

***PINE VALLEY CENTRAL
SCHOOL DISTRICT***
***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

PINE VALLEY CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Pine Valley Central School District
South Dayton, New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of *Pine Valley Central School District* as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the *Pine Valley Central School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Pine Valley Central School District* as of June 30, 2018, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 5 to the financial statements, the District implemented Governmental Accounting Standards Board Statement Number 75 during the current fiscal year which resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited **Pine Valley Central School District's** June 30, 2017 financial statements, and our report dated September 21, 2017, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 (pages 3 through 9), budgetary comparison information (pages 36 through 37), schedule of changes in the District's net OPEB liability and related ratios (page 43), schedule of District contributions – OPEB (page 44), schedule of the District's contributions for defined benefit pension plans (page 45), and schedule of the District's share of the net pension asset/liability (page 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 **Pine Valley Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2018 on our consideration of **Pine Valley Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Pine Valley Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
September 6, 2018**

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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I. Discussion and Analysis

The following is a discussion and analysis of the *Pine Valley Central School District's* financial performance for the year ended June 30, 2018. 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 *Pine Valley Central School District* during the fiscal year ended June 30, 2018:

- Overall net position of the District increased during the current year from operations in the amount of \$2,201,000 as compared to an increase of \$1,743,000 during the prior fiscal year.
- The District's total revenue increased 6% from \$16,081,000 for the year ended June 30, 2017 to \$17,057,000 for the year ended June 30, 2018 due to an increase in state aid.
- The District's total expenses increased approximately 4% from \$14,338,000 during the year ended June 30, 2017 to \$14,856,000 during the year ended June 30, 2018. This increase was primarily the result of an increase in general support related to the District's share of the BOCES capital project. The increase was also the result of an increase in instructional costs.
- The District's had capital outlays during the current year in the amount of approximately \$121,000, which primarily related to the capital outlay project and vehicle purchases.

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 *Pine Valley Central School District*.

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

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

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

1. Statement of Net Position

The Statement of Net Position (page 10) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. 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 deferred outflows of resources and the District's liabilities and deferred inflows of resources – 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.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**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.

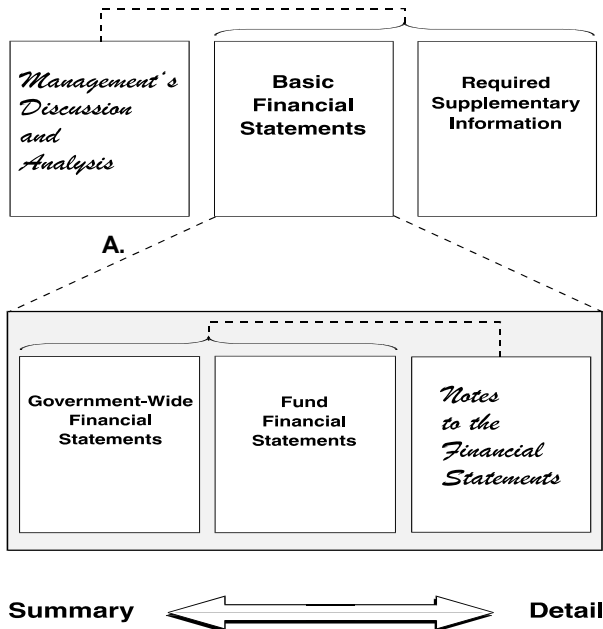
Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

| | District-Wide | Fund Financial Statements | |
|---|---|---|--|
| | | 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/deferred outflows of resources /liability/deferred inflows of resources information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term | Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) 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 |
| | | | |

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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



IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$20,600,000. The components of net position include: net investment in capital assets, of \$15,288,000; restricted net position of \$3,858,000 and unrestricted net position of \$1,454,000.

Changes in Net Position

The District's total government-wide revenue increased by approximately 6% to \$976,000. Approximately 20%, 6% and 72% of total revenue is derived from the property taxes, operating grants, and state aid, respectively. The remaining 2% comes from federal aid, use of money and property, miscellaneous and charges for services.

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 \$518,000. The District's expenses cover a range of services, with 68% related to instruction and 17% 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 6%, while total expenses increased 4%. The District's total net position decreased approximately \$271,000 during the fiscal year ended June 30, 2018.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$17,057,000 for the fiscal year ended June 30, 2018. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 20% of the District's total revenue for governmental activities increased approximately 1% during the year ended June 30, 2018. The increase primarily resulted from an increase in the property tax levy during the year ended June 30, 2018.
- The District's state sources which represent \$12,394,000 or 72% of total governmental revenue. The District's state sources increased approximately 8% during the current year. The District received an increase in state aid during the current year.
- During the year ended June 30, 2018, the District saw an increase in program revenue, which resulted from a decrease in charges for services of \$13,000 and an increase in operating grants and contributions of \$83,000 due to an increase in Title I and Title IIA funding.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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 costs 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 \$14,856,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support costs increased by approximately \$384,000 or 18%. This increase was primarily the result of an increase in costs related to District's share of the BOCES capital project.
- The District's instruction costs increased by approximately \$267,000 or 3% which was the result of an increase in media equipment. The increase was also the result of an increase in BOCES expenditures.
- Debt service costs decreased \$76,000 during the current year.
- Transportation costs of the District decreased \$41,000 or 3% during the year ended June 30, 2018 due to a decrease in wages.
- The District's cost of sales (food service fund) totaled \$306,000 during the current year as compared to \$325,000 during the fiscal year ended June 30, 2017.
- The District received approximately \$1,092,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$13.8 million) were financed by real property taxes and state aid.

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

Figure A-3 – Condensed Statement of Net Position

| Pine Valley Central School District Condensed Statement of Net Position (in thousands of dollars) | | | |
|--|------------------|------------------|-----------|
| Governmental Activities and Total District-wide | | | |
| | 2018 | 2017 | % Change |
| Assets | | | |
| Current and other assets | \$ 7,486 | \$ 6,064 | 23% |
| Capital assets | 30,651 | 31,508 | -3% |
| Total assets | 38,137 | 37,572 | 2% |
| Deferred outflows of resources | 3,578 | 3,407 | 5% |
| Total assets and deferred outflows | \$ 41,715 | \$ 40,979 | 2% |
| Liabilities | | | |
| Other liabilities | \$ 1,205 | \$ 1,298 | -7% |
| Long-term liabilities | 18,553 | 18,600 | 0% |
| Total liabilities | 19,758 | 19,898 | -1% |
| Deferred inflows of resources | 1,357 | 210 | 546% |
| Net position | | | |
| Net investment in capital assets | 15,288 | 13,894 | 10% |
| Restricted | 3,858 | 3,048 | 27% |
| Unrestricted | 1,454 | 3,929 | -63% |
| Total net position | 20,600 | 20,871 | -1% |
| Total liabilities, deferred inflows and net position | \$ 41,715 | \$ 40,979 | 2% |

Figure A-4 – Changes in Net Position

| Pine Valley Central School District Changes in Net Position from Operating Results (in thousands of Dollars) | | | |
|---|-----------------|-----------------|----------|
| Governmental Activities and Total District-wide | | | |
| | 2018 | 2017 | % Change |
| Revenue | | | |
| Program revenue | | | |
| Charges for services | \$ 137 | \$ 150 | -9% |
| Operating grants and contributions | 955 | 872 | 10% |
| General revenue | | | |
| Real property taxes | 3,350 | 3,301 | 1% |
| Use of money & property | 23 | 16 | 44% |
| Sale of property & comp for loss | 2 | 19 | n/a |
| State sources | 12,394 | 11,525 | 8% |
| Federal sources | 26 | 21 | 24% |
| Miscellaneous | 170 | 177 | -4% |
| Total revenue | 17,057 | 16,081 | 6% |
| Expenses | | | |
| General support | 2,473 | 2,089 | 18% |
| Instruction | 10,188 | 9,921 | 3% |
| Transportation | 1,460 | 1,501 | -3% |
| Community services | 26 | 23 | 13% |
| Debt service - interest | 403 | 479 | -16% |
| Food service program | 306 | 325 | -6% |
| Total expenses | 14,856 | 14,338 | 4% |
| Change in net position | \$ 2,201 | \$ 1,743 | |

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Figure A-5 – Sources of revenue

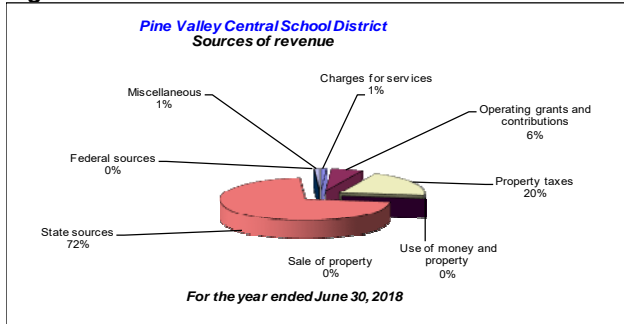


Figure A-6 - Expenses

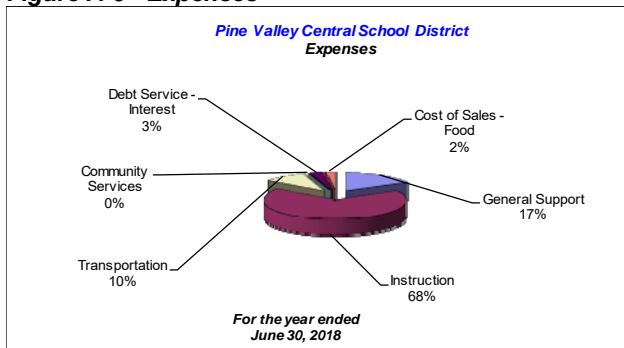


Figure A-7 – Expenditures Supported with Program Revenue

| Pine Valley Central School District Expenditures supported with program revenue (in thousands of dollars) | | | | |
|--|--|-------------|------------------|-------------|
| | Governmental Activities & Total District | | | |
| | 2018 | | 2017 | |
| Expenditures supported with general revenue (from taxes & other sources) | \$ 13,763 | 93% | \$ 13,316 | 93% |
| Expenditures supported with program revenue | 1,092 | 7% | 1,022 | 7% |
| Total expenditures related to governmental activities | \$ 14,855 | 100% | \$ 14,338 | 100% |

