

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

**AVOCA CENTRAL SCHOOL DISTRICT**

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**INDEPENDENT AUDITOR'S REPORT**

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

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

***Report on Summarized Comparative Information***

We have previously audited the **Avoca Central School District's** June 30, 2016 financial statements, and our report dated September 20, 2016, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans on pages 3 through 9, 36 through 37, and 44 through 46 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 **Avoca Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2017 on our consideration of **Avoca Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Avoca Central School District's** internal control over financial reporting and compliance.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
September 19, 2017**

**I. Discussion and Analysis**

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

**II. Financial Highlights**

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

- Overall net position of the District increased during the current year in the amount of \$768,000 from operations as compared to an increase of \$1,222,000 during the prior fiscal year.
- The District's total revenue was consistent from \$13,369,000 for the year ended June 30, 2016 to \$13,405,000 for the year ended June 30, 2017. This increase was primarily the result of an increase in basic aid and was offset by a decrease in miscellaneous sources related to an overpayment that was recognized during the previous year.
- The District's total expenses increased approximately 4% from \$12,147,000 during the year ended June 30, 2016 to \$12,637,000 during the year ended June 30, 2017. This increase was primarily the result of new actuarial study and change in assumption for TRS which resulted in an increase in pension expense. In addition there was an increase in instruction services offset by a decrease in debt service which had costs associated with prior year bond refunding.
- The District's had capital outlays during the current year in the amount of \$351,000, which primarily related to costs associated with the vehicle purchases and costs associated with the capital projects.

**III. Overview of the Financial Statements**

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

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

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

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

**1. Statement of Net Position**

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

**2. Statement of Activities**

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

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

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

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

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

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

The District has two kinds of funds:

**1. Governmental Funds**

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

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

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

**1. Governmental Funds (continued)**

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

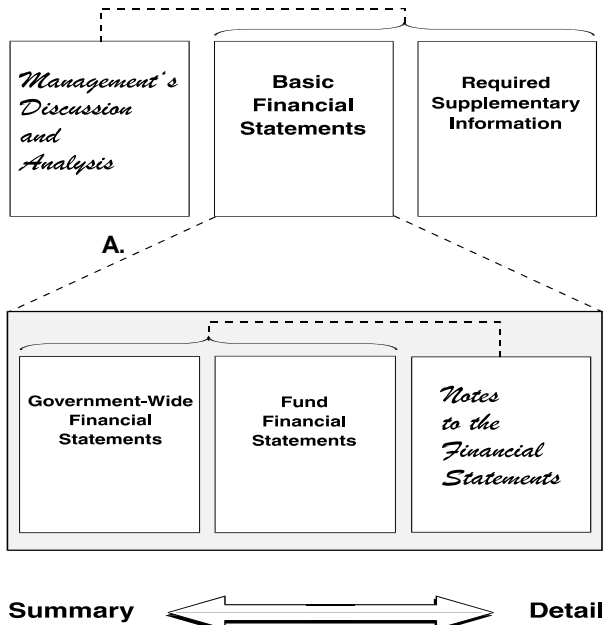
**2. Fiduciary Funds**

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

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

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

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



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

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 4% to \$12,637,000. The District's expenses cover a range of services, with 72% related to instruction and 14% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 0%, while total expenses increased 4%. The District's total net position increased approximately \$768,000 or 5% from operations during the fiscal year ended June 30, 2017.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$13,405,000 for the fiscal year ended June 30, 2017. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 19% of the District's total revenue for governmental activities decreased approximately 0% during the year ended June 30, 2017.
- The District's most significant revenue is state sources which represent \$9,663,000 or 72% of total governmental revenue. The District state sources increased 3% due to an increase in basic aid.
- During the year ended June 30, 2017, the District saw a decrease in program revenue in the amount of \$5,000, which mostly resulted from a decrease in charges for services, which decreased by \$20,000 along with an increase in operating grants and contributions which increased \$15,000. The decrease in charges for services was the result of a decrease in tuition from other districts.

**IV. Financial Analysis of the School District as a Whole**

Net Position

The District's total reporting entity net position was approximately \$16,746,000. The components of net position include: net investment in capital assets, of \$11,123,000; restricted net position of \$4,053,000; and unrestricted net position of \$1,570,000.

Changes in Net Position

The District's total government-wide revenue increased by approximately 0%, to \$13,405,000. Approximately 19%, 6% and 72% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 3% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

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

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, debt service and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$12,637,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$52,000 or 3% as a result of an increase in health insurance costs.
- The District's instruction costs increased by approximately \$896,000 or 11% which was the result of an increase in health insurance costs and salaries. In addition, pension costs increased during the current year related to a new actuarial study and change in actual assumptions when calculating the net pension liability for TRS.
- Debt service of the District decreased approximately \$454,000 during the year ended June 30, 2017 which related to prior year bond issuance costs associated with the advanced bond refunding.
- Transportation costs of the District decreased 1% or \$8,000 during the year ended June 30, 2017 due to a decrease in contractual transportation services and salaries which was offset by an increase in health insurance costs.
- The District's cost of sales (food service fund) totaled \$341,000 during the current year as compared to \$339,000 during the fiscal year ended June 30, 2016.
- The District received approximately \$947,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$12 million) were financed by real property taxes and state aid.

**Figure A-3 – Condensed Statement of Net Position**

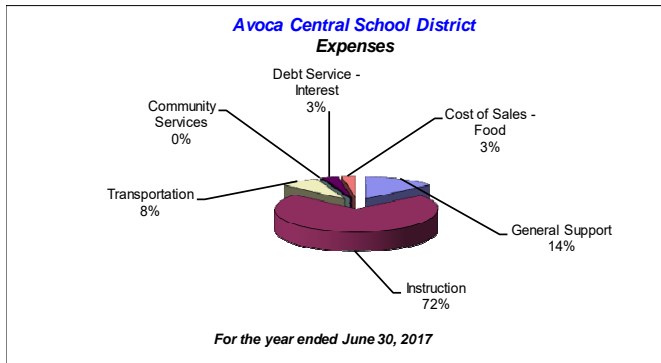
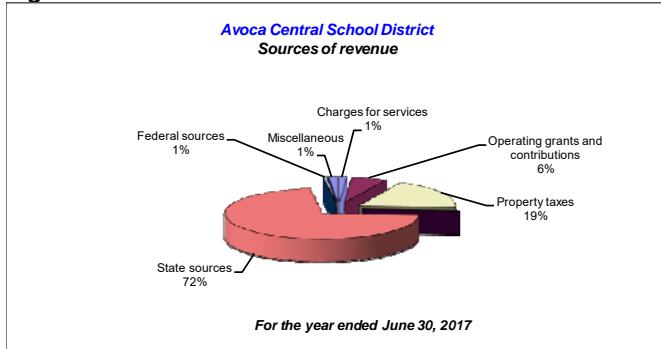
<i>Avoca Central School District</i>			
<i>Condensed Statement of Net Position (in thousands of dollars)</i>			
	Governmental Activities and Total District-wide		
	2017	2016	% Change
<b>Assets</b>			
Current and other assets	\$ 7,287	\$ 9,340	-22%
Capital assets	22,841	23,969	-5%
Total assets	<u>30,128</u>	<u>33,309</u>	<u>-10%</u>
<b>Deferred outflows of resources</b>			
Deferred outflows related to bonds	824	972	-15%
Deferred outflows related to pensions	2,704	1,040	160%
Deferred outflows of resources and assets	<u>\$ 33,656</u>	<u>\$ 35,321</u>	<u>-5%</u>
<b>Liabilities</b>			
Other liabilities	\$ 798	\$ 823	-3%
Long-term liabilities	15,977	17,599	-9%
Total liabilities	<u>16,775</u>	<u>18,422</u>	<u>-9%</u>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	135	921	-85%
Deferred inflows of resources and liabilities	<u>16,910</u>	<u>19,343</u>	<u>-13%</u>
Net investment in capital assets	11,123	10,200	9%
Restricted	4,053	3,701	10%
Unrestricted (deficit)	1,570	2,077	-24%
Total net position	<u>16,746</u>	<u>15,978</u>	<u>5%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 33,656</u>	<u>\$ 35,321</u>	<u>-5%</u>

**Figure A-4 – Changes in Net Position**

<i>Avoca Central School District</i>			
<i>Changes in Net Position from Operating Results (in thousands of Dollars)</i>			
	Governmental Activities and Total District-wide		
	2017	2016	% Change
<b>Revenue</b>			
Program revenue			
Charges for services	\$ 169	\$ 189	-10%
Operating grants and contributions	778	763	2%
General revenue			
Real property taxes	2,523	2,523	0%
Use of money & property	4	9	-59%
Sale of property & comp for loss	17	(31)	n/a
State sources	9,663	9,393	3%
Federal sources	70	45	100%
Miscellaneous	181	478	-62%
Total revenue	<u>13,405</u>	<u>13,369</u>	<u>0%</u>
<b>Expenses</b>			
General support	1,687	1,635	3%
Instruction	9,213	8,317	11%
Transportation	991	999	-1%
Community services	15	13	15%
Debt service - interest	390	844	-54%
Cost of sales	341	339	1%
Total expenses	<u>12,637</u>	<u>12,147</u>	<u>4%</u>
<b>Change in net position</b>	<u>\$ 768</u>	<u>\$ 1,222</u>	



