | | |
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Contractually required contribution | \$ 204,345 | \$ 183,979 | \$ 176,783 | \$ 291,995 | \$ 430,351 | \$ 464,609 | \$ 453,946 | \$ 454,605 | \$ 429,026 | \$ 384,522 |
| Contributions in relation to the contractually required contribution | <u>204,345</u> | <u>183,979</u> | <u>176,783</u> | <u>291,995</u> | <u>430,351</u> | <u>464,609</u> | <u>453,946</u> | <u>454,605</u> | <u>429,026</u> | <u>384,522</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | 2,234,042 | 2,319,826 | 2,360,812 | 2,366,906 | 2,413,510 | 2,344,193 | 2,365,461 | 2,421,033 | \$ 2,492,797 | 2,716,168 |
| Contributions as a percentage of covered-employee payroll | 9% | 8% | 7% | 12% | 18% | 20% | 19% | 19% | 17% | 14% |

**LEROY CENTRAL SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Modified Budget</u> |
|--|----------------------------|---------------------------|----------------------|--|
| REVENUES | | | | |
| Local sources: | | | | |
| Real property taxes | \$ 9,584,652 | \$ 9,584,652 | \$ 9,584,542 | \$ (110) |
| Real property tax items | 78,965 | 78,965 | 39,557 | (39,408) |
| Charges for services | 40,000 | 40,000 | 37,687 | (2,313) |
| Use of money and property | 5,000 | 5,000 | 10,990 | 5,990 |
| Sale of property and compensation for loss | 20,000 | 20,000 | 48,465 | 28,465 |
| Miscellaneous local sources | 185,000 | 185,000 | 334,609 | 149,609 |
| State sources: | | | | |
| Basic formula | 9,641,665 | 9,641,665 | 9,602,850 | (38,815) |
| Lottery aid | 1,475,000 | 1,475,000 | 1,498,678 | 23,678 |
| BOCES | 1,450,000 | 1,450,000 | 1,489,281 | 39,281 |
| Textbooks | 77,000 | 77,000 | 73,978 | (3,022) |
| Other state aid | 67,500 | 67,500 | 170,294 | 102,794 |
| Federal sources | 70,000 | 70,000 | 117,394 | 47,394 |
| Total revenues | <u>22,694,782</u> | <u>22,694,782</u> | <u>23,008,325</u> | <u>313,543</u> |
| Other sources: | | | | |
| Use of reserves | 20,000 | 20,000 | - | (20,000) |
| Appropriated fund balance | <u>500,000</u> | <u>523,227</u> | <u>-</u> | <u>(523,227)</u> |
| Total revenues and other sources | <u>\$ 23,214,782</u> | <u>\$ 23,238,009</u> | <u>\$ 23,008,325</u> | <u>\$ (229,684)</u> |

The note to the required supplementary information is an intergral part of this schedule.

**LEROY CENTRAL SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017
 (Continued)**

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Current Year's Expenditures</u> | <u>Encumbrances</u> | <u>Unencumbered Balances</u> |
|--|----------------------------|---------------------------|--|---------------------|----------------------------------|
| EXPENDITURES | | | | | |
| General support: | | | | | |
| Board of education | \$ 62,772 | 54,646 | \$ 54,646 | \$ - | \$ - |
| Central administration | 177,615 | 178,889 | 178,889 | - | - |
| Finance | 329,455 | 368,124 | 366,214 | 1,910 | - |
| Staff | 62,171 | 42,832 | 42,832 | - | - |
| Central services | 2,563,463 | 2,641,963 | 2,636,242 | - | 5,721 |
| Special items | 466,250 | 463,795 | 463,795 | - | - |
| Instruction: | | | | | |
| Instruction, administration and improvements | 764,455 | 802,019 | 797,599 | 4,420 | - |
| Teaching - regular school | 6,185,298 | 6,339,968 | 6,331,752 | 7,210 | 1,006 |
| Programs for children with handicaps | 2,740,858 | 2,651,208 | 2,649,438 | - | 1,770 |
| Occupational education | 487,440 | 496,064 | 496,064 | - | - |
| Teaching - special schools | 8,200 | 34,910 | 34,910 | - | - |
| Instructional media | 363,616 | 485,129 | 481,085 | 606 | 3,438 |
| Pupil services | 1,190,357 | 1,163,165 | 1,156,080 | 6,497 | 588 |
| Pupil transportation | 1,103,100 | 1,066,272 | 1,065,292 | - | 980 |
| Employee benefits | 4,454,870 | 4,413,884 | 4,400,042 | - | 13,842 |
| Total expenditures | 20,959,920 | 21,202,868 | 21,154,880 | 20,643 | 27,345 |
| Other uses: | | | | | |
| Interfund transfers out | 2,254,862 | 2,035,141 | 1,954,862 | - | 80,279 |
| Total expenditures | \$ 23,214,782 | \$ 23,238,009 | \$ 23,109,742 | \$ 20,643 | \$ 107,624 |
| Net change in fund balance | | | \$ (101,417) | | |