Figure A-8 – Net Cost of Governmental Activities

| Pine Valley Central School District Net Cost of Governmental Activities (in thousands of dollars) | | | | | | |
|--|------------------------|------------------|---------------|----------------------|------------------|---------------|
| | Total cost of services | | | Net cost of services | | |
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| General support | \$ 2,473 | \$ 2,089 | \$ 384 | \$ 2,473 | \$ 2,089 | \$ 384 |
| Instruction | 10,188 | 9,921 | 267 | 9,408 | 9,214 | 194 |
| Transportation | 1,459 | 1,501 | (42) | 1,440 | 1,484 | (44) |
| Community Services | 26 | 23 | 3 | 26 | 23 | 3 |
| Debt service - interest | 403 | 479 | (76) | 403 | 479 | (76) |
| Cost of sales - food | 306 | 325 | (19) | 13 | 27 | (14) |
| Total | \$ 14,855 | \$ 14,338 | \$ 517 | \$ 13,763 | \$ 13,316 | \$ 447 |

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 revenues exceeded its expenditures by \$1,066,914.
- The District's general fund unassigned fund balance equated to approximately \$2,437,000 as of June 30, 2018.
- The District had many fund balance reserves during the year ended June 30, 2018, and had a total restricted fund balance of approximately \$3,373,000.
- The District's total assets increased approximately \$1,230,000 as of June 30, 2018 due to an increase in cash. The District's liabilities increased approximately \$163,000 as a result of an increase to accrued expenses and accounts payable offset by decreases in the TRS accrual.
- Total revenue in the District's general fund increased \$784,000 which was primarily related to an increase in State aid. Total expenditures in the District's general fund increased \$418,000 resulting from an increase in general support costs.

Food Service Fund

- The District's food service fund experienced a \$13,000 decrease in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$293,000 during 2018 as compared with \$308,000 in 2017. Expenditures were \$306,000 during 2018 as compared with \$325,000 in 2017. This decrease was the result of an overall decrease in wages.

Special Aid Fund

- The District's special aid fund revenue and expenditures increased approximately \$86,000 or 13% in the current year primarily related to an increase in Title I and Title IIA spending.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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VI. General Fund Budgetary Highlights

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$1,378,000 below the revised budget. The most significant positive variances were in the areas of instruction and employee benefits which totaled \$494,000 and \$532,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$94,000 below the final budgeted amount. With the most significant variances being local sources which were \$167,000 above and operating transfers which were \$222,000 below, that budgeted.

Figure A-9 – Budget vs. Actual Comparison

| <i>Pine Valley Central School District</i> | | | |
|---|-------------------|------------------|-----------------|
| <i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i> | | | |
| | Revised Budget | Actual | Difference |
| Revenue | | | |
| Local sources | \$ 3,436 | \$ 3,603 | \$ 167 |
| State sources | 12,419 | 12,394 | (25) |
| Federal sources | 40 | 26 | (14) |
| Operating transfers | 225 | 3 | (222) |
| Total revenue | \$ 16,120 | \$ 16,026 | \$ (94) |
| Expenditures | | | |
| General support | \$ 2,094 | \$ 1,972 | \$ 122 |
| Instruction | 7,266 | 6,772 | 494 |
| Transportation | 1,026 | 860 | 166 |
| Employee benefits | 3,127 | 2,595 | 532 |
| Debt service | 2,618 | 2,617 | 1 |
| Community services | 88 | 26 | 62 |
| Interfund transfers | 117 | 116 | 1 |
| Total expenditures | \$ 16,336 | \$ 14,958 | \$ 1,378 |

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2018, the District had invested approximately \$30,651,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2018, totaled approximately \$121,000 and consisted primarily of the purchase of new vehicles and capital improvements related to the District's. 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, 2018, the District had approximately \$18,553,000 in bonds, net pension liability, compensated absences and post-employment benefits, an increase of approximately 0% as compared with the previous year. The decrease in bonds payable was the result of current year principal payments. The increase in the other post-employment benefits was the result of the District implementing GASB 75.

Figure A-10 – Capital Assets

| <i>Pine Valley Central School District</i> | | | |
|---|---|----------------------|------------|
| <i>Capital Assets (net of depreciation)</i> | | | |
| | Governmental Activities & Total District-wide | | |
| | 2018 | 2017 | Change |
| Land | \$ 17,550 | \$ 17,550 | 0% |
| Construction-in-progress | 11,386,555 | 11,409,407 | 0% |
| Building and improvements | 27,761,823 | 27,692,458 | 0% |
| Furniture, equipment & vehicles | 5,077,467 | 5,002,625 | 1% |
| Accumulated depreciation | (13,592,062) | (12,613,746) | 8% |
| Total Capital Assets, net | \$ 30,651,333 | \$ 31,508,294 | -3% |

Figure A-11 – Outstanding Long-term Debt

| <i>Pine Valley Central School District</i> | | | |
|---|---|----------------------|-----------|
| <i>Outstanding Long-Term Debt and Liabilities</i> | | | |
| | Governmental Activities & Total District-wide | | |
| | 2018 | 2017 | Change |
| Bonds payable | \$ 15,213,372 | \$ 17,204,605 | -12% |
| Net pension liability | 238,158 | 999,555 | -76% |
| Compensated Absences | 295,807 | 266,147 | 11% |
| Other post-employment benefits | 2,805,724 | 129,962 | 2059% |
| Total Long-Term Debt | \$ 18,553,061 | \$ 18,600,269 | 0% |

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 to the level of state aid.
- The District continues to note a decline in general student enrollment.

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:

Pine Valley Central School District
District Administrative Offices
7755 Route 83
South Dayton, New York 14138

PINE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Schedule 1

Page 10

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------|--------------------------|
| Assets | | |
| Cash | | |
| Unrestricted | \$ 2,082,098 | \$ 2,189,311 |
| Restricted | 3,730,684 | 2,974,214 |
| Receivables | | |
| State and federal aid | 1,321,006 | 784,802 |
| Due from other governments | 26,309 | 26,927 |
| Inventories | 11,617 | 13,951 |
| Net pension asset | 186,083 | - |
| Cash to be used for capital assets | 127,971 | 74,484 |
| Capital assets, net | 30,651,333 | 31,508,294 |
| Total assets | <u>38,137,101</u> | <u>37,571,983</u> |
| Deferred Outflows of Resources | | |
| Deferred outflows related to pensions | 3,404,124 | 3,407,353 |
| Deferred outflows related to OPEB | 173,870 | - |
| Total deferred outflows of resources | <u>3,577,994</u> | <u>3,407,353</u> |
| Total assets and deferred outflows of resources | <u>\$ 41,715,095</u> | <u>\$ 40,979,336</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | \$ 145,407 | \$ 52,028 |
| Accrued liabilities | 143,762 | 6,463 |
| Accrued interest | 124,000 | 142,000 |
| Due to other fiduciary funds | 64 | - |
| Due to other governments | 231 | 199 |
| Due to retirement systems | 484,478 | 572,821 |
| Unearned revenue | 28,767 | 40,190 |
| Bond anticipation notes payable | 278,350 | 484,000 |
| Long-term liabilities | | |
| Portion due or payable within one year | | |
| Bonds payable | 1,860,000 | 1,825,000 |
| Portion due or payable after one year | | |
| Bonds payable | 13,353,372 | 15,379,605 |
| Net pension liability | 238,158 | 999,555 |
| Compensated absences | 295,807 | 266,147 |
| Other post-employment benefits | 2,805,724 | 129,962 |
| Total liabilities | <u>19,758,120</u> | <u>19,897,970</u> |
| Deferred Inflows of Resources | | |
| Deferred inflows related to pensions | 1,284,180 | 209,816 |
| Deferred inflows related to OPEB | 72,819 | - |
| Total deferred inflows of resources | <u>1,356,999</u> | <u>209,816</u> |
| Net Position | | |
| Net investment in capital assets | 15,287,582 | 13,894,173 |
| Restricted | 3,858,655 | 3,048,698 |
| Unrestricted | 1,453,739 | 3,928,679 |
| Total net position | <u>20,599,976</u> | <u>20,871,550</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 41,715,095</u> | <u>\$ 40,979,336</u> |