**Figure A-5 – Sources of Revenue**



**Figure A-7 – Expenditures Supported with Program Revenue**

	Governmental Activities & Total District			
	2017		2016	
Expenditures supported with general revenue (from taxes & other sources)	\$ 11,690	93%	\$ 11,195	92%
Expenditures supported with program revenue	947	7%	952	8%
<b>Total expenditures related to governmental activities</b>	<b>\$ 12,637</b>	<b>100%</b>	<b>\$ 12,147</b>	<b>100%</b>

**Figure A-8 – Net Cost of Governmental Activities**

	Total cost of services			Net cost of services		
	2017	2016	Change	2017	2016	Change
General support	\$ 1,687	\$ 1,635	\$ 52	\$ 1,687	\$ 1,635	\$ 52
Instruction	9,213	8,317	896	8,623	7,714	909
Transportation	991	999	(8)	991	999	(8)
Community services	15	13	2	15	13	2
Debt service - interest	390	844	(454)	390	844	(454)
Cost of sales - food	341	339	2	(16)	(10)	(6)
<b>Total</b>	<b>\$ 12,637</b>	<b>\$ 12,147</b>	<b>\$ 490</b>	<b>\$ 11,690</b>	<b>\$ 11,195</b>	<b>\$ 495</b>

**V. Financial Analysis of the School District's Funds**

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund revenue exceeded its expenditures by approximately \$466,000.
- The District's general fund unassigned fund balance equated to approximately \$2,290,000 as of June 30, 2017.
- The District has many fund balance reserves during the year ended June 30, 2017, and had a total restricted fund balance of approximately \$3,452,000.
- The District's total assets increased approximately \$426,000 as of June 30, 2017, primarily due to an increase in cash. The District's liabilities decreased approximately \$40,000, primarily from a decrease in due to TRS and other funds, which was partially offset by an increase in the accounts payable.
- Total revenue in the District's general fund decreased \$15,000, which was primarily related to a deferred revenue that was recognized in the prior year. This was offset by increases in state aid.
- Total expenditures in the District's general fund decreased \$49,000 which was primarily related to a decrease in transfers to the capital project fund, which was partially offset by an increase in health insurance.

Food Service Fund

- The District's food service fund experienced a \$12,000 increase in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$357,000 during 2017 as compared with \$349,000 in 2016. Expenditures in the food service fund increased approximately \$4,000 due to an increase in food purchases.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$3,000 which resulted from the decrease in summer school funding received in the current year.

**V. Financial Analysis of the School District's Funds  
(continued)**

Capital Projects Fund

- The District had expenditures in the amount of approximately \$292,000 in capital projects during the year ended June 30, 2017, which was primarily related to the purchase vehicles and costs associated with the capital outlay project.

**VI. General Fund Budgetary Highlight**

Over the course of the year, the District makes budget transfers. Actual expenditures were approximately \$690,000, below, the revised budget. The most significant positive variances was in the area of instruction, transportation, and general support which totaled \$249,000, \$153,000, and \$142,000, respectively, below that which were budgeted. On the other hand, resources available for appropriations were approximately \$151,000 above the final budgeted amount. Significant variance of revenue items consisted of local sources and state sources which was approximately \$91,000 and \$82,000, above the revised budget.

**Figure A-9 – Budget vs. Actual Comparison**

<i>Avoca Central School District</i>					
<i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i>					
	Revised Budget	Actual	Difference	%	
<b>Revenue</b>					
Local sources	\$ 2,705	\$ 2,796	\$ 91	3%	
State sources	9,581	9,663	82	1%	
Federal sources	25	70	45	180%	
Other sources	67	-	(67)	-100%	
<b>Total revenue</b>	<b>\$ 12,378</b>	<b>\$ 12,529</b>	<b>\$ 151</b>	<b>1%</b>	
<b>Expenditures</b>					
General support	\$ 1,308	\$ 1,166	\$ 142	11%	
Instruction	5,522	5,273	249	5%	
Transportation	643	490	153	24%	
Community Services	16	15	1	4%	
Employee benefits	2,690	2,555	135	5%	
Debt service	2,299	2,296	3	0%	
Operating transfers	275	268	7	2%	
<b>Total expenditures</b>	<b>\$ 12,753</b>	<b>\$ 12,063</b>	<b>\$ 690</b>	<b>5%</b>	

**VII. Capital Assets and Debt Administration**

Capital Assets

As depicted in Figure A-10, as of June 30, 2017, the District had invested approximately \$22,841,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2017, totaled approximately \$351,000 and consisted primarily of vehicle purchases and capital project costs. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2017, the District had approximately \$15,977,000 in bonds, other post-employment benefits, net pension liabilities and compensated absences, a decrease of approximately 9% as compared with the previous year. The decrease in bonds payable was the result of the District making regularly scheduled principal payments. The increase in other post-employment benefits during the current year is a result of the actuarial accrued liability not being funded. With regards to the pension liability, during the current year the ERS liability decreased, while TRS went from a net pension asset in the prior year to a net pension liability in the current year.

**Figure A-10 – Capital Assets**

<i>Avoca Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2017	2016	Change
Land	\$ 75,792	\$ 75,792	0%
Cost basis	42,375,063	42,121,883	1%
Accumulated depreciation	(19,609,836)	(18,228,409)	8%
<b>Total Capital Assets, net</b>	<b>\$ 22,841,019</b>	<b>\$ 23,969,266</b>	<b>-5%</b>

**Figure A-11 – Outstanding Long-term Debt**

<i>Avoca Central School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2017	2016	Change
Bonds payable	\$ 11,718,313	\$ 13,769,935	-15%
Net pension liabilities - TRS & ERS	569,100	566,972	0%
Other post-employment benefits	3,347,548	2,939,161	14%
Compensated absences	342,278	323,006	6%
<b>Total Long-Term Debt</b>	<b>\$ 15,977,239</b>	<b>\$ 17,599,074</b>	<b>-9%</b>

**VIII. Factors Bearing on the District's Future**

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

- The District continues to be uncertain as to the level of Federal and State aid.

**IX. Contacting the District's Financial Management**

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

Avoca Central School District  
17-29 Oliver Street  
District Administrative Offices  
Attention: Ms. Gay Fairbrother  
Business Manager  
Avoca, New York 14809

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

**Schedule 1**

**Page 10**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents		
Unrestricted	\$ 2,392,077	\$ 2,318,372
Restricted	4,053,384	3,701,262
Receivables		
State and federal aid	363,650	458,400
Other receivables	2,856	6,164
Due from other governments	448,838	342,500
Due from other fiduciary funds	14,225	14,278
Inventories	12,615	15,612
Net pension asset - NYS Teachers' Retirement System	-	2,482,879
Capital assets, net	22,841,019	23,969,266
Total assets	<u>30,128,664</u>	<u>33,308,733</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to bond refunding	823,667	972,305
Deferred outflows related to pensions	2,703,613	1,039,923
Total assets and deferred outflows of resources	<u>\$ 33,655,944</u>	<u>\$ 35,320,961</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 282,805	\$ 250,900
Accrued liabilities	606	-
Accrued interest	19,000	21,000
Due to other governments	1,446	1,475
Due to retirement systems	493,684	549,132
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	1,840,000	1,775,000
Portion due or payable after one year		
Bonds payable	9,878,313	11,994,935
Net pension liability - NYS Teachers' Retirement System	251,616	-
Net pension liability - NYS Employees' Retirement System	317,484	566,972
Other post-employment benefits	3,347,548	2,939,161
Compensated absences	342,278	323,006
Total liabilities	<u>16,774,780</u>	<u>18,421,581</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	135,568	921,575
Total liabilities and deferred inflows of resources	<u>16,910,348</u>	<u>19,343,156</u>
<b>Net Position</b>		
Net investment in capital assets	11,122,706	10,199,331
Restricted	4,053,384	3,701,262
Unrestricted	1,569,506	2,077,212
Total net position	<u>16,745,596</u>	<u>15,977,805</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 33,655,944</u>	<u>\$ 35,320,961</u>

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

**Schedule 2**

**Page 11**

	Expenses	Indirect Expenses Allocation	Program Revenues		2017	2016
			Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>						
General support	\$ 1,482,265	\$ 205,124	\$ -	\$ -	\$ (1,687,389)	\$ (1,634,662)
Instruction	8,278,939	934,271	70,746	518,936	(8,623,528)	(7,714,303)
Pupil transportation	650,648	340,029	-	-	(990,677)	(998,828)
Community services	14,893	-	-	-	(14,893)	(12,755)
Debt service	390,429	-	-	-	(390,429)	(844,110)
Food service program	340,810	-	98,451	258,819	16,460	9,544
Depreciation	1,479,424	(1,479,424)	-	-	-	-
<b>Total functions and programs</b>	<b>\$ 12,637,408</b>	<b>\$ -</b>	<b>\$ 169,197</b>	<b>\$ 777,755</b>	<b>(11,690,456)</b>	<b>(11,195,114)</b>
<b>General Revenues</b>						
Real property taxes					2,523,027	2,522,682
Use of money and property					3,756	9,150
Sale of property and compensation for loss					17,378	(31,194)
Miscellaneous					180,667	478,288
State sources					9,663,427	9,392,523
Federal sources					69,992	45,531
<b>Total general revenues</b>					<b>12,458,247</b>	<b>12,416,980</b>
<b>Change in net position</b>					<b>767,791</b>	<b>1,221,866</b>
Net position - beginning of year					15,977,805	16,811,073
Prior period adjustments					-	(2,055,134)
<b>Net position - end of year</b>					<b>\$ 16,745,596</b>	<b>\$ 15,977,805</b>