The note to the required supplementary information is an intergral part of this schedule.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

1. BUDGETARY INFORMATION

BUDGETARY BASIS OF ACCOUNTING

A. BUDGET POLICIES

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Board of Education.

The voters of the District approved the proposed appropriation budget for the General Fund.

B. BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2017, and therefore, is the only fund presented on the Budgetary Comparison Schedule.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists that was not determined at the time the budget was adopted.

The capital projects fund is appropriated on a project-length basis. Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

SUPPLEMENTARY INFORMATION

**LE ROY CENTRAL SCHOOL DISTRICT
 SCHEDULE OF CHANGE FROM ORIGINAL
 BUDGET TO REVISED BUDGET -
 GENERAL FUND AND REAL PROPERTY TAX LIMIT
 FOR THE YEAR ENDED JUNE 30, 2017**

| | |
|------------------------------|----------------------|
| Adopted Budget | \$ 23,214,782 |
| Additions: | |
| Encumbrances from prior year | <u>23,227</u> |
| Final budget | <u>\$ 23,238,009</u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | |
|----------------------------|---------------|
| 2017-18 expenditure budget | \$ 24,520,718 |
| Maximum allowed | 980,829 |

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

| | |
|---------------------------------|------------------|
| Unrestricted fund balance: | |
| Assigned fund balance | 520,643 |
| Unassigned fund balance | <u>979,554</u> |
| Total unrestricted fund balance | <u>1,500,197</u> |

| | |
|---|----------------|
| Less: | |
| Appropriated fund balance | 500,000 |
| Encumbrances included in assigned fund balance | <u>20,643</u> |
| Total adjustments | <u>520,643</u> |

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 979,554

Actual percentage 4.0%

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

| Project Title | Original Appropriations | Revised Appropriations | Expenditures to Date | | | Unexpended Balance | Methods of Financing | | | Fund Balance 6/30/2016 | |
|---------------------------------|-------------------------|------------------------|----------------------|---------------------|----------------------|---------------------|-------------------------|-------------|---------------------|------------------------|------------------------|
| | | | Prior Years | Current Year | Total | | Proceeds of Obligations | State Aid | Local Sources | | Total |
| | | | | | | | | | | | |
| Rite project | \$ 12,748,440 | \$ 12,748,440 | \$ 2,357,803 | \$ 9,412,527 | \$ 11,770,330 | \$ 978,110 | \$ 73,498 | \$ - | \$ 700,000 | \$ 773,498 | \$ (10,996,832) |
| Exterior door projects 13-14 | 100,000 | 100,000 | 88,465 | - | 88,465 | 11,535 | - | - | 100,000 | 100,000 | 11,535 |
| Exterior door projects 14-15 | 100,000 | 100,000 | 90,820 | - | 90,820 | 9,180 | - | - | 100,000 | 100,000 | 9,180 |
| Bus garage lights project 15-16 | 100,000 | 100,000 | 70,100 | 4,492 | 74,592 | 25,408 | - | - | 100,000 | 100,000 | 25,408 |
| Bus garage boiler project 16-17 | | | | 76,549 | 76,549 | (76,549) | | | 100,000 | 100,000 | 23,451 |
| Bus & equipment purchases | <u>3,365,000</u> | <u>3,282,700</u> | <u>2,916,463</u> | <u>279,962</u> | <u>3,196,425</u> | <u>86,275</u> | <u>2,122,174</u> | <u>-</u> | <u>-</u> | <u>2,122,174</u> | <u>(1,074,251)</u> |
| | <u>\$ 16,413,440</u> | <u>\$ 16,331,140</u> | <u>\$ 5,523,651</u> | <u>\$ 9,773,530</u> | <u>\$ 15,297,181</u> | <u>\$ 1,033,959</u> | <u>\$ 2,195,672</u> | <u>\$ -</u> | <u>\$ 1,100,000</u> | <u>\$ 3,295,672</u> | <u>\$ (12,001,509)</u> |