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

PINE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

Page 11

| | | | | | 2018 | 2017 |
|--|----------------------|------------------------------------|---|---------------------|----------------------|----------------------|
| | | | | | Net (Expense) | Net (Expense) |
| | | | | | Revenue and | Revenue and |
| | | | | | Changes in | Changes in |
| | | | | | Net Position | Net Position |
| | Expenses | Indirect Expenses Allocation | Program Revenues Charges for Services | Operating Grants | | |
| Functions/Programs | | | | | | |
| General support | \$ 2,319,751 | \$ 153,638 | \$ - | \$ - | \$ (2,473,389) | \$ (2,088,872) |
| Instruction | 9,660,183 | 527,535 | 59,050 | 720,480 | (9,408,188) | (9,213,790) |
| Pupil transportation | 1,162,211 | 297,143 | - | 19,657 | (1,439,697) | (1,484,214) |
| Community services | 26,480 | - | - | - | (26,480) | (23,246) |
| Debt service | 402,583 | - | - | - | (402,583) | (479,330) |
| Food service program | 305,975 | - | 77,833 | 215,089 | (13,053) | (26,879) |
| Depreciation | 978,316 | (978,316) | - | - | - | - |
| Total functions and programs | <u>\$ 14,855,499</u> | <u>\$ -</u> | <u>\$ 136,883</u> | <u>\$ 955,226</u> | <u>(13,763,390)</u> | <u>(13,316,331)</u> |
| General Revenues | | | | | | |
| Real property taxes | | | | | 3,349,955 | 3,301,043 |
| Use of money and property | | | | | 22,440 | 15,925 |
| Sale of equipment and compensation for loss | | | | | 1,932 | 19,086 |
| Miscellaneous | | | | | 170,060 | 176,644 |
| State sources | | | | | 12,394,354 | 11,525,436 |
| Federal sources | | | | | 26,053 | 21,027 |
| Total general revenues | | | | | <u>15,964,794</u> | <u>15,059,161</u> |
| Change in net position | | | | | 2,201,404 | 1,742,830 |
| Net position - beginning of year | | | | | 20,871,550 | 18,469,285 |
| Prior period adjustments | | | | | <u>(2,472,978)</u> | <u>659,435</u> |
| Net position - end of year | | | | | <u>\$ 20,599,976</u> | <u>\$ 20,871,550</u> |

PINE VALLEY CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

Schedule 3

Page 12

| | Governmental Funds | | | | | 2017 | |
|-------------------------------------|--------------------|-------------|--------------|--------------|------------------|--------------|-------------------|
| | General | Special Aid | Food Service | Debt Service | Capital Projects | 2018 Total | (Memo only) Total |
| Assets | | | | | | | |
| Unrestricted cash | \$ 1,931,095 | \$ 987 | \$ 39,503 | \$ - | \$ - | \$ 1,971,585 | \$ 2,019,534 |
| Restricted cash | 3,372,837 | - | - | 485,818 | 110,513 | 3,969,168 | 3,218,475 |
| Due from other funds | 368,285 | - | - | - | 17,553 | 385,838 | 269,289 |
| State and federal aid receivable | 989,595 | 331,411 | - | - | - | 1,321,006 | 784,802 |
| Due from other governments | 26,309 | - | - | - | - | 26,309 | 26,927 |
| Inventories | - | - | 11,617 | - | - | 11,617 | 13,951 |
| Total assets | \$ 6,688,121 | \$ 332,398 | \$ 51,120 | \$ 485,818 | \$ 128,066 | \$ 7,685,523 | \$ 6,332,978 |
| Liabilities and Fund Equity | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 145,407 | \$ - | \$ - | \$ - | \$ - | \$ 145,407 | \$ 52,028 |
| Accrued liabilities | 143,762 | - | - | - | - | 143,762 | 6,463 |
| Unearned revenue | 27,856 | - | 911 | - | - | 28,767 | 40,190 |
| Bond anticipation notes payable | - | - | - | - | 278,350 | 278,350 | 484,000 |
| Due to other funds | 17,617 | 332,398 | 35,792 | - | 95 | 385,902 | 269,289 |
| Due to other governments | 22 | - | 209 | - | - | 231 | 199 |
| Due to Teachers' Retirement System | 401,589 | - | - | - | - | 401,589 | 489,016 |
| Due to Employees' Retirement System | 74,666 | - | 8,223 | - | - | 82,889 | 83,805 |
| Total liabilities | 810,919 | 332,398 | 45,135 | - | 278,445 | 1,466,897 | 1,424,990 |
| Fund Equity | | | | | | | |
| Nonspendable | - | - | 11,617 | - | - | 11,617 | 13,951 |
| Restricted | 3,372,837 | - | - | 485,818 | - | 3,858,655 | 3,048,698 |
| Assigned | 67,371 | - | - | - | - | 67,371 | 218,867 |
| Unassigned (deficit) | 2,436,994 | - | (5,632) | - | (150,379) | 2,280,983 | 1,626,472 |
| Total fund equity (deficit) | 5,877,202 | - | 5,985 | 485,818 | (150,379) | 6,218,626 | 4,907,988 |
| Total liabilities and fund equity | \$ 6,688,121 | \$ 332,398 | \$ 51,120 | \$ 485,818 | \$ 128,066 | \$ 7,685,523 | \$ 6,332,978 |

PINE VALLEY CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 4

Page 13

| | Governmental Funds | | | | | 2018 | 2017 |
|--|---------------------|----------------|-----------------|-------------------|---------------------|----------------------|----------------------|
| | General | Special Aid | Food Service | Debt Service | Capital Projects | (Memo only) Total | (Memo only) Total |
| Revenue | | | | | | | |
| Real property taxes | \$ 3,349,955 | \$ - | \$ - | \$ - | \$ - | \$ 3,349,955 | \$ 3,301,043 |
| Use of money and property | 21,610 | - | 14 | 830 | - | 22,454 | 15,925 |
| Charges for services | 59,050 | - | - | - | - | 59,050 | 71,223 |
| Sale of property compensation for loss | 1,932 | - | - | - | - | 1,932 | 682 |
| Miscellaneous | 170,060 | - | 2,675 | - | - | 172,735 | 173,454 |
| State sources | 12,394,354 | 160,536 | 6,792 | - | - | 12,561,682 | 11,692,384 |
| Federal sources | 26,053 | 579,601 | 188,516 | - | - | 794,170 | 702,391 |
| Surplus food | - | - | 19,781 | - | - | 19,781 | 23,367 |
| Sales (school food service) | - | - | 75,144 | - | - | 75,144 | 78,809 |
| Total revenue | 16,023,014 | 740,137 | 292,922 | 830 | - | 17,056,903 | 16,059,278 |
| Expenditures | | | | | | | |
| General support | 1,972,289 | - | 134,312 | - | - | 2,106,601 | 1,716,768 |
| Instruction | 6,772,069 | 600,984 | - | - | - | 7,373,053 | 7,117,449 |
| Pupil transportation | 859,881 | 19,657 | - | - | - | 879,538 | 1,152,774 |
| Community services | 26,480 | - | - | - | - | 26,480 | 23,246 |
| Employee benefits | 2,594,878 | 135,723 | 30,247 | - | - | 2,760,848 | 2,733,856 |
| Debt service | | | | | | | |
| Principal | 2,105,651 | - | - | - | - | 2,105,651 | 2,171,530 |
| Interest | 511,815 | - | - | - | - | 511,815 | 669,444 |
| Capital outlay | - | - | - | - | 46,513 | 46,513 | 1,453,305 |
| Cost of sales | - | - | 137,641 | - | - | 137,641 | 136,045 |
| Other expenses | - | - | 3,775 | - | - | 3,775 | 4,569 |
| Total expenditures | 14,843,063 | 756,364 | 305,975 | - | 46,513 | 15,951,915 | 17,178,986 |
| Excess (deficiency) of revenue over expenditures | 1,179,951 | (16,227) | (13,053) | 830 | (46,513) | 1,104,988 | (1,119,708) |
| Other sources and uses | | | | | | | |
| BANs redeemed from appropriations | - | - | - | - | 205,650 | 205,650 | 1,011,530 |
| Proceeds from serial bond issuance | - | - | - | - | - | - | 8,940,000 |
| Premiums from bond issuance | - | - | - | - | - | - | 184,966 |
| Operating transfers in | 3,190 | 16,227 | - | - | 100,000 | 119,417 | 257,108 |
| Operating transfers out | (116,227) | - | - | (3,190) | - | (119,417) | (257,108) |
| Total other sources (uses) | (113,037) | 16,227 | - | (3,190) | 305,650 | 205,650 | 10,136,496 |
| Excess (deficiency) of revenue and other sources over expenditures and other uses | 1,066,914 | - | (13,053) | (2,360) | 259,137 | 1,310,638 | 9,016,788 |
| Fund equity (deficit), beginning of year | 4,810,288 | - | 19,038 | 488,178 | (409,516) | 4,907,988 | (4,108,800) |
| Fund equity (deficit), end of year | \$ 5,877,202 | \$ - | \$ 5,985 | \$ 485,818 | \$ (150,379) | \$ 6,218,626 | \$ 4,907,988 |

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

PINE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF JUNE 30, 2018

Schedule 5

Page 14

| | Private Purpose Trusts | Agency Funds | 2018 Total | 2017 Total |
|---------------------------------------|------------------------------|-----------------|---------------|---------------|
| Assets | | | | |
| Cash and investments | \$ 14,658 | \$ 68,005 | \$ 82,663 | \$ 74,725 |
| Due from other funds | - | 64 | 64 | - |
| Total assets | \$ 14,658 | \$ 68,069 | \$ 82,727 | \$ 74,725 |
| Liabilities | | | | |
| Accrued liabilities | \$ - | \$ 7,168 | \$ 7,168 | \$ 2,632 |
| Student extraclassroom activity funds | - | 60,901 | 60,901 | 56,427 |
| Total liabilities | - | 68,069 | 68,069 | 59,059 |
| Net Position | | | | |
| Reserved for scholarships | 14,658 | - | 14,658 | 15,666 |
| Total liabilities and net position | \$ 14,658 | \$ 68,069 | \$ 82,727 | \$ 74,725 |

PINE VALLEY CENTRAL SCHOOL DISTRICT**Schedule 6****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018****Page 15**

| | 6/30/2018 | 6/30/2017 |
|----------------------------------|-----------|-----------|
| Additions | | |
| Gifts and contributions | \$ 590 | \$ 3,344 |
| Interest earnings | 66 | 71 |
| Total additions | 656 | 3,415 |
| Deductions | | |
| Scholarships awarded | 1,664 | 1,352 |
| Change in net position | (1,008) | 2,063 |
| Net position - beginning of year | 15,666 | 13,603 |
| Net position - end of year | \$ 14,658 | \$ 15,666 |

PINE VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Total fund balances - governmental funds \$ 6,218,626

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 | \$ 44,243,395 | |
| Accumulated depreciation | <u>(13,592,062)</u> | 30,651,333 |

District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds, pension costs are based on required contributions.