**AVOCA CENTRAL SCHOOL DISTRICT**  
**COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2017**

**Schedule 3**

**Page 12**

	Governmental Funds					2017	2016
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
<b>Assets</b>							
Unrestricted cash and cash equivalents	\$ 2,622,027	\$ 24,359	\$ 46,929	\$ -	\$ -	\$ 2,693,315	2,563,558
Restricted cash and cash equivalents	3,452,413	-	-	200,518	99,215	3,752,146	3,456,076
Due from other funds	683,038	220,976	3,402	400,453	-	1,307,869	1,283,464
State and federal aid receivable	142,667	208,011	60,502	-	-	411,180	458,400
Other receivables	1,364	-	1,492	-	-	2,856	6,164
Due from other governments	401,308	-	-	-	-	401,308	342,500
Inventories	-	-	12,615	-	-	12,615	15,612
<b>Total assets</b>	<b>\$ 7,302,817</b>	<b>\$ 453,346</b>	<b>\$ 124,940</b>	<b>\$ 600,971</b>	<b>\$ 99,215</b>	<b>\$ 8,581,289</b>	<b>\$ 8,125,774</b>
<b>Liabilities and Fund Equity</b>							
<b>Liabilities</b>							
Accounts payable	\$ 282,833	\$ -	\$ (28)	\$ -	\$ -	\$ 282,805	\$ 250,900
Accrued liabilities	606	-	-	-	-	606	-
Due to other funds	656,680	453,346	84,403	-	99,215	1,293,644	1,269,186
Due to other governments	-	-	1,446	-	-	1,446	1,475
Due to Teachers' Retirement System	456,666	-	-	-	-	456,666	512,016
Due to Employees' Retirement System	37,018	-	-	-	-	37,018	37,116
<b>Total liabilities</b>	<b>1,433,803</b>	<b>453,346</b>	<b>85,821</b>	<b>-</b>	<b>99,215</b>	<b>2,072,185</b>	<b>2,070,693</b>
<b>Fund Equity</b>							
Nonspendable	-	-	12,615	-	-	12,615	15,612
Restricted	3,452,413	-	-	600,971	-	4,053,384	3,701,262
Assigned	126,153	-	26,504	-	-	152,657	235,445
Unassigned	2,290,448	-	-	-	-	2,290,448	2,102,762
<b>Total fund equity</b>	<b>5,869,014</b>	<b>-</b>	<b>39,119</b>	<b>600,971</b>	<b>-</b>	<b>6,509,104</b>	<b>6,055,081</b>
<b>Total liabilities and fund equity</b>	<b>\$ 7,302,817</b>	<b>\$ 453,346</b>	<b>\$ 124,940</b>	<b>\$ 600,971</b>	<b>\$ 99,215</b>	<b>\$ 8,581,289</b>	<b>\$ 8,125,774</b>

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

**Schedule 4**

**Page 13**

	Governmental Funds					2017	2016
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
<b>Revenue</b>							
Real property taxes	\$ 2,523,027	\$ -	\$ -	\$ -	\$ -	\$ 2,523,027	\$ 2,522,682
Charges for services	70,746	-	-	-	-	70,746	80,210
Use of money and property	3,521	-	33	235	-	3,789	9,165
Sale of property and compensation for loss	17,378	-	-	-	-	17,378	19,900
Miscellaneous	180,667	-	22,586	-	-	203,253	501,829
State sources	9,663,427	173,862	54,322	-	-	9,891,611	9,617,774
Federal sources	69,992	345,074	185,058	-	-	600,124	565,688
Surplus food	-	-	19,439	-	-	19,439	17,339
Sales (school food service)	-	-	75,832	-	-	75,832	84,942
Total revenue	12,528,758	518,936	357,270	235	-	13,405,199	13,419,529
<b>Expenditures</b>							
General support	1,165,559	-	99,672	-	-	1,265,231	1,299,941
Instruction	5,273,271	489,741	-	-	-	5,763,012	5,655,092
Pupil transportation	489,894	-	-	-	158,339	648,233	683,958
Community services	14,893	-	-	-	-	14,893	12,755
Employee benefits	2,555,321	29,195	48,205	-	-	2,632,721	2,429,585
Debt service							
Principal	1,775,000	-	-	-	-	1,775,000	1,730,000
Interest	520,413	-	-	-	-	520,413	566,340
Capital outlay	-	-	-	-	134,160	134,160	451,974
Cost of sales	-	-	112,983	-	-	112,983	117,366
Other expenses	-	-	84,530	-	-	84,530	81,247
Total expenditures	11,794,351	518,936	345,390	-	292,499	12,951,176	13,028,258
Excess (deficiency) of revenue over expenditures	734,407	-	11,880	235	(292,499)	454,023	391,271
<b>Other sources and uses</b>							
Proceeds from the refunding of bonds	-	-	-	-	-	-	8,161,599
Payments for the refunding of bonds	-	-	-	-	-	-	(9,436,599)
Operating transfers in	-	-	-	-	268,298	268,298	531,179
Operating transfers out	(268,298)	-	-	-	-	(268,298)	(531,179)
Total other sources	(268,298)	-	-	-	268,298	-	(1,275,000)
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	466,109	-	11,880	235	(24,201)	454,023	(883,729)
Fund equity, beginning of year	5,402,905	-	27,239	600,736	24,201	6,055,081	6,938,810
<b>Fund equity, end of year</b>	\$ 5,869,014	\$ -	\$ 39,119	\$ 600,971	\$ -	\$ 6,509,104	\$ 6,055,081

See accompanying independent auditor's report and notes to financial statements.

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

**Schedule 5**

**Page 14**

	Private Purpose Trusts	Agency Funds	Total 6/30/2017	(Memo only) Total 6/30/2016
<b>Assets</b>				
Cash	\$ 18,552	\$ 126,452	\$ 145,004	\$ 115,957
Due from governmental funds	-	53	53	-
Total assets	\$ 18,552	\$ 126,505	\$ 145,057	\$ 115,957
<b>Liabilities</b>				
Accrued liabilities	\$ -	\$ 21,879	\$ 21,879	\$ 3,947
Due to governmental funds	-	14,278	14,278	14,278
Student extraclassroom activity funds	-	90,348	90,348	77,901
Total liabilities	-	126,505	126,505	96,126
<b>Net Position</b>				
Reserved for scholarships	18,552	-	18,552	19,831
Total liabilities and net position	\$ 18,552	\$ 126,505	\$ 145,057	\$ 115,957



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

Schedule 6

**Page 15**

	6/30/2017	(Memo only) 6/30/2016
<b>Additions</b>		
Gifts and contributions	\$ 2,562	\$ -
Interest earnings	9	590
Total additions	<u>2,571</u>	<u>590</u>
<b>Deductions</b>		
Scholarships awarded	<u>3,850</u>	<u>3,250</u>
Total deductions	<u>3,850</u>	<u>3,250</u>
<b>Change in net position</b>	(1,279)	(2,660)
Net position - beginning of year	<u>19,831</u>	<u>22,491</u>
<b>Net position - end of year</b>	<u>\$ 18,552</u>	<u>\$ 19,831</u>

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

**Total fund balances - governmental funds** \$ 6,509,104

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 42,450,855	
Accumulated depreciation	<u>(19,609,836)</u>	22,841,019

Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due. (19,000)

Deferred outflows from the refunding of debt is reported on the statement of net position and is amortized over the refunded debt. In the governmental funds the total sources and payments related to the refunding are recognized in the statement of activities. 823,667

Deferred inflows and outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds pension expense is based on required contributions. 2,568,045

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable	(11,718,313)	
Net pension liability - TRS	(251,616)	
Net pension liability - ERS	(317,484)	
Other post-employment benefits	(3,347,548)	
Compensated absences	<u>(342,278)</u>	<u>(15,977,239)</u>