**LE ROY CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2017**

| | |
|----------------------------------|---------------------|
| Capital assets, net | \$ 34,849,475 |
| Add: | |
| Unspent BAN proceeds | 858,110 |
| Deduct: | |
| Bond anticipation notes payable | 13,495,340 |
| Bonds payable | 14,955,000 |
| Premium on bond | <u>999,067</u> |
| Net investment in capital assets | <u>\$ 6,258,178</u> |

FEDERAL FINANCIAL ASSISTANCE

**LEROY CENTRAL SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

| Federal Grantor/Pass Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Pass-Through to to Subrecipients | Federal Expenditures |
|---|--------------------------------|---|---|---------------------------------|
| <u>U.S. Department of Agriculture</u> | | | | |
| <i>Passed through New York State Bureau of School Food Management:</i> | | | | |
| <i>Child Nutrition Cluster</i> | | | | |
| School Breakfast Program | 10.553 | N/A | \$ - | \$ 32,670 |
| National School Lunch Program | 10.555 | N/A | - | 199,433 |
| National School Lunch Program - Food Distribution | 10.555 | N/A | - | 46,765 |
| <i>Total Child Nutrition Cluster</i> | | | - | 278,868 |
| <i>Total U.S. Department of Agriculture</i> | | | - | 278,868 |
| <u>U.S. Department of Education</u> | | | | |
| <i>Passed through New York State Education Department:</i> | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-17-1015 | - | 167,744 |
| <i>Special Education Cluster</i> | | | | |
| Special Education_Grants to States | 84.027 | 0032-17-0280 | - | 315,681 |
| Special Education_Preschool Grants | 84.173 | 0033-17-0280 | - | 16,276 |
| <i>Total Special Education Cluster</i> | | | - | 331,957 |
| Supporting Effective Instruction State Grant | 84.367 | 0147-17-1015 | - | 55,896 |
| <i>Total Supporting Effective Instruction State Grant</i> | | | - | 55,896 |
| <i>Total U.S Department of Education</i> | | | - | 555,597 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 834,465 |

See notes to schedule of expenditures of federal awards.

**LE ROY CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs administered by the District, an entity as defined in Note 1 to the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included in the schedule. Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the District's financial reporting system, which is the source of the District's basic financial statements.

NOTE 3 - PASS-THROUGH GRANTOR

All of the federal financial assistance received was passed-through departments of the State of New York.

NOTE 4 - NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2017, the District received \$46,765 of commodities under the Surplus Food Distribution Program (CFDA 10.555).

NOTE 5 - INDIRECT COST RATE

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

INTERNAL CONTROL AND COMPLIANCE

**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**

INDEPENDENT AUDITOR'S REPORT

The President and Members of the
Board of Education of
Le Roy Central School District
Le Roy, 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 Le Roy Central School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Freed Maxick CPAs, P.C.

Batavia, New York
October 10, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

The President and Members of the
Board of Education of
Le Roy Central School District
Le Roy, New York

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Freed Maxick CPAs, P.C.