186,083

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

(124,000)

Net deferred 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.

2,119,944

Net deferred outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, OPEB expense is based on required contributions.

101,051

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 | (15,213,372) | |
| Net pension liability | (238,158) | |
| Compensated absences | (295,807) | |
| Other post-employment benefits | <u>(2,805,724)</u> | (18,553,061) |

Total net position - governmental activities \$ 20,599,976

| | Total Governmental Funds | Long-term Asset and Outflow Transactions | Long-term Liability and Inflow Transactions | Reclassification and Eliminations | Statement of Net Position |
|---|--------------------------------|--|---|---|---------------------------------|
| Assets | | | | | |
| Cash | \$ 5,940,753 | \$ - | \$ - | \$ (127,971) | \$ 5,812,782 |
| Due from other funds | 385,838 | - | - | (385,838) | - |
| State and federal aid receivable | 1,321,006 | - | - | - | 1,321,006 |
| Due from other governments | 26,309 | - | - | - | 26,309 |
| Inventories | 11,617 | - | - | - | 11,617 |
| Net pension asset | - | 186,083 | - | - | 186,083 |
| Cash to be used for capital assets | - | - | - | 127,971 | 127,971 |
| Capital assets, net | - | 30,651,333 | - | - | 30,651,333 |
| Total assets | 7,685,523 | 30,837,416 | - | (385,838) | 38,137,101 |
| Deferred Outflows of Resources | | | | | |
| Deferred outflows related to pensions and OPEB | - | 3,577,994 | - | - | 3,577,994 |
| Total assets and deferred outflows of resources | \$ 7,685,523 | \$ 34,415,410 | \$ - | \$ (385,838) | \$ 41,715,095 |
| Liabilities, Deferred Inflows of Resources and Fund Equity | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 145,407 | \$ - | \$ - | \$ - | \$ 145,407 |
| Accrued liabilities | 143,762 | - | - | - | 143,762 |
| Unearned revenue | 28,767 | - | - | - | 28,767 |
| Accrued interest | - | - | 124,000 | - | 124,000 |
| Due to other funds | 385,902 | - | - | (385,838) | 64 |
| Due to other governments | 231 | - | - | - | 231 |
| Due to retirement systems | 484,478 | - | - | - | 484,478 |
| Bond anticipation notes payable | 278,350 | - | - | - | 278,350 |
| Bonds payable | - | - | 15,213,372 | - | 15,213,372 |
| Net pension liability | - | - | 238,158 | - | 238,158 |
| Compensated absences | - | - | 295,807 | - | 295,807 |
| Other post-employment benefits | - | - | 2,805,724 | - | 2,805,724 |
| Total liabilities | 1,466,897 | - | 18,677,061 | (385,838) | 19,758,120 |
| Deferred Inflows of Resources | | | | | |
| Deferred inflows related to pensions and OPEB | - | - | 1,356,999 | - | 1,356,999 |
| Fund equity and net position | 6,218,626 | 34,415,410 | (20,034,060) | - | 20,599,976 |
| Total liabilities, deferred inflows of resources, and fund equity/net position | \$ 7,685,523 | \$ 34,415,410 | \$ - | \$ (385,838) | \$ 41,715,095 |

PINE VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds \$ 1,310,638

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 | \$ 121,355 | |
| Depreciation expense | <u>(978,316)</u> | (856,961) |

Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term and short-term liabilities in the government-wide
financial statements. Also, interest on long-term debt in the statement of activities
differs from the amount reported in the governmental funds because interest is
recognized as an expenditure in the funds when it is due, and thus requires the use
of current financial resources. In the statement of activities, however, interest
expense is recognized as the interest accrues, regardless of when it is due.
This also includes the amortization of bond premiums.

2,009,233

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

(130,113)

In the statement of activities, certain operating expenses - compensated absences
other post-employment benefits and special termination 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, other post-employment
benefits and special termination benefits changed by this amount.

(131,393)

Change in net position of governmental activities \$ 2,201,404

| | Total Governmental Funds | Long-term Asset and Outflow Transactions | Long-term Liability and Inflow Transactions | Reclassification and Eliminations | Statement of Activities Totals |
|---|--------------------------------|--|---|---|--------------------------------------|
| Revenue | | | | | |
| Real property taxes | \$ 3,349,955 | \$ - | \$ - | \$ - | \$ 3,349,955 |
| Use of money and property | 22,454 | - | - | (14) | 22,440 |
| Charges for services | 59,050 | - | - | (59,050) | - |
| Sale of property/compensation for loss | 1,932 | - | - | - | 1,932 |
| Miscellaneous | 172,735 | - | - | (2,675) | 170,060 |
| State sources | 12,561,682 | - | - | (167,328) | 12,394,354 |
| Federal sources | 794,170 | - | - | (768,117) | 26,053 |
| Surplus food | 19,781 | - | - | (19,781) | - |
| Sales (school food service) | 75,144 | - | - | (75,144) | - |
| Total revenue | 17,056,903 | - | - | (1,092,109) | 15,964,794 |
| Expenditures | | | | | |
| General support | 2,106,601 | 105,359 | - | 261,429 | 2,473,389 |
| Instruction | 7,373,053 | 500,972 | 29,660 | 1,504,503 | 9,408,188 |
| Pupil transportation | 879,538 | 297,143 | - | 263,016 | 1,439,697 |
| Community services | 26,480 | - | - | - | 26,480 |
| Employee benefits | 2,760,848 | - | 231,846 | (2,992,694) | - |
| Debt service | 2,617,466 | - | (2,214,883) | - | 402,583 |
| Capital outlay | 46,513 | (46,513) | - | - | - |
| Cost of sales | 137,641 | - | - | (124,588) | 13,053 |
| Other expenses | 3,775 | - | - | (3,775) | - |
| Total expenditures | 15,951,915 | 856,961 | (1,953,377) | (1,092,109) | 13,763,390 |
| Excess (deficiency) of revenue over expenditures | 1,104,988 | (856,961) | 1,953,377 | - | 2,201,404 |
| Other sources and uses | | | | | |
| Operating transfers in | 119,417 | - | - | (119,417) | - |
| Operating transfers out | (119,417) | - | - | 119,417 | - |
| BANs redeemed from appropriations | 205,650 | - | (205,650) | - | - |
| Total other sources (uses) | 205,650 | - | (205,650) | - | - |
| Net change for year | \$ 1,310,638 | \$ (856,961) | \$ 1,747,727 | \$ - | \$ 2,201,404 |

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Page 18

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

The accompanying financial statements of the *Pine Valley Central School District* have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's reporting entity:

Extraclassroom Activity Funds

The extraclassroom activity fund of the *Pine Valley 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 available at the District's offices.

B. Joint Venture

The *Pine Valley Central School District* is one of 27 component school districts in the Erie 2 – Chautauqua-Cattaraugus 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 \$2,852,000 for BOCES administration, program and capital costs. The District's share of BOCES aid, rental charges and refunds amounted to \$1,100,000 for the year ended June 30, 2018. Financial statements for the Chautauqua-Cattaraugus BOCES are available at the BOCES administrative offices in Angola, New York.

C. Basis of Presentation

1. District-wide Statements

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

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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**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 fund types:

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. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service Fund – is used to account for the 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. The fund is also utilized to account for the purchase of transportation vehicles.

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)

3. 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.

Fiduciary Funds include Private Purpose Trust Funds and Agency Funds. The Private Purpose Trust Funds and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations and other governments.

Private Purpose Trust Funds are accounted for on the accrual basis. 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.

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, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

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. Investments

Investments are stated at current market value.

G. 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.

H. Capital Assets

Capital assets are reported at actual cost and, estimated historical costs, based on an appraisal conducted by independent third-party professionals was used. Costs, as of September 2016, were estimated based on reverse trending techniques applied against the estimates of current replacement cost.

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:

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|---------------------------|-----------------------------|------------------------|--------------------------|
| Building and improvements | \$ 50,000 | Straight-line | 15-40 years |
| Infrastructure assets | 250,000 | Straight-line | 15-40 years |
| Furniture and equipment | 500 | Straight-line | 5-20 years |
| Transportation vehicles | 500 | Straight-line | 8 years |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The third item relates to OPEB reporting in the District-wide Statement of Net Position. This represents the actuarial differences that are deferred and amortized.