**Total net position - governmental activities** \$ 16,745,596

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
<b>Assets</b>					
Cash	\$ 6,445,461	\$ -	\$ -	\$ -	\$ 6,445,461
Due from other funds	1,307,869	-	-	(1,293,644)	14,225
State and federal aid receivable	411,180	-	-	-	411,180
Other receivables	2,856	-	-	-	2,856
Due from other governments	401,308	-	-	-	401,308
Inventories	12,615	-	-	-	12,615
Capital assets, net	-	22,841,019	-	-	22,841,019
Total assets	8,581,289	22,841,019	-	(1,293,644)	30,128,664
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to bond refunding	-	823,667	-	-	823,667
Deferred outflows related to pensions	-	2,703,613	-	-	2,703,613
Total assets and deferred outflows of resources	\$ 8,581,289	\$ 26,368,299	\$ -	\$ (1,293,644)	\$ 33,655,944
<b>Liabilities and Fund Equity/Net Position</b>					
<b>Liabilities</b>					
Accounts payable	\$ 282,805	\$ -	\$ -	\$ -	\$ 282,805
Accrued liabilities	606	-	-	-	606
Accrued interest	-	-	19,000	-	19,000
Due to other funds	1,293,644	-	-	(1,293,644)	-
Due to other governments	1,446	-	-	-	1,446
Due to retirement systems	493,684	-	-	-	493,684
Bonds payable	-	-	11,718,313	-	11,718,313
Net pension liability-TRS	-	-	251,616	-	251,616
Net pension liability-ERS	-	-	317,484	-	317,484
Other post-employment benefits	-	-	3,347,548	-	3,347,548
Compensated absences	-	-	342,278	-	342,278
Total liabilities	2,072,185	-	15,996,239	(1,293,644)	16,774,780
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pensions	-	-	135,568	-	135,568
Total liabilities and deferred inflows of resources	2,072,185	-	16,131,807	(1,293,644)	16,910,348
<b>Fund equity and net position</b>					
	6,509,104	26,368,299	(16,131,807)	-	16,745,596
Total liabilities, deferred inflows of resources, and fund equity and net position	\$ 8,581,289	\$ 26,368,299	\$ -	\$ (1,293,644)	\$ 33,655,944

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

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**Total net change in fund balances - governmental funds** \$ 454,023

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

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

Capital outlays	\$ 351,177	
Depreciation expense	<u>(1,479,424)</u>	(1,128,247)

Repayment of bond (including refunding) and bond anticipation notes redeemed from appropriations are recorded as an expenditure in the governmental funds, but the repayment reduces long-term and short-term liabilities in the statement of long-term and short-term liabilities in the statement of net assets. 1,904,984

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts from changes in proportion are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans. (35,310)

In the statement of activities, certain operating expenses - compensated absences, special termination benefits and other post-employment benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences and other post-employment benefits earned changed by this amount. (427,659)

**Change in net position of governmental activities** \$ 767,791

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
<b>Revenue</b>					
Real property taxes	\$ 2,523,027	\$ -	\$ -	\$ -	\$ 2,523,027
Charges for services	70,746	-	-	(70,746)	-
Use of money and property	3,789	-	-	(33)	3,756
Sale of property and compensation for loss	17,378	-	-	-	17,378
Miscellaneous	203,253	-	-	(22,586)	180,667
State sources	9,891,611	-	-	(228,184)	9,663,427
Federal sources	600,124	-	-	(530,132)	69,992
Surplus food	19,439	-	-	(19,439)	-
Sales (school food service)	75,832	-	-	(75,832)	-
Total revenue	13,405,199	-	-	(946,952)	12,458,247
<b>Expenditures</b>					
General support	1,265,231	205,124	-	217,034	1,687,389
Instruction	5,763,012	901,088	427,659	1,531,769	8,623,528
Pupil transportation	648,233	160,775	-	181,669	990,677
Community services	14,893	-	-	-	14,893
Employee benefits	2,632,721	-	35,310	(2,668,031)	-
Debt service	2,295,413	-	(1,904,984)	-	390,429
Capital outlay	134,160	(134,160)	-	-	-
Cost of sales	197,513	(4,580)	-	(209,393)	(16,460)
Total expenditures	12,951,176	1,128,247	(1,442,015)	(946,952)	11,690,456
Excess (deficiency) of revenue over expenditures	454,023	(1,128,247)	1,442,015	-	767,791
<b>Other sources and uses</b>					
Operating transfers in	268,298	-	-	(268,298)	-
Operating transfers out	(268,298)	-	-	268,298	-
Total other sources	-	-	-	-	-
<b>Net change for year</b>	\$ 454,023	\$ (1,128,247)	\$ 1,442,015	\$ -	\$ 767,791

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Significant Accounting Policies**

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

**A. Reporting Entity**

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

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

**1. The Extraclassroom Activity Funds**

The extraclassroom activity funds of the **Avoca Central School District** represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are included as supplementary information to these audited financial statements, located on pages 54-57 of this report.

**B. Joint Venture**

The **Avoca Central School District** is a component of the Supervisory District of the Steuben and Allegany Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

**B. Joint Venture (continued)**

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

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

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

During the year, the District was billed \$1,425,000 for BOCES administration, program and capital costs. The District's share of BOCES aid and refunds amounted to \$889,000 for the year ended June 30, 2017. Financial statements for the Steuben and Allegany Counties BOCES are available at the BOCES administrative offices.

**C. Basis of Presentation**

**1. District-wide Statements**

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

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

**C. Basis of Presentation (continued)**

**1. District-wide Statements (continued)**

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

**2. Fund Financial Statements**

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

The District reports the following major governmental funds:

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

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

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

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

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

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

**C. Basis of Presentation (continued)**

**2. Fund Financial Statements (continued)**

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

**D. Measurement Focus and Basis of Accounting**

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

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

**D. Measurement Focus and Basis of Accounting (continued)**

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**E. Cash and Cash Equivalents**

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

**F. Inventory**

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

**G. Investments**

Investments are stated at current market value.

**H. Due To/From Other Funds**

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

**I. Capital Assets**

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

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

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

**I. Capital Assets (continued)**

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 500	Straight-line	15-50 years
Land improvements	\$ 500	Straight-line	15-50 years
Furniture and equipment	\$ 500	Straight-line	5-25 years
Transportation vehicles	\$ 500	Straight-line	5-7 years

**J. Compensated Absences**

Compensated absences consist of unpaid accumulated annual sick leave. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave. Some earned benefits may be forfeited if not taken within varying time periods.

**K. Deferred Inflows and Outflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has 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 asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

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 one item that qualify for reporting in this category and is related to pensions reported in the district-wide Statement of Net Position.



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

**K. Deferred Inflows and Outflows of Resources (continued)**

This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

**L. Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. Unearned revenue recorded in the governmental funds are not recorded in the District-wide statements.

**M. Post-Employment Benefits**

The District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. The cost of providing retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums (for retirees and their dependents) as an expenditure in the general fund in the year paid.

**N. Fund Equity**

**1. Governmental Funds**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

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

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**A. Nonspendable**

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). The District had nonspendable fund balance in the food service fund in the amount of \$12,615 as of June 30, 2017.

**B. Restricted**

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

**1. Unemployment Reserve**

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

**2. Reserve for Employee Benefits**

The purpose of this reserve is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of service. This reserve fund may be established by a majority vote of the board of education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

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

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**3. Debt Service Reserve**

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

**4. Reserve for Insurance Recoveries**

This reserve contains the difference between the insurance recovery received for the destruction of District property and the cost of replacement. This reserve is recorded in the in the General Fund.

**5. Reserve for Retirement Contribution**

The purpose of this reserve is to reserve funds to finance the cost of future retirement contributions. This reserve fund may be established by a majority vote of the board of education. This reserve is recorded in the General Fund.

**6. Tax Certiorari Reserve**

Tax Certiorari Reserve is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amounts which might reasonable be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

**7. Workers' Compensation Reserve**

This reserve is used to accumulate funds for the purpose of paying for compensation benefits and other expenditures authorized under Article 2 of the New York State Workers' Compensation Law, and for payment of expenditures of administering this self-insurance program.

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

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**7. Workers' Compensation Reserve (continued)**

Excess reserve amounts may be either transferred to another reserve or applied to the appropriations for the next succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

**8. Capital Reserve**

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

**9. Capital Reserve - Transportation**

This reserve is used to accumulate funds to finance all or a portion of future transportation equipment purchases. Voter authorization is required for both the establishment of the reserves and payments from the reserves. This reserve is accounted for in the General Fund.

**10. Endowment Scholarships Reserve**

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

**C. Committed**

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

**D. Assigned**

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

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

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**D. Assigned (continued)**

**1. Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Encumbrance reserve totaled \$13,913 as of June 30, 2017.

**2. Appropriated Fund Balance**

General Fund – The amount of \$112,240 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2018 as allowed by section 1318 of the Real Property Tax Law.

**E. Unassigned**

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

**2. Government-wide financial statements**

**A. Net Investment in Capital Assets**

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

**B. Restricted**

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

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

**N. Fund Equity (continued)**

**2. Government-wide financial statements (continued)**

**C. Unrestricted**

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

**3. Order of Fund Balance Spending Policy**

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

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

**O. Budgetary Procedures and Budgetary Accounting**

**1. Budget Policies**

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.

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

**O. Budgetary Procedures and Budgetary Accounting (continued)**

**2. Budget Basis for Accounting**

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

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

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

Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District made a supplemental appropriation in the amount of \$175,000 during the year ended June 30, 2017 related to the transfer of funds from the capital reserve fund.