Batavia, New York
October 10, 2017

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report(s) issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditor's report(s) issued on compliance for major federal 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: CFDA#

Nutrition Cluster 10.553/10.555

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

Auditee qualified as low risk auditee? yes no

II. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted in the current fiscal year.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs related to federal awards noted in the current fiscal year.

**LE ROY CENTRAL SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted for the fiscal year ended June 30, 2016.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs related to federal awards noted for the fiscal year ended June 30, 2016.

EXTRACLASSROOM ACTIVITY

**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BASIS NET POSITION OF THE
EXTRACLASROOM ACTIVITY FUNDS**

The President and Members of the
Board of Education of
Le Roy Central School District
Le Roy, New York

Report on the Financial Statements

We have audited the accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds of Le Roy Central School District (the District), as of and for the year ended June 30, 2017 and the related note to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash receipts, disbursements and changes in cash basis net position of the Extraclassroom Activity Funds of the District for the year ended June 30, 2017, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statement is prepared on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Freed Maxick CPAs, P.C.

Batavia, New York
October 10, 2017

**LEROY CENTRAL SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BASIS NET POSITION OF THE EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Balance 7/1/2016</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance 6/30/2017</u> |
|----------------------------|-----------------------------|--------------------------|-------------------------------|------------------------------|
| Class of 2015 | \$ 92 | \$ - | \$ - | \$ 92 |
| Class of 2016 | 1 | - | - | 1 |
| Class of 2017 | 4,214 | 27,887 | 27,890 | 4,211 |
| Class of 2018 | 1,944 | 10,683 | 8,766 | 3,861 |
| Class of 2019 | 1,569 | 1,378 | 682 | 2,265 |
| Class of 2020 | 319 | 7,815 | 4,219 | 3,915 |
| Class of 2021 | | 780 | 650 | 130 |
| Class of 2022 | | 30 | - | 30 |
| American Field Service | - | - | - | - |
| Art Club | 171 | 3,928 | 3,928 | 171 |
| Basketball | 1,034 | - | - | 1,034 |
| Brainstormers | 614 | - | - | 614 |
| Business Club | 1 | 685 | 530 | 156 |
| French Club | 53 | - | - | 53 |
| Jr. National Honor Society | 875 | 145 | 72 | 948 |
| National Honor Society | 924 | 1,060 | 1,232 | 752 |
| Latin Club | - | - | - | - |
| Music Chorus | 2,726 | 869 | 1,422 | 2,173 |
| Musical | 19,082 | 24,164 | 30,443 | 12,803 |
| O-At-Kan | 4,434 | 3,108 | 1,446 | 6,096 |
| O-At-Kan- elem | 961 | 5,235 | 5,241 | 955 |
| P.A.R.P. | 5,857 | 3,508 | 4,358 | 5,007 |
| S.A.D.D. | 196 | - | - | 196 |
| Ski Club | 64 | - | - | 64 |
| Science Club | 375 | - | 165 | 210 |
| Social Studies Club | 4 | - | - | 4 |
| Spanish Club | - | 3,869 | 3,869 | - |
| Music Band | 2,072 | 4,692 | 5,166 | 1,598 |
| Student Council | 2,029 | 3,726 | 4,675 | 1,080 |
| Varsity Club | 7,675 | 25,446 | 22,573 | 10,548 |
| 6th Grade Trip | 224 | - | - | 224 |
| Wrestling Club | 2,074 | 686 | 1,282 | 1,478 |
| Totals | <u>\$ 59,584</u> | <u>\$ 129,694</u> | <u>\$ 128,609</u> | <u>\$ 60,669</u> |

See note to financial statement.

**LE ROY CENTRAL SCHOOL DISTRICT
EXTRAClassroom Activity Funds
NOTE TO FINANCIAL STATEMENT**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Le Roy Central School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Agency Fund in the District's Statement of Net Position-Fiduciary Funds at June 30, 2017.

The books and records of the District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenses are recognized when cash is disbursed.