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

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

J. 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.

K. Long-Term Debt

The liabilities reported as long-term liabilities include the School District's general obligation bonds, most obligations under lease/purchase and other financing arrangements, certain pension contributions and other long-term liabilities including vacation leave, sick leave, litigation, and other (i.e. workers' compensation, insurance-related liabilities pertaining to the Governmental Funds).

L. Unearned revenue

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue 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.

M. Compensated Absences

Sick Leave Pay - certain of the District's employee groups have negotiated sick leave benefits payable based on accumulated unused sick days. Generally the employee must have accumulated minimum years of service with the District and must be eligible for retirement under the provisions of either the teacher or employee retirement systems.

The District has recorded an estimated liability in the government-wide financial statements amounting to approximately \$295,807 to recognize the cost of the benefits for those employees eligible to receive such a benefit. Payment of these benefits is dependent on many factors, therefore, the timing of future payments is not readily determinable. The District believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the District-wide financial statements.

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

N. Post-Employment Benefits

In addition to the retirement benefits described in Note 3V, the District provides post-employment health insurance coverage to certain retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. The District recognizes the net cost of providing health insurance in the governmental funds when paid. The Statement of Net position reports the computed District liability at year-end and the Statement of Activities reports the net increase or decrease in the liability as expense.

O. Fund Equity

1. Governmental Funds

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

A. Nonspendable

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

1. Inventory Reserve

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

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:

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

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

O. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

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 Debt Service

This reserve is used for the purpose of retiring the outstanding obligation upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. Interest and earnings on outstanding obligations and remaining bond proceeds not utilized for the intended purpose are recorded in the Reserve for Debt Service. These monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service or General Fund.

3. Insurance Reserve

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

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

O. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

4. Reserve for Employee Benefit Accrued Liability

The purpose of this reserve is for the payment of any accrued employee benefit due an employee upon termination of the employee's 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.

5. Reserve for Retirement System Credits

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

6. Capital Reserve

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

7. Tax Certiorari Reserve

The purpose of this reserve is 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 reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeding 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.

8. Endowment Scholarships Reserve

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

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

O. Fund Equity (continued)

1. Governmental Funds (continued)

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2018.

D. Assigned

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

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. Reserve for encumbrances totaled \$67,371 as of June 30, 2018.

2. Appropriated Fund Equity

General Fund - The amount of \$- has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2019 as allowed by Section 1318 of the Real Property Tax Law.

E. Unassigned

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

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

O. Fund Equity (continued)

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.

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.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Budgetary Procedures and Budgetary Accounting (continued)

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.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year-end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the current year, the District had no supplemental appropriations.

2. Budget Basis for Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. 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 aid 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.

Q. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Property Taxes (continued)

2. Enforcement

Uncollected real property taxes are subsequently enforced by the County, 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.

R. Interfund Transfers

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

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 revenue and expenses.

T. Reclassifications

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

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 Equity of Governmental Funds vs. Net Position of Governmental Activities

Total fund equity 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 Sheets.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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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 Equity and the Statement of Activities fall into one of three broad categories. These categories are more fully explained below:

1. Long-term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when they are considered "available", whereas the Statement of Activities reports revenue 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. Capital Related Differences

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

3. Long-term Debt Transaction Differences

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash and Investments

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash and Investments (continued)

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2018, 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 the 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;
- (3) Uncollateralized

Total financial institution (bank) balances at June 30, 2018 per the bank were approximately \$6,116,000. These deposits are categorized as follows:

| <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> | <u>Carrying Value</u> |
|-------------------|-------------------|-------------------|-----------------------|
| \$ 500,000 | \$ 5,616,000 | \$ -- | \$ 6,116,000 |

B. Investments

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

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

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash and Investments (continued)

B. Investments (continued)

Private Purpose Trust:

| | |
|-------------------------|----------|
| Certificates of Deposit | \$ 8,250 |
|-------------------------|----------|

II. Capital Assets

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

| | Beginning Balance 6/30/17 | Additions Net of Disposals | Ending Balance 6/30/18 |
|--|---------------------------------|----------------------------------|------------------------------|
| Governmental activities: | | | |
| Capital assets that are not depreciated: | | | |
| Land | \$17,550 | \$ - | \$ 17,550 |
| Construction-in-progress | 11,409,407 | (22,852) | 11,386,555 |
| Total non-depreciable capital assets | 11,426,957 | (22,852) | 11,404,105 |
| Capital assets that are depreciated: | | | |
| Buildings and improvements | 27,692,458 | 69,365 | 27,761,823 |
| Furniture and equipment | 5,002,625 | 74,842 | 5,077,467 |
| Total depreciable historical cost | 32,695,083 | 144,207 | 32,839,290 |
| Total cost | 44,122,040 | | 44,243,395 |
| Less accumulated depreciation: | 12,613,746 | \$ 975,200 | 13,592,062 |
| Total net book value | \$31,508,294 | | \$30,651,333 |

Depreciation

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------|------------|
| General support | \$ 153,638 |
| Instruction | 527,535 |
| Pupil transportation | 297,143 |
| | \$ 978,316 |

Total additions during the current year amounted to approximately \$121,000.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

III. Interfund Transactions

Interfund balances at June 30, 2018 are as follows:

| | Interfund Receivable | Interfund Payable |
|----------------------|-------------------------|----------------------|
| General Fund | \$ 368,285 | \$ 17,617 |
| Special Aid Fund | - | 332,398 |
| Debt Service Fund | - | - |
| School Lunch Fund | - | 35,792 |
| Trust and Agency | 64 | - |
| Capital Project Fund | 17,553 | 95 |
| Total | \$ 385,902 | \$ 385,902 |

Interfund transfers consisted of the following during the fiscal year ended June 30, 2018:

| | Interfund Revenue | Interfund Expenditures |
|-----------------------|----------------------|---------------------------|
| General Fund | \$ 3,190 | \$ 116,227 |
| Special Aid Fund | 16,227 | - |
| Debt Service Fund | - | 3,190 |
| School Lunch Fund | - | - |
| Capital Projects Fund | 100,000 | - |
| Total | \$ 119,417 | \$ 119,417 |

During the current year, the District transferred \$16,227 from the general fund to the special aid fund as the local share of the summer school handicap program. The District also transferred \$100,000 from the general fund to the capital projects fund related to a capital outlay project as approved by the Board of Education during the 2017-18 school year.

The District also transferred \$3,190 into the general fund from the debt service fund to offset payments of principal and interest on the District's Bond Anticipation Notes.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. 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.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

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

Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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. 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:

| | ERS | | TRS | |
|------|-----|---------|-----|---------|
| 2018 | \$ | 316,000 | \$ | 371,000 |
| 2017 | \$ | 323,000 | \$ | 455,000 |
| 2016 | \$ | 357,000 | \$ | 529,000 |

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

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

A. Pension Plans (continued)

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

| Actuarial valuation date | ERS 3/31/2018 | TRS 6/30/2017 |
|--|------------------|------------------|
| Net pension asset (liability) | \$ (238,158) | \$ 186,083 |
| District's portion of the Plan's total net pension liability | .007379% | .024482% |

For the year ended June 30, 2018, the District's recognized pension expense of \$301,565 for ERS and \$514,814 for TRS. At June 30, 2018 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 | \$ 84,943 | \$ 153,102 | \$ 70,194 | \$ 72,552 |
| Changes of assumptions | 157,919 | 1,893,444 | - | - |
| Net difference between projected and actual earnings on pension plan investments | 345,906 | - | 682,784 | 438,282 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 51,867 | 263,291 | 20,368 | - |
| District's contributions subsequent to the measurement date | 82,890 | 370,762 | - | - |
| Total | \$ 723,525 | \$ 2,680,599 | \$ 773,346 | \$ 510,834 |

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), 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 asset (liability) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | ERS | TRS |
|-------------|------------|------------|
| Year ended: | | |
| 2019 | \$ 147,517 | \$ 460,800 |
| 2020 | 47,596 | 547,923 |
| 2021 | (166,419) | 405,462 |
| 2022 | (78,515) | 135,970 |
| 2023 | - | 404,419 |
| Thereafter | - | 215,191 |

4. Actuarial Assumptions

The total pension asset (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 asset (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 | 3/31/18 | 6/30/17 |
| Actuarial valuation date | 4/1/17 | 6/30/16 |
| Interest rate | 7% | 7.25% |
| Salary scale | 3.8% average | 1.90% - 4.72% |
| | 4/1/10 - 3/31/15 | 7/1/09 - 6/30/14 |
| | System's | System's |
| Decrement tables | Experience | Experience |
| Inflation rate | 2.5% | 2.5% |

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. 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 plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation 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 | ERS 3/31/18 | Expected Rate of Return | TRS 6/30/17 | Expected Rate of Return |
|----------------------------------|----------------|-------------------------------|----------------|-------------------------------|
| Asset Type: | | | | |
| Domestic Equity | 36% | 4.55% | 35% | 5.9% |
| International Equity | 14% | 6.35% | 18% | 7.4% |
| Private Equity | 10% | 7.50% | 8% | 9.0% |
| Real Estate | 10% | 5.55% | 11% | 4.3% |
| Absolute return strategies | 2% | 3.75% | -% | -% |
| Opportunistic portfolio | 3% | 5.68% | -% | -% |
| Real assets | 3% | 5.29% | -% | -% |
| Domestic fixed income securities | -% | -% | 16% | 1.6% |
| Global fixed income securities | -% | -% | 2% | 1.3% |
| High-yield fixed income | -% | -% | 1% | 3.9% |
| Bonds and Mortgages | 17% | 1.31% | 8% | 2.8% |
| Cash | 1% | (.25%) | 1% | .1% |
| Inflation-indexed bonds | 4% | 1.5% | -% | -% |
| Total: | 100% | | 100% | |

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

A. Pension Plans (continued)

5. Discount Rate

The discount rate used to calculate the total pension asset (liability) was 7% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and 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 asset (liability).