**P. Property Taxes**

**1. Calendar**

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

**2. Enforcement**

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

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

**Q. Interfund Transfers**

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

**R. Deferred Compensation Plan**

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

**S. Estimates**

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

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

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

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

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

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

**B. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities**

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

**1. Long-term Revenue Differences**

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

**2. Long-term Asset Transactions**

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

**3. Long-term Liability Transaction Differences**

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**I. Cash**

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

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

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

**A. Deposits**

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

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

Total financial institution (bank) balances at June 30, 2017 per the bank (including certificates of deposits) were approximately \$6,789,000. Deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>
\$ 750,000	\$ 6,039,000	\$ -	\$ 6,789,000

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Investments**

The following is a summary of the carrying value of the District's investments as of June 30, 2017. These investments are classified as cash and cash equivalents on the Statement of Net Position and combined balance sheet.

	<u>Carrying Value</u>
Certificates of Deposit:	
General Fund - .2% due 10/2/17	\$ 500,000
	<u>\$ 500,000</u>

**II. Interfund Transactions**

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 683,038	\$ 656,680
School Lunch Fund	3,402	84,403
Special Aid Fund	220,976	453,346
Debt Service Fund	400,453	-
Capital Fund	-	99,215
Agency Fund	53	14,278
Total	<u>\$ 1,307,922</u>	<u>\$ 1,307,922</u>

	<u>Interfund Revenue</u>	<u>Interfund Expense</u>
General Fund	\$ -	\$ 268,298
Capital Fund	268,298	-
Total	<u>\$ 268,298</u>	<u>\$ 268,298</u>

During the year ended June 30, 2017, the District transferred \$268,298 from the general fund to the capital fund, of which \$158,339 was to purchase a bus in the current year, as approved by voters and \$100,000 towards the 16-17 capital outlay project. The remaining \$9,959 was to eliminate the deficit caused by the completion of the excel project.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**III. Receivables**

Receivables at June 30, 2017 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
School Food Service	State and Federal Aid	\$ 60,502
Special Aid General	State and Federal Aid	208,011
General	State and Federal Aid	142,667
School Food Service	Other receivables	1,364
General	Other receivables	1,492
General	Due from Other Governments	401,308
		<u>\$ 815,344</u>

**IV. Capital Assets**

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

	<u>Beginning Balance 06/30/16</u>	<u>Net Change</u>	<u>Ending Balance 06/30/17</u>
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 75,792	\$ -	\$ 75,792
Capital assets that are depreciated:			
Buildings and improvements	39,943,675	143,380	40,087,055
Furniture, equipment, and Vehicles	2,178,208	109,800	2,288,008
Total depreciable historical cost	<u>42,197,675</u>	<u>253,180</u>	<u>42,450,855</u>
Less accumulated depreciation:			
Buildings and improvements	16,895,097	1,215,694	18,110,791
Furniture, Equipment, and Vehicles	1,333,312	165,733	1,499,045
Total accumulated depreciation	<u>18,228,409</u>	<u>\$ 1,381,427</u>	<u>19,609,836</u>
Total net book value	<u>\$ 23,969,266</u>		<u>\$ 22,841,019</u>

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**IV. Capital Assets (continued)**

Depreciation expense was charged to governmental functions as follows:

General support	\$ 205,124
Instruction	934,271
Pupil transportation	<u>340,029</u>
	<u>\$ 1,479,424</u>

During the current year, the District had capital additions in the amount of \$351,177.

**V. Liabilities**

**A. Pension Plans**

**1. Plan Descriptions and Benefits Provided**

**a. Teachers' Retirement System (TRS)**

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

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**1. Plan Descriptions and Benefits Provided (continued)**

**b. Employees' Retirement System (ERS)**

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

**2. Contributions**

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 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 31.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**2. Contributions (continued)**

For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

Year	TRS	ERS
2017	\$ 443,000	\$ 165,000
2016	497,000	165,000
2015	652,000	174,000

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

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

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

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

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

Actuarial valuation date	ERS 3/31/2017	TRS 6/30/2016
Net pension asset/(liability)	\$ 317,484	\$ 251,616
District's portion of the Plan's total net pension asset/(liability)	.0033788%	.023493%

For the year ended June 30, 2017, the District's recognized pension expense of \$186,369 for ERS and \$420,120 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 7,956	\$ -	\$ 48,212	\$ 81,739
Changes of assumptions	108,464	1,433,362	-	-
Net difference between projected and actual earnings on pension plan investments	63,415	565,764	-	-
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	19,503	25,128	5,002	615
District's contributions subsequent to the measurement date	37,018	443,003	-	-
<b>Total</b>	<b>\$ 236,356</b>	<b>\$ 2,467,257</b>	<b>\$ 53,214</b>	<b>\$ 82,354</b>



**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

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

	ERS		TRS	
Year ended:				
2018	\$	101,619	\$	621,931
2019		64,601		178,928
2020		58,519		618,316
2021		(41,597)		481,609
2022		-		223,004
Thereafter		-		261,115

**4. Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**4. Actuarial Assumptions (continued)**

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

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

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

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**5. Discount Rate**

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

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

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

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension (asset)/ liability	\$ 1,013,981	\$ 317,484	\$ (271,403)

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**6. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption (continued)**

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
TRS			
Employer's proportionate share of the net pension (asset)/ liability	\$ 3,282,897	\$ 251,616	\$ (2,290,864)

**7. Pension Plan Fiduciary Net Position**

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

	ERS 3/31/17	TRS 6/30/16
Valuation date		
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184
Plan Net Position	\$ 168,004,363	\$ 107,508,142
Employers' net pension liability	\$ 9,396,223	\$ 1,071,042
Ratio of plan net position to be Employers' total pension liability	94.7%	99.0%

**8. Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 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 \$37,018.

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, 2016 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 \$456,666 (employer contributions \$443,003 and employee contributions of \$13,663).

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Other Post-Employment Benefits**

Plan Description

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

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over thirty years.

The following table summarizes the District's annual OPEB cost for 2017, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Normal Cost	\$ 354,740
Amortization of unfunded actuarial accrued liability	414,437
Interest adjustment	148,832
Annual required contribution adjustment	(111,489)
OPEB cost (expense)	806,520
Contributions made	(398,133)
Increase in net OPEB obligation	408,387
Net OPEB obligation – beginning of year	2,939,161
Net OPEB obligation-end of year	\$ 3,347,548

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016 and 2015 are as follows:

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Other Post-Employment Benefits (continued)**

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/17	\$ 806,520	49.36%	\$ 3,347,548
6/30/16	\$ 771,206	57.70%	\$ 2,939,161
6/30/15	\$ 736,907	52.00%	\$ 2,613,300

Funding Status and Funding Progress

As of June 30, 2017, the actuarial accrued liability for benefits was \$11,065,062, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was \$4,239,041 and the ratio of unfunded actuarial liability to the covered payroll was approximately 261.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual ARC of the District are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Actuarial Methods and Assumptions

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**B. Other Post-Employment Benefits (continued)**

*Retirement age for active employees* – based on the historical average retirement age for the covered group.

*Marital status* – Based on actual health coverage election for active employees and retirees, with 60% of male employees assumed to elect spousal coverage and 80% of female employees assumed to elect spousal coverage.

*Mortality* – Life expectancies were developed by the Office of the Actuary of the NYS Teachers Retirement Systems and the Office of the Actuary for the NYS Employee Retirement Systems.

*Turnover* – rates were developed by the Office of the Actuary of the NYS Teachers Retirement and Employee Retirement systems.

*Healthcare cost trend rate* – The initial trend rate was selected based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on Getzen Model 2014 edition.

*Payroll* - An annual payroll growth rate of 4% is also assumed.

*Health insurance premiums* – 2016 health insurance premiums are used as the basis for calculation of the present value of total benefits to be paid.

*Discount rate and cost method* - Based on the historical and expected returns of the District's general assets, a discount rate of 5.0% was used. In addition, the projected unit credit actuarial cost method with linear prorating to decrement was used.

*Amortization* - The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over thirty years.

**C. Indebtedness**

**1. Short-Term Debt**

**a. Bond Anticipation Notes (BANs)**

The District may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. The District did not have any BANS payable at June 30, 2017.

**2. Long-Term Debt**

**a. Debt Limit**

At June 30, 2017, the total indebtedness represents approximately 73% of its debt limit.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**2. Long-Term Debt (continued)**

**b. Serial Bonds**

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of capital assets.

On May 27, 2016, \$6,845,000 in general obligations bonds with interest rates of 2.00%-5.00% were issued to advance refund a portion of outstanding bonds issued in 2009.