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7% for ERS and 7.25% 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 6.25% for TRS) or 1-percentagepoint higher (8% for ERS and 8.25% 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) | \$ (1,801,971) | \$ (238,158) | \$ 1,084,764 |

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

A. Pension Plans (continued)

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

| | 1% Decrease (6.25%) | Current Assumption (7.25%) | 1% Increase (8.25%) |
|--|---------------------------|----------------------------------|---------------------------|
| TRS | | | |
| Employer's proportionate share of the net pension asset (liability) | \$ (3,205,681) | \$ 186,083 | \$ 3,026,520 |

7. Pension Plan Fiduciary Net Position

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

| | (Dollars in Thousands) | |
|---|------------------------|----------------|
| | ERS | TRS |
| Measurement date | 3/31/18 | 6/30/17 |
| Employers' total pension liability | \$ 183,400,590 | \$ 114,708,261 |
| Plan net position | \$ 180,173,145 | \$ 115,468,360 |
| Employers' net pension asset (liability) | \$ (3,227,445) | \$ 760,099 |
| Ratio of plan net position to be Employers' total pension asset (liability) | 98.24% | 100.66% |

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

A. Pension Plans (continued)

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, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$82,890.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$401,589 of which \$370,762 is related to employer contributions and \$30,827 is related to employee contributions.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (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.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2018 the plan had total active employees of 112 and retirees of 23.

Total OPEB Liability

The District's total OPEB liability of \$2,805,724 was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | 2.37% per year |
| Salary increases | 3.31% per year |
| Discount rate | 3.61% as of June 30, 2018 and 3.80% as of July 1, 2017 |
| Healthcare cost trend rates | 2018 – 6.2% reduced to an ultimate rate of 4.23% after 2070. |
| Retirees' share of benefit-related costs | District pays 85% for single and 82.5% for family – based on years of service and credited months |

The discount rate was based on a yield for 20 year tax-exempt general obligation municipal bonds.

Mortality rates were based on the RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015.

The actuarial assumptions used in the July 1, 2017 valuation represent a long-term expectation of future OPEB outcomes.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Changes in the Total OPEB Liability

| | | |
|---|----|-----------|
| Service cost | \$ | 141,395 |
| Interest | | 104,285 |
| Differences between expected and actual experience | | (93,047) |
| Changes in assumptions | | 50,151 |
| Benefit payments | | (134,621) |
| Net changes | | 68,163 |
| Net OPEB liability – beginning of year (as previously stated) | | 129,962 |
| Prior period adjustment (see note 5) | | 2,607,599 |
| Net OPEB liability – end of year | \$ | 2,805,724 |

Changes in assumptions reflect a change in the discount rate from 3.8% in 2017 to 3.61% in 2018. Also, salary scale changes from 3% to 3.31% and health care trend rate changes from 4.17%-5.3% to 4.23%-6.2%.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.61%) or 1 percentage point higher (4.61%) than the current discount rate:

| | 1% Decrease (2.61%) | Current Assumption (3.61%) | 1% Increase (4.61%) |
|----------------------|---------------------------|----------------------------------|---------------------------|
| Total OPEB liability | \$ 3,047,984 | \$ 2,805,724 | \$ 2,578,798 |

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

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

| | 1% Decrease (5.2%- 3.23%) | Current Assumption (6.2%- 4.23%) | 1% Increase (7.2%- 5.23%) |
|----------------------|------------------------------------|---|---------------------------------|
| Total OPEB liability | \$ 2,510,369 | \$ 2,805,724 | \$ 3,161,024 |

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$236,354. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ -- | \$ 72,819 |
| Changes in assumptions | 39,249 | -- |
| Contributions subsequent to the measurement date | 134,621 | -- |
| Total | \$ 173,870 | \$ 72,819 |

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

| | |
|-------------|------------|
| Year ended: | |
| 2019 | \$ 125,295 |
| 2020 | (9,326) |
| 2021 | (9,326) |
| 2022 | (5,592) |
| 2023 | - |
| Thereafter | - |

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds is recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. During the year ended June 30, 2018, the District redeemed BAN's in the amount of \$205,650. Below is a schedule of bond anticipation notes outstanding as of June 30, 2018.

| Description | Outstanding June 30, 2018 |
|---|--------------------------------------|
| Bond anticipation note, issued 9/28/2017 with maturity date of 9/27/2018, with an interest rate of 1.65%, related to the purchase of vehicles | <u>\$ 278,350</u> |

b. Short-Term Debt Interest

Total interest incurred on short-term debt was \$9,653 during the fiscal year ended June 30, 2018.

2. Long-Term Debt

a. Debt Limit

At June 30, 2018, the total outstanding indebtedness represented approximately 77% of the District's debt limit.

b. Serial Bonds

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

c. Long-Term Debt Interest

Interest expenditures for long-term debt are recognized on a cash basis, when amounts become due and payable. The District recognized \$502,162 of expenditures for long-term debt interest in the governmental fund financial statements during the fiscal year ended June 30, 2018.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Changes

The School District's indebtedness, as of June 30, 2018 and 2017 are summarized as follows:

| | Balance June 30, 2018 | Balance June 30, 2017 |
|-------------------------------|----------------------------------|----------------------------------|
| Serial bonds | \$ 14,780,000 | \$ 16,680,000 |
| Premium on obligation | 433,372 | 524,605 |
| Compensated absences | 295,807 | 266,147 |
| Net pension liability | 238,158 | 999,555 |
| Other post-employment benefit | 2,805,724 | 129,962 |
| | <u>\$18,553,061</u> | <u>\$ 18,600,269</u> |

The District made principal payments on serial bonds in the amount of \$1,900,000 during the current fiscal year and recorded one year of amortization expense in the amount of \$91,233 on its premium on obligation. The net change in compensated absences was an increase of \$29,660 during the fiscal year ended June 30, 2018. The net change in other post-employment benefit liability was an increase of \$2,675,762, due to the District implementing GASB 75.

e. Summary

1. The following is a summary of maturity of indebtedness:

| Description | Outstanding June 30, 2018 |
|--|--------------------------------------|
| Serial Bonds, issued in 2008 with maturity date of 2024, bonds carry interest at 3.63%-4.5% | \$ 3,365,000 |
| Serial Bonds, issued in 2010 with maturity date of 2024, bonds carry interest at 3%-3.75% | 1,445,000 |
| Advanced refunding serial Bonds, issued 2012 with maturity date of 2021, bonds carry interest at 5%. | 1,630,000 |
| Serial Bonds, issued in 2016 with maturity date of 2032, bonds carry interest at 2%. | 8,340,000 |
| | <u>\$ 14,780,000</u> |

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

f. Maturity

1. The following is the amortization schedule for the long-term liability for serial bonds.

| <u>Year</u> | <u>Principal payments</u> | <u>Interest payments</u> |
|-------------|---------------------------|--------------------------|
| 2019 | \$ 1,860,000 | \$ 435,419 |
| 2020 | 1,920,000 | 369,844 |
| 2021 | 1,985,000 | 300,913 |
| 2022 | 1,460,000 | 228,557 |
| 2023 | 1,505,000 | 182,707 |
| 2024-2028 | 4,385,000 | 382,200 |
| 2029-2032 | 1,665,000 | 44,650 |
| Totals | \$ 14,780,000 | \$ 1,944,290 |

V. Fund Equity

A. Classification

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

| <u>Category / Fund</u> | <u>Description</u> | <u>Balance June 30, 2018</u> |
|------------------------|---------------------------------------|--------------------------------------|
| Nonspendable: | | |
| Food Service | Inventory | \$ 11,617 |
| Restricted: | | |
| General | Unemployment reserve | \$ 36,457 |
| | Employee benefits | 738,307 |
| | Insurance reserve | 75,601 |
| | Reserve for retirement system credits | 609,295 |
| | Capital reserve | 1,862,227 |
| | Tax certiorari reserve | 50,950 |
| | | \$ 3,372,837 |
| Debt Service | Reserve for debt service | \$ 485,818 |
| Trust and Agency | Reserve for endowment scholarships | \$ 14,658 |

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Fund Equity (continued)

A. Classification (continued)

| <u>Category / Fund</u> | <u>Description</u> | <u>Balance June 30, 2018</u> |
|------------------------|---------------------------|--------------------------------------|
| Assigned: | | |
| General | Appropriated Fund Balance | \$ - |
| | Encumbrances | 67,371 |
| | | \$ 67,371 |

B. Assigned – Appropriated Fund Balance

General Fund - The amount of \$- has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2019 as allowed by Section 1318 of the Real Property Tax Law.