**c. Changes**

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

	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>	<b>Amounts Due Within One Year</b>
Serial bonds	\$ 11,718,313	\$ 13,769,935	\$ 1,840,000
Other post-employment benefits	3,347,548	2,939,161	-
Compensated absences	342,278	323,006	-
Net pension liability-ERS	317,484	566,972	-
Net pension liability-TRS	251,616	-	-
	<b>\$ 15,977,239</b>	<b>\$ 17,599,074</b>	<b>\$ 1,840,000</b>

During the current year, the District made principal payments in the amount of \$1,775,000. The net change in compensated absences was an increase in of \$19,272. The net change in other-post employment benefits was an increase of \$408,387. The ERS had a decrease in net pension liability in the amount of \$249,492, whereas TRS was a net pension asset in the prior year as compared with a \$251,616 liability in the current year.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**2. Long-Term Debt (continued)**

**d. Summary**

The following is a summary of maturity of the District's serial bonds:

Description of Issue	Outstanding June 30, 2017
Serial Bonds, issued in 2009 with a maturity date of June, 2019. Represents portion of bonds that were not refunded with 2016 issuance.	\$ 2,760,000
Serial Bonds, issued in 2016 with a maturity date of June, 2028, bonds carry interest at 2.00% - 5.00%. Plus: Unamortized premium on bonds	6,825,000 1,059,487
Plus: Unamortized deferred interest on advance refunding	69,855
	<u>7,954,342</u>
Serial Bonds, issued in 2012 with a maturity date of June, 2019, bonds carry interest at 1.5% - 3.0%. (refunded bonds originally issued on August 15, 2002) Plus: Unamortized premiums on bonds	985,000 18,971
	<u>1,003,971</u>
	<u>\$ 11,718,313</u>

**e. Maturity**

The following is a summary of maturing debt service requirements for serial bonds.

Year	Serial Bonds – 2012	
	Principal	Interest
2018	\$ 485,000	\$ 29,550
2019	500,000	15,100
Total	<u>\$ 985,000</u>	<u>\$ 44,650</u>
Year	Serial Bonds – 2009	
	Principal	Interest
2018	\$ 1,350,000	\$ 112,163
2019	1,410,000	58,163
Total	<u>\$ 2,760,000</u>	<u>\$ 170,326</u>

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**2. Long-Term Debt (continued)**

**e. Maturity (continued)**

Year	Serial Bonds – 2016	
	Principal	Interest
2018	\$ 5,000	\$ 312,500
2019	5,000	312,400
2020	1,225,000	312,250
2021	1,265,000	267,850
2022	1,330,000	204,600
2023-2027	2,770,000	311,400
2028	225,000	11,250
Total	<u>\$ 6,825,000</u>	<u>\$ 1,732,250</u>

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**f. Long-Term Debt Interest**

Interest expense on long-term debt amounted to \$520,413 for the year ended June 30, 2017.

**3. Advanced Bond Refunding**

In May 27, 2016, the District issued general obligation bond series 2015 of \$6,845,000 (par value) with an interest rate of 2% to 5% to refund a portion (\$8,923,000) of general obligation bonds originally issued in 2009 with interest rates ranging from 4.25% to 5.25%. The net proceeds of \$9,303,857 (after discounts, bond issuance costs and additional cash of \$132,743 and issue premium of \$1,316,599, along with a District contribution in the amount of \$1,275,000) were used to purchase government securities which will be applied against the 2009 bonds when they become callable. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments of the bonds.

As a result of a difference between the carrying value of the refunded debt and reacquisition price of the new debt, a deferred outflows of resources in the amount of \$1,275,000 was recognized, of which \$148,638 was amortized during the current year, with the remaining balance of \$823,667 as of June 30, 2017 to be amortized through June 30, 2028.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**4. Premiums, Debt Issuance Costs and Amortization**

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

**VI. Fund Equity**

**A. Fund Equity Components**

The District's fund equity is comprised of various components. The District's fund equity includes reserves established for the following purposes:

Category/ Fund	Reservation Purposes	Balance June 30, 2017
<b>Nonspendable</b>		
Food Service	Reserve for inventory	\$ 12,615
<b>Restricted:</b>		
General	Liability reserve	\$ 50,000
	Employee benefits accrued liability reserve	695,394
	Capital reserve	842,055
	Capital reserve – transportation	1,007,377
	Reserve for unemployment	156,500
	Reserve for tax certiorari	5,000
	Reserve for workers' compensation	152,638
	Reserve for retirement contributions	543,449
		<u>\$ 3,452,413</u>
Debt Service	Reserve for debt service	\$ 600,971
Fiduciary Fund	Reserve for endowment Scholarships	\$ 18,552
<b>Assigned:</b>		
General	Appropriated fund equity	\$ 112,240
	Reserve for encumbrances	13,913
		<u>\$ 126,153</u>
Food Service	Fund equity	\$ 26,504

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VII. Commitments and Contingencies**

**A. Risk Financing and Related Insurance**

**1. General Information**

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

**2. Risk Sharing Pools**

For its employee health coverage, *Avoca Central School District* is a participant in the Steuben Area Schools Plan, a public entity risk pool operated for the benefit of 9 individual school districts. The School District pays monthly premiums to the Plan for this health coverage.

The Plan is authorized to assess supplemental premiums to the participating districts. The Plan provides coverage for its members up to \$250,000 per insured event. The Steuben Area Schools Plan obtains independent coverage for insured events in excess of this amount.

The District participates in the Steuben-Allegany Area Schools Self-Insured Workers' Compensation Plan, a risk-sharing pool, to insure Worker's Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risk related to workers' compensation.

The *Avoca Central School District* has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VII. Commitments and Contingencies (continued)**

**B. Federal and State Grants**

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

**C. Compensated Absences**

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with provisions of Governmental Accounting Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$451,000 at June 30, 2017 for accumulating, non-vesting sick leave.

**D. Litigation**

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

**E. Overpayments**

During a prior year, the District calculated that upon reconciliation and review of its completed capital projects that a portion of building aid previously received will have to be repaid and therefore recorded an estimated liability. During the current year it was determined the amount of \$306,206 recorded as an overpayment liability in prior years would not require repayment. As a result, the amount was recognized as miscellaneous revenue during the year ended June 30, 2016 in the Statement of Activities and the Combined Statement of Revenue, Expenditures and Changes in Fund Equity.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VIII. Tax Abatements**

The Steuben County Industrial Development Agency entered into a property tax abatement program (Payment in Lieu of Taxes – PILOT) with a Corporation in the Avoca Central School District's tax jurisdiction for the purpose of an alternative energy project. The term of the PILOT is 20 years with the agreement expiring on December 31, 2028. Payments under the agreement are \$500 during 2009 and increase gradually each year up to \$8,259 in 2028. At this time, the District is unable to quantify the amount of taxes that have been abated under this program.

**NOTE 4 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through September 19, 2017, which is the date the financial statements were available to be issued.

***SUPPLEMENTARY INFORMATION***



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

	Original Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
<b>Revenues</b>				
<b>Local Sources:</b>				
Real property taxes and tax items	\$ 2,503,639	\$ 2,503,639	\$ 2,503,640	\$ 1
Real property tax items	17,757	17,757	19,387	1,630
Charges for services	92,500	92,500	70,746	(21,754)
Use of money and property	6,000	6,000	3,521	(2,479)
Sale of property and compensation for loss	2,000	2,000	17,378	15,378
Miscellaneous	83,500	83,500	180,667	97,167
<b>State Sources:</b>				
Basic formula	5,855,451	5,855,451	8,891,199	3,035,748
BOCES	640,500	640,500	729,731	89,231
Textbooks	25,456	25,456	25,456	-
All other aid	3,059,803	3,059,803	17,041	(3,042,762)
<b>Federal Sources:</b>				
Medicaid reimbursement	25,000	25,000	69,992	44,992
<b>Total revenue</b>	<b>12,311,606</b>	<b>12,311,606</b>	<b>12,528,758</b>	<b>217,152</b>
<b>Other Sources:</b>				
Operating transfer in	66,500	66,500	-	(66,500)
<b>Total revenue and other sources</b>	<b>12,378,106</b>	<b>12,378,106</b>	<b>\$ 12,528,758</b>	<b>\$ 150,652</b>
Appropriated fund equity and carryover encumbrances	175,000	374,617		
<b>Total revenue, other sources and appropriated fund equity</b>	<b>\$ 12,553,106</b>	<b>\$ 12,752,723</b>		

	Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
<b>Expenditures</b>					
<b>General Support:</b>					
Board of education	\$ 17,200	\$ 17,408	\$ 15,055	\$ -	\$ 2,353
Central administration	173,990	184,258	181,890	1,730	638
Finance	252,892	228,555	200,535	167	27,853
Staff	12,500	12,750	10,931	-	1,819
Central services	647,673	646,672	544,487	5,600	96,585
Special items	219,130	217,939	212,661	-	5,278
<b>Instructional:</b>					
Instruction, administration and improvement	285,242	283,747	284,159	-	(412)
Teaching - regular school	2,539,695	2,692,860	2,663,928	4,609	24,323
Programs for children with handicapping conditions	1,171,307	964,617	850,659	-	113,958
Teaching - special schools	24,835	24,835	16,570	-	8,265
Occupational education	482,916	483,181	479,524	9	3,648
Instructional media	433,473	520,900	491,969	360	28,571
Pupil services	555,791	552,762	486,462	1,312	64,988
<b>Pupil Transportation</b>	671,965	642,565	489,894	126	152,545
<b>Employee Benefits</b>	2,660,184	2,690,361	2,555,321	-	135,040
<b>Community Service</b>	10,500	15,500	14,893	-	607
<b>Debt Service:</b>					
Debt service principal	1,770,000	1,775,000	1,775,000	-	-
Debt service interest	523,813	523,813	520,413	-	3,400
<b>Total expenditures</b>	<u>12,453,106</u>	<u>12,477,723</u>	<u>11,794,351</u>	<u>13,913</u>	<u>669,459</u>
<b>Other Uses:</b>					
Transfer to other funds	100,000	275,000	268,298	-	6,702
<b>Total other uses</b>	<u>100,000</u>	<u>275,000</u>	<u>268,298</u>	<u>-</u>	<u>6,702</u>
<b>Total expenditures and other uses</b>	<u>\$ 12,553,106</u>	<u>\$ 12,752,723</u>	<u>12,062,649</u>	<u>\$ 13,913</u>	<u>\$ 676,161</u>
<b>Excess of revenue and other sources over expenditures and other uses</b>			<u>\$ 466,109</u>		

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

Schedule SS1A

**Page 37**

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
<b>Revenue</b>			
State sources	\$ 7,000	\$ 54,322	\$ 47,322
Federal sources	174,430	185,058	10,628
Sales	85,600	75,832	(9,768)
Miscellaneous	84,000	22,586	(61,414)
Surplus food	-	19,439	19,439
Use of money and property	15	33	18
Total revenue	<u>351,045</u>	<u>357,270</u>	<u>6,225</u>
<b>Expenditures</b>			
General support	105,500	99,672	5,828
Employee benefits	49,250	48,205	1,045
Cost of sales	111,000	112,983	(1,983)
Other expenses	94,090	84,530	9,560
Total expenditures	<u>359,840</u>	<u>345,390</u>	<u>14,450</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>\$ (8,795)</u>	<u>11,880</u>	<u>\$ 20,675</u>
Fund equity, beginning of year		<u>27,239</u>	
<b>Fund equity, end of year</b>		<u>\$ 39,119</u>	

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

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

<b>Adopted budget</b>	\$ 12,553,106
<b>Additions:</b>	
Prior year encumbrances	<u>24,617</u>
<b>Original Budget</b>	12,577,723
<b>Budget Revisions: Supplemental appropriation capital reserve transfer</b>	<u>175,000</u>
<b>Final budget</b>	<u><u>\$ 12,752,723</u></u>

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

<b>2017-18 voter-approved expenditure budget</b>	<b>\$ 12,640,037</b>
<b>Maximum allowed (4% of 2017-18 budget)</b>	<b>\$ 505,601</b>

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

<b>Unrestricted fund balance:</b>	
Committed fund balance	\$ -
Assigned fund balance	126,153
Unassigned fund balance	<u>2,290,448</u>
Total unrestricted fund balance	<u>2,416,601</u>
<b>Less:</b>	
Appropriated fund balance	112,240
Encumbrances included in committed and assigned fund balance	<u>13,913</u>
Total adjustments	<u>126,153</u>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law</b>	<b><u><u>\$ 2,290,448</u></u></b>
<b>Actual percentage</b>	<b><u><u>18.1%</u></u></b>

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

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

**Schedule SS3**

**Page 39**

Project Title	Original Appropriation	Revised Appropriation	Expenditures				Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2017
			Prior Years	Current Year	Transfer to Debt Service	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Construction project (2005-2017)	\$ 32,097,741	\$ 32,718,384	\$ 33,245,777	\$ 34,160	\$ -	\$ 33,279,937	\$ (561,553)	\$ 31,385,860	\$ 778,960	\$ 1,115,117	\$ 33,279,937	\$ -
Capital outlay project 2016-17	100,000	100,000	-	100,000	-	100,000	-	-	-	100,000	100,000	-
Transportation vehicles - current year	-	-	-	158,339	-	158,339	(158,339)	-	-	158,339	158,339	-
	<u>\$ 32,197,741</u>	<u>\$ 32,818,384</u>	<u>\$ 33,245,777</u>	<u>\$ 292,499</u>	<u>\$ -</u>	<u>\$ 33,538,276</u>	<u>\$ (719,892)</u>	<u>\$ 31,385,860</u>	<u>\$ 778,960</u>	<u>\$ 1,373,456</u>	<u>\$ 33,538,276</u>	<u>\$ -</u>

**See accompanying independent auditor's report.**

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

Schedule SS4A

**Page 40**

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school	N/A	16-17	\$ 18,365	\$ 18,365	\$ 18,365
Universal Pre-kindergarten	0409-17-7026	16-17	95,540	68,273	68,273
Section 4201 School for the Deaf	N/A	16-17	87,224	87,224	87,224
BOCES aid - food service fund	N/A	16-17	N/A	47,530	47,530
Summer food service program	N/A	16-17	N/A	631	631
School breakfast programs	N/A	16-17	N/A	2,349	2,349
School lunch programs	N/A	16-17	N/A	3,812	3,812
			<u>\$ 201,129</u>	<u>\$ 228,184</u>	<u>\$ 228,184</u>

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

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Schedule SS4B

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

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Avoca Central School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2 - Non-monetary Federal Program**

The accompanying **Avoca Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2017, the District reported in the Schedule of Federal Awards \$19,439 of donated commodities at fair market value received and disbursed.

**Note 3 – Indirect Cost Rate**

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

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

Schedule SS4C

**Page 41**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
<b>US Department of Education:</b>					
<b>Direct Grant:</b>					
Small, Rural School Achievement Program	84.358A	S358A167656	\$ 1,787	\$ 1,787	\$ 1,787
Small, Rural School Achievement Program	84.358A	S358A177656	4,176	4,176	4,176
<b>Passed through NYS</b>					
<b>Department of Education:</b>					
Title I	84.010A	0021-17-2840	158,057	158,057	158,057
Title II, Part A	84.367A	0147-17-2840	48,279	47,729	47,729
IDEA, Part B Public Law 94-142 *	84.027A	0032-17-0854	126,936	126,936	126,936
IDEA, Pre-school Public Law 99-457 *	84.173A	0033-17-0854	6,389	6,389	6,389
<b>Passed through NYS</b>					
<b>Department of Education:</b>					
National School Lunch Program **	10.555	N/A	N/A	113,365	113,365
National School Breakfast Program **	10.553	N/A	N/A	43,672	43,672
Summer Food Service Program **	10.555	N/A	N/A	15,226	15,226
National School Snack Program **	10.555	N/A	N/A	12,795	12,795
<b>Passed through NYS</b>					
<b>Office of General Services:</b>					
National School Lunch Program					
Noncash assistance (Donated Commodities) **	10.555	N/A	N/A	19,439	19,439
Total expenditures and revenue				\$ 549,571	\$ 549,571

\* Constitutes a cluster of Federal programs

\*\* Constitutes a cluster of Federal programs



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

Schedule SS5

**Page 42**

	Account Code	ST-3 Amount	Audited Amount
Revenues			
Property taxes	A-1001	\$ 2,523,027	\$ 2,523,027
State aid	AT-3999	9,663,427	9,663,427
Federal aid	AT-4999	69,992	69,992
Total revenue	AT-5999	12,528,758	12,528,758
Expenditures			
General support	AT-1999	1,165,559	1,165,559
Pupil transportation	AT-5599	489,894	489,894
Debt service - principal	AT-9798.6	1,775,000	1,775,000
Debt service - interest	AT-9798.7	520,413	520,413
Total expenditures	AT-9999	\$ 12,062,649	\$ 12,062,649

**AVOCA CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS**  
**AS OF JUNE 30, 2017**

Schedule SS6

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Capital Assets	\$ 22,841,019
Less:	
Serial bonds	<u>(11,718,313)</u>
Net investment in capital assets	<u>\$ 11,122,706</u>

**AVOCA CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded Actuarial Accrued Liability ("UAAL")	Funded Ratio	Estimated Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
July 1, 2016	\$ -	\$ 11,065,062	\$ 11,065,062	0%	\$ 4,239,041	261.0%
July 1, 2015	\$ -	\$ 10,594,148	\$ 10,594,148	0%	\$ 4,099,923	258.4%
July 1, 2014	\$ -	\$ 10,134,173	\$ 10,134,173	0%	\$ 4,156,208	243.8%
July 1, 2013	\$ -	\$ 9,427,342	\$ 9,427,342	0%	\$ 4,086,667	230.7%
July 1, 2012	\$ -	\$ 8,955,298	\$ 8,955,298	0%	\$ 4,400,000	203.5%
July 1, 2011	\$ -	\$ 8,533,301	\$ 8,533,301	0%	\$ 4,300,996	198.4%
January 1, 2010	\$ -	\$ 7,923,090	\$ 7,923,090	0%	\$ 4,700,047	168.6%

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

**Schedule SS8**

**Page 45**

***New York State Teachers' Retirement System***

For the year ended June 30,	2017	2016	2015	2014	2013
Contractually required contributions	\$ 443,003	\$ 489,994	\$ 629,454	\$ 574,639	\$ 412,901
Contributions in relation to the contractually required contribution	(443,003)	(489,994)	(629,454)	(574,639)	(412,901)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,779,889	\$ 3,695,279	\$ 3,590,724	\$ 3,536,240	\$ 3,487,340
Contributions as a percentage of District's covered-employee payroll	11.72%	13.26%	17.53%	16.25%	11.84%