C. District-wide Net Position

Net position of the District include restricted net position of approximately \$3,858,000 which represent restricted amounts in the general, capital and debt service funds as presented above.

D. Deficit Fund Balances

The District's capital project fund had an accumulated deficit in the amount of \$ 150,379 as of June 30, 2018. It is not uncommon for school districts to have deficit fund balances in the capital project funds as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or are redeemed at which time such proceeds are recorded as other financing sources revenue.

Also, the District's cafeteria fund has a deficit unrestricted fund balance in the amount of \$5,632 .

VI. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

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

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Commitments and Contingencies (continued)

A. Risk Financing and Related Insurance (continued)

2. Risk Sharing Pools

For its employee health and accident coverage, **Pine Valley Central School District** is a participant in the Chautauqua County School Districts' Medical health Plan, a public entity risk pool operated for the benefit of various individual governmental units located within Chautauqua County. 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 Chautauqua County School Districts' Medical Health Plan obtains independent coverage for insured events in excess of this amount.

The **Pine Valley Central School District** also participates in a risk sharing pool, Erie 2 – Chautauqua-Cattaraugus BOCES, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

B. Compensated Absences

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$449,000 as of June 30, 2018 for accumulating non-vesting sick leave.

C. 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.

NOTE 4 – CAPITAL PROJECT

The voters of Pine Valley Central School District approved a resolution authorizing a capital project in the amount of \$11,400,000 to be financed with serial bonds, State Excel Aid and District funds. As of June 30, 2018, the District had expended a total of \$11,353,325 related to the project.

NOTE 5 – PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2018 the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45 Districts were required to amortize the OPEB liability over a period of years. The District has recorded a prior period adjustment in the amount of \$2,607,599 related to the change in the OPEB liability balance as well as an adjustment in the amount of \$134,621 related to deferred outflows of resources. The total impact on the District's net position was a reduction in the amount of \$2,472,978 as a result of this change in accounting principle.

NOTE 6 – TAX ABATEMENTS

The District does not have any significant tax abatement programs that are required to be disclosed under GASB 77.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 6, 2018, which is the date the financial statements were available to be issued.

PINE VALLEY CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | Adopted Budget | Final Budget | Current Year's Revenue | Over (Under) Revised Budget |
|--|-------------------|-----------------|------------------------------|-----------------------------------|
| Revenues | | | | |
| Local Sources: | | | | |
| Real property taxes and tax items | \$ 3,347,148 | \$ 3,347,148 | \$ 3,349,955 | \$ 2,807 |
| Charges for services | 30,000 | 30,000 | 59,050 | 29,050 |
| Use of money and property | 5,800 | 5,800 | 21,610 | 15,810 |
| Sale of property and compensation for loss | - | - | 1,932 | 1,932 |
| Miscellaneous | 54,000 | 54,000 | 170,060 | 116,060 |
| State Sources: | | | | |
| Basic formula | 11,432,681 | 11,302,886 | 11,372,555 | 69,669 |
| BOCES | 913,757 | 1,043,552 | 982,332 | (61,220) |
| Textbooks | 58,890 | 43,979 | 18,684 | (25,295) |
| All other aid | 14,073 | 28,984 | 20,783 | (8,201) |
| Federal Sources: | | | | |
| Medicaid reimbursement | 40,000 | 40,000 | 26,053 | (13,947) |
| Total revenue | 15,896,349 | 15,896,349 | 16,023,014 | 126,665 |
| Other Sources | | | | |
| Operating transfer in | 224,966 | 224,966 | 3,190 | (221,776) |
| Total revenue and other sources | 16,121,315 | 16,121,315 | \$ 16,026,204 | \$ (95,111) |
| Appropriated fund equity, reserves, and carryover encumbrances | 211,966 | 213,780 | | |
| Total revenue, other sources, reserves and appropriated fund equity | \$ 16,333,281 | \$ 16,335,095 | | |

See accompanying independent auditor's report.

| | Adopted Budget | Final Budget | Current Year's Expenditures | Encumbrances | Unencumbered Balances |
|---|----------------------|----------------------|-----------------------------------|------------------|--------------------------|
| Expenditures | | | | | |
| General Support: | | | | | |
| Board of education | \$ 24,743 | \$ 27,910 | \$ 24,321 | \$ - | \$ 3,589 |
| Central administration | 229,147 | 238,029 | 226,612 | - | 11,417 |
| Finance | 247,440 | 214,716 | 189,404 | - | 25,312 |
| Staff | 84,251 | 93,587 | 91,726 | - | 1,861 |
| Central services | 918,152 | 947,002 | 871,056 | - | 75,946 |
| Special items | 463,085 | 572,714 | 569,170 | - | 3,544 |
| Instructional: | | | | | |
| Instruction, administration and improvement | 716,031 | 691,205 | 503,519 | 485 | 187,201 |
| Teaching - regular school | 2,891,418 | 2,894,505 | 2,791,473 | 65,685 | 37,347 |
| Programs for children with handicapping conditions | 1,740,163 | 1,888,597 | 1,840,255 | 100 | 48,242 |
| Occupational education | 379,435 | 362,684 | 359,722 | - | 2,962 |
| Instructional media | 886,697 | 901,709 | 827,894 | 40 | 73,775 |
| Pupil services | 491,007 | 526,186 | 449,206 | 1,061 | 75,919 |
| Pupil Transportation | 1,011,241 | 1,026,099 | 859,881 | - | 166,218 |
| Employee Benefits | 3,491,564 | 3,127,033 | 2,594,878 | - | 532,155 |
| Community Service | 98,485 | 87,697 | 26,480 | - | 61,217 |
| Debt Service: | | | | | |
| Debt service principal | 2,030,650 | 2,105,651 | 2,105,651 | - | - |
| Debt service interest | 512,772 | 512,771 | 511,815 | - | 956 |
| Total expenditures | <u>16,216,281</u> | <u>16,218,095</u> | <u>14,843,063</u> | <u>67,371</u> | <u>1,307,661</u> |
| Other Uses: | | | | | |
| Transfer to other funds | 117,000 | 117,000 | 116,227 | - | 773 |
| Total other uses | <u>117,000</u> | <u>117,000</u> | <u>116,227</u> | <u>-</u> | <u>773</u> |
| Total expenditures and other uses | <u>\$ 16,333,281</u> | <u>\$ 16,335,095</u> | <u>14,959,290</u> | <u>\$ 67,371</u> | <u>\$ 1,308,434</u> |
| Excess of revenue and other sources over expenditures and other uses | | | <u>\$ 1,066,914</u> | | |

PINE VALLEY CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS1A

Page 37

| | School Food Service Fund | | |
|--|--------------------------|-----------------|-------------------------|
| | Budget (Amended) | Actual | Variance Fav. (Unf.) |
| Revenue | | | |
| State sources | \$ 8,000 | \$ 6,792 | \$ (1,208) |
| Federal sources | 200,000 | 188,516 | (11,484) |
| Sales | 88,100 | 77,819 | (10,281) |
| Surplus food | 20,000 | 19,781 | (219) |
| Use of money and property | - | 14 | 14 |
| Interfund transfer | - | - | - |
| Total revenue | 316,100 | 292,922 | (23,178) |
| Expenditures | | | |
| General support | 148,026 | 134,312 | 13,714 |
| Employee benefits | 32,569 | 30,247 | 2,322 |
| Cost of sales | 130,497 | 137,641 | (7,144) |
| Other expenses | 5,008 | 3,775 | 1,233 |
| Total expenditures | 316,100 | 305,975 | 10,125 |
| Deficiency of revenue over expenditures | <u>\$ -</u> | <u>(13,053)</u> | <u>\$ (13,053)</u> |
| Fund equity, beginning of year | | <u>19,038</u> | |
| Fund equity, end of year | | <u>\$ 5,985</u> | |

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS2

Page 38

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

| | |
|--------------------------|-----------------------------|
| Adopted budget | \$ 16,333,281 |
| Additions: | |
| Encumbrances | <u>1,814</u> |
| Original budget | 16,335,095 |
| Budget revisions: | <u>-</u> |
| Final budget | <u>\$ 16,335,095</u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | |
|--|----------------------|
| 2018-19 voter-approved expenditure budget | \$ 15,833,644 |
| Maximum allowed (4% of 2018-19 budget) | \$ 633,346 |

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

| | |
|---|----------------------------|
| Unrestricted fund balance: | |
| Committed fund balance | \$ - |
| Assigned fund balance | 67,371 |
| Unassigned fund balance | <u>2,436,994</u> |
| Total unrestricted fund balance | <u>2,504,365</u> |
| Less: | |
| Appropriated fund balance | - |
| Encumbrances included in committed and assigned fund balance | <u>67,371</u> |
| Total adjustments | <u>67,371</u> |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | <u>\$ 2,436,994</u> |
| Actual percentage | <u>15.39%</u> |

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

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS3

Page 39

| Project Title | Original Appropriation | Revised Appropriation | Expenditures | | | Unexpended (Overexpended) Balance | Methods of financing | | | | Fund Balance June 30, 2018 |
|---|---------------------------|--------------------------|----------------------|------------------|----------------------|---|----------------------------|-------------------|-------------------|----------------------|----------------------------------|
| | | | Prior Years | Current Year | Total | | Proceeds of Obligations | State Sources | Local Sources | Total | |
| Buses - prior years | \$ 1,657,177 | \$ 1,657,177 | \$ 1,566,127 | \$ - | \$ 1,566,127 | \$ 91,050 | \$ 1,566,127 | \$ - | \$ - | \$ 1,566,127 | \$ - |
| Emergency Water Treatment Project | 125,000 | 125,000 | 108,170 | - | 108,170 | 16,830 | - | - | 108,170 | 108,170 | - |
| Capital Outlay 2017 | 100,000 | 100,000 | 77,583 | 4,418 | 82,001 | 17,999 | - | - | 100,000 | 100,000 | 17,999 |
| Capital Outlay 2018 | 100,000 | 100,000 | - | 37,183 | 37,183 | 62,817 | - | - | 100,000 | 100,000 | 62,817 |
| Reconstruction Project - 2011 | 11,400,000 | 11,400,000 | 11,348,413 | 4,912 | 11,353,325 | 46,675 | 10,788,103 | 287,377 | 325,000 | 11,400,480 | 47,155 |
| Total | <u>\$ 13,382,177</u> | <u>\$ 13,382,177</u> | <u>\$ 13,100,293</u> | <u>\$ 46,513</u> | <u>\$ 13,146,806</u> | <u>\$ 235,371</u> | <u>\$ 12,354,230</u> | <u>\$ 287,377</u> | <u>\$ 633,170</u> | <u>\$ 13,274,777</u> | 127,971 |
| Less: Bond anticipation notes outstanding | | | | | | | | | | | <u>(278,350)</u> |
| Total fund equity (deficit) as of June 30, 2018 | | | | | | | | | | | <u>\$ (150,379)</u> |

See accompanying independent auditor's report.

PINE VALLEY CENTRAL SCHOOL DISTRICT**Schedule SS4A****BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018****Page 40**

| Grant Title | Grantors Project No. | Grant Period | Award/ Program Budget | Total Revenue | Total Expenditures |
|----------------------------|-------------------------|-----------------|-----------------------------|------------------|-----------------------|
| Summer school * | N/A | 2018 | \$ 81,136 | \$ 81,136 | \$ 81,136 |
| Universal Pre-kindergarten | 409-18-7472 | 2018 | 99,112 | 95,627 | 95,627 |
| School breakfast programs | N/A | 2018 | 2,760 | 2,760 | 2,760 |
| School lunch programs | N/A | 2018 | 4,032 | 4,032 | 4,032 |
| | | | \$ 187,040 | \$ 183,555 | \$ 183,555 |

* Revenue includes interfund transfer of \$16,227 from the general fund which represents local share of expenditures.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS4B

Note 1 - Basis of Presentation

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

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable program and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

The accompanying **Pine Valley Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2018, the District reported in the Schedule of Federal Awards \$19,781 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.

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS4C

Page 41

| Federal Program Title | Federal CFDA Number | Agency or Pass-through Number | Grant Period | Program or Award Amount | Revenue | Expenditures |
|--|---------------------------|-------------------------------------|-----------------|-------------------------------|-------------------|-------------------|
| US Department of Education: | | | | | | |
| Passed through NYS | | | | | | |
| Department of Education: | | | | | | |
| Title I | 84.010A | 0021-17-0340 | 2017 | \$ 72,150 | \$ 72,150 | \$ 72,150 |
| Title I | 84.010A | 0021-18-0340 | 2018 | 263,061 | 238,717 | 238,717 |
| IDEA, Part B Section 611 ** | 84.027A | 0032-18-0101 | 2018 | 186,918 | 186,359 | 186,359 |
| IDEA, Part B Section 619 ** | 84.173A | 0033-18-0101 | 2018 | 4,423 | 4,356 | 4,356 |
| Title II, Part A | 84.367A | 0147-17-0340 | 2017 | 38,583 | 38,583 | 38,583 |
| Title II, Part A | 84.367A | 0147-18-0340 | 2018 | 39,438 | 39,436 | 39,436 |
| US Department of Agriculture: | | | | | | |
| Passed through NYS | | | | | | |
| Department of Education; | | | | | | |
| National School Lunch Program *** | 10.555 | N/A | 2018 | 134,083 | 134,083 | 134,083 |
| National School Breakfast Program *** | 10.553 | N/A | 2018 | 54,433 | 54,433 | 54,433 |
| National School Lunch Program | | | | | | |
| Noncash assistance (Donated Commodities) *** | 10.555 | N/A | 2018 | 19,781 | 19,781 | 19,781 |
| Total expenditures and revenue | | | | | \$ 787,898 | \$ 787,898 |

** Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures of \$ 190,715

*** Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 208,297

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2018

Schedule SS5

Page 42

| | |
|---|-----------------------------|
| Capital Assets | \$ 30,651,333 |
| Less: | |
| Serial Bonds | (15,213,372) |
| Bond anticipation notes | (278,350) |
| Plus: | |
| Bond anticipation note proceeds less capital expenditures | <u>127,971</u> |
| Net investment in capital assets | <u><u>\$ 15,287,582</u></u> |

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS

Schedule SS6

Page 43

| | |
|---|---|
| As of the measurement date of July 1, | <u>2018</u> |
| Total OPEB Liability | |
| Service cost | \$ 141,395 |
| Interest | 104,285 |
| Differences between expected and actual experience | (93,047) |
| Changes in assumptions | 50,151 |
| Benefit payments | <u>(134,621)</u> |
| Net change in total OPEB liability | 68,163 |
| Total OPEB liability - beginning | 129,962 |
| Prior period adjustment | <u>2,607,599</u> |
| Total OPEB liability - ending | <u><u>\$ 2,805,724</u></u> |
| Plan fiduciary net position | |
| Contributions - employer | \$ 134,621 |
| Net investment income | - |
| Benefit payments | <u>(134,621)</u> |
| Net change in plan fiduciary net position | - |
| Plan fiduciary net position - beginning | <u>-</u> |
| Plan fiduciary net position - ending | <u><u>\$ -</u></u> |
| District's net OPEB liability | <u><u>\$ 2,805,724</u></u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 0.00% |
| Covered-employee payroll | \$ 4,940,797 |
| District's net OPEB liability as a percentage of covered-employee payroll | 56.79% |
| Notes to Schedule: | |
| Benefit Changes: None | |
| Changes in assumptions: | Discount rate changes - 4.00% to 3.8% effective July 1, 2017 and 3.61% effective June 30, 2018 Salary scale changes from 3.0% to 3.31% Health care trend rates from 5.3%-4.17% to 6.2%-4.23% |

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB

Schedule SS7
Page 44

| | |
|---|------------------|
| For the year ended June 30, | <u>2018</u> |
| Actuarially determined contributions | \$ 134,621 |
| Contributions in relation to the actuarially determined contribution | <u>(134,621)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered-employee payroll | \$ 4,940,797 |
| Contributions as a percentage of District's covered-employee payroll | 2.72% |

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, 2017.

Methods and assumptions used to determine contribution rates:

| | |
|-----------------------------|---|
| Actuarial cost method | Entry Age Normal Level % of Salary Method |
| Discount Rate | 3.61% as of June 30, 2018 and 3.80% as of July 1, 2017 |
| Inflation | 2.37% per year |
| Healthcare cost trend rates | 2018 - 6.2%. Rates expected to decrease each year thereafter with an ultimate rate of 4.23% after 2070. |
| Salary increases | 3.31% per year |
| Mortality | RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2017 |
| Retiree Cost Sharing | District pays 85% for single and 82.5% for family - based on years of service |
| Participants | 112 Active and 23 Retirees |

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2018

Schedule SS8

Page 45

New York State Teachers' Retirement System

| For the year ended June 30, | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contributions | \$ 370,687 | \$ 454,906 | \$ 529,325 | \$ 743,232 | \$ 739,403 | \$ 558,804 |
| Contributions in relation to the contractually required contribution | (370,687) | (454,906) | (529,325) | (743,232) | (739,403) | (558,804) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 3,782,520 | \$ 3,881,451 | \$ 3,991,893 | \$ 4,239,772 | \$ 4,550,172 | \$ 4,719,628 |
| Contributions as a percentage of District's covered-employee payroll | 9.80% | 11.72% | 13.26% | 17.53% | 16.25% | 11.84% |

New York State Local Employees' Retirement System

| For the year ended March 31, | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contributions | \$ 316,614 | \$ 323,160 | \$ 357,217 | \$ 420,117 | \$ 382,843 | \$ 457,279 |
| Contributions in relation to the contractually required contribution | (316,614) | (323,160) | (357,217) | (420,117) | (382,843) | (457,279) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 2,220,300 | \$ 2,172,612 | \$ 2,093,280 | \$ 2,046,187 | \$ 2,056,147 | \$ 2,223,941 |
| Contributions as a percentage of District's covered-employee payroll | 14.26% | 14.87% | 17.06% | 20.53% | 18.62% | 20.56% |

PINE VALLEY CENTRAL SCHOOL DISTRICT**Schedule SS9****SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY) – NYSTRS AND PROPORTIONATE SHARE OF
NET PENSION LIABILITY - NYSLERS****FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2018****Page 46**

| As of the measurement date of June 30, | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension asset (liability) | n/a | 0.024482% | 0.025869% | 0.028225% | 0.030804% | 0.031177% |
| District's proportionate share of the net pension asset (liability) | n/a | \$ 186,083 | \$ (277,071) | \$ 2,931,674 | \$ 3,431,331 | \$ 205,221 |
| District's covered-employee payroll | n/a | \$ 3