***New York State Local Employees' Retirement System***

For the year ended March 31,	2017	2016	2015	2014	2013
Contractually required contributions	\$ 144,864	\$ 164,898	\$ 164,297	\$ 209,536	\$ 187,707
Contributions in relation to the contractually required contribution	(144,864)	(164,898)	(164,297)	(209,536)	(187,707)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,000,675	\$ 935,004	\$ 956,392	\$ 1,004,212	\$ 1,003,844
Contributions as a percentage of District's covered-employee payroll	14.48%	17.64%	17.18%	20.87%	18.70%

**AVOCA CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE**  
**NET PENSION ASSET – NYSTRS AND PROPORTIONATE SHARE OF**  
**NET PENSION LIABILITY - NYSLERS**  
**FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2017**

**Schedule SS9**

**Page 46**

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

As of the measurement date of June 30,	2017	2016	2015	2014	2013
District's proportion of the net pension liability/asset	n/a	0.023493%	0.023904%	0.023940%	0.023804%
District's proportionate share of the net pension (asset)/liability	n/a	\$ 251,616	\$ (2,482,879)	\$ (2,666,714)	\$ (156,688)
District's covered-employee payroll	n/a	\$ 3,695,279	\$ 3,590,724	\$ 3,536,240	\$ 3,487,340
District's proportionate share of the net pension liability/asset as a percentage of its covered employee payroll	n/a	6.81%	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	n/a	99.01%	110.46%	111.48%	111.48%

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

As of the measurement date of March 31,	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.0033788%	0.0035325%	0.0033362%	n/a	n/a
District's proportionate share of the net pension liability	\$ 317,484	\$ 566,972	\$ 102,212	\$ 150,760	n/a
District's covered-employee payroll	\$ 1,000,675	\$ 935,004	\$ 956,392	\$ 1,004,212	n/a
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	31.73%	60.64%	10.69%	15.01%	n/a
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%	n/a	n/a

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

**To the President and  
Members of the Board of Education  
*Avoca Central School District*  
Avoca, New York**

***Report on Financial Statements***

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of *Avoca Central School District* as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise *Avoca Central School District's* basic financial statements and have issued our report thereon dated September 19, 2017.

***Internal Control over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

We noted other matters involving that we have reported to management of *Avoca Central School District* in a separate letter dated September 19, 2017.

## **Avoca Central School District's Responses to Findings**

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

### **Purpose of this Report**

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

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
September 19, 2017**

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

**Page 49**

**I. SUMMARY OF AUDIT RESULTS**

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



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

**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Year ended June 30, 2017**

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

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

*Effect:* The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters Identified in an Audit. This standard considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

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

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

**Year ended June 30, 2016**

Similar finding was reported upon during the fiscal year ended June 30, 2016.

**B. COMPLIANCE AND OTHER MATTERS**

**Year ended June 30, 2017**

**2017-002 Unassigned Fund Balance**

*Conditions and criteria:* **Avoca Central School District's** unassigned fund balance as of June 30, 2017 amounted to \$2,290,448. This amount constitutes approximately 18% of the 2017-2018 school budget.

*Effect:* The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

*Auditor's Recommendation:* **Avoca Central School District's** should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation of fund balance.

*School District's Response:* As a result of the audit, **Avoca Central School District** realizes its unassigned fund balance as of June 30, 2017 is in excess of the NYS mandated 4% level. The District will continue to review its options with regards to reservation and designation of fund balance.

**Year ended June 30, 2016**

Similar finding was reported as a finding during the fiscal year ended June 30, 2016.

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

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2017 of the District's financial statements and have issued our reports thereon dated September 19, 2017. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

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

We have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Avoca Central School District's* has provided responses to the additional comments, however, we did not audit these responses and, accordingly, we express no opinion on them.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
September 19, 2017**

**Equipment and Inventory**

The District reports approximately \$23 million of capital assets. The most significant dollar amount of these assets consist of the District buildings and capital improvements that are not as susceptible to the risk of loss or misuse. Assets that are more susceptible to such risk include equipment and inventory items. It is extremely important for the District to be aware of the risks associated with these assets and have processes in place to safeguard against their loss or misuse. Internal controls that the District may consider include the following:

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

***District's response: We have a system in place for maintenance staff to record when equipment items are moved or replaced. We can also track new equipment purchases through our financial software. We will develop a new reporting tool to more accurately report the perpetual inventory, and we will continue to randomly request staff members verify the location of fixed assets on an annual basis.***

**Fund Balance Reserves**

As of June 30, 2017, the District has certain fund balance reserves. The New York State Comptroller's Office in its audits of school districts has increased its scrutiny of fund balance reserves established by districts. We commend the District for developing a worksheet that documents the approval, funding and use of each reserve. We recommend that the District review this worksheet with the Board at least annually and develop a long-term plan for the funding and use of such reserves. This will be helpful as in the coming year, the District will be required to provide fund balance information to its taxpayers, which includes its plan for use of fund balance.

***District's response: The District will form a long-term funding and usage plan.***

**Technology**

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

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

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

***District's response: The District will charge the Technology Committee with reviewing risks annually and making recommended changes when necessary. Final changes will be approved by the Superintendent.***

**Reporting of Financial Documents on the District Website**

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

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

**GASB 75- Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans**

In June 2015, the Government Accounting Standards Board issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions Plans – an amendment of GASB Statement No. 45. Statement No. 75 which will be effective for the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

The new accounting standard will require the District to report its actuarial accrued liability related to OPEB in the statement of net position within the government-wide financial statements. Although the majority of this information is currently presented within the District's financial statement disclosures, the OPEB liability within the statement of net position is only a portion of total actuarial accrued liability, as the current accounting standard for OPEB, GASB 45, allows governmental entities to amortize the liability over a period of up to thirty years. We recommend that the District begin to educate its users of the financial statements, as to the impact of this change in future years.

***District response: The District will review the impact the new standards will have on its financial reporting.***

**Uniform Guidance**

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

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

***AVOCA CENTRAL SCHOOL DISTRICT***

***EXTRACLASSROOM ACTIVITY FUND  
FINANCIAL STATEMENT***

***FOR THE FISCAL YEAR ENDED JUNE 30, 2017***

***WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS***

**INDEPENDENT AUDITOR'S REPORT**

**To the President and  
Members of the Board of Education  
Avoca Central School District  
Avoca, New York New York**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Basis for Qualified Opinion**

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

**Qualified Opinion**

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

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
September 19, 2017**

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

Extraclassroom activities:	Balances	Total	Total	Total	Balances
	June 30, 2016	Receipts	Receipts & Balances	Payments	June 30, 2017
Art Club	\$ 5,711	\$ 4,233	\$ 9,944	\$ 2,152	\$ 7,792
Athletic Club	6,505	10,541	17,046	9,351	7,695
Cheerleaders	3,591	6,605	10,196	7,299	2,897
Chorus & Co	11,940	4,848	16,788	5,880	10,908
Class of 2016	216	-	216	216	-
Class of 2017	9,281	15,806	25,087	23,527	1,560
Class of 2018	6,575	10,025	16,600	5,363	11,237
Class of 2019	2,831	16,189	19,020	7,750	11,270
Class of 2020	-	14,231	14,231	8,678	5,553
Modern Language Club	6,634	1,429	8,063	932	7,131
Music Guild	223	3,020	3,243	2,983	260
National Junior Honor Society	491	664	1,155	883	272
SADD	2,137	2,141	4,278	1,374	2,904
Sales Tax	1,128	2,344	3,472	2,162	1,310
Science Club	3,185	2,542	5,727	2,202	3,525
Ski Club	199	1,133	1,332	1,133	199
Student Council	8,482	2,318	10,800	2,351	8,449
Yearbook	8,772	9,422	18,194	10,808	7,386
<b>Total activity fund</b>	<b>\$ 77,901</b>	<b>\$ 107,491</b>	<b>\$ 185,392</b>	<b>\$ 95,044</b>	<b>\$ 90,348</b>

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of *Avoca Central School District*. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$90,348 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

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



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

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

**Point of Sale Records**

We noted several instances where the receipt of cash lacked point of sale records. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. Due to the lack of point of sale records, cash receipts are not adequate to permit the application of the necessary auditing procedures to indicate whether receipts were recorded. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer and teacher advisor, and be verified or reviewed by the central treasurer.

***District's response: The District will require point of sale records be filled out in detail to be verified by the central treasurer.***

**Fundraiser Approval/ Gross Margin Analysis**

The District should consider a form to document the approval of all fundraisers. This form should include a description of the fundraising activities, the timeframe for the activity, and the expected revenue and expenditures. At the conclusion of the fundraiser the Activity is expected to compare the actual revenue and expenditures to the expected results. We recommend that going forward these forms be required to be completed for each individual fundraiser. Further, we recommend that these forms be filed separate from the receipts and disbursements records and that they be analyzed by someone in an oversight role to ensure that fundraisers meet budgeted expectations and achieve appropriate margins.

***District's response: The District has a form that is required to be completed for each fundraiser. In the future, the District will monitor fundraisers to ensure forms are properly completed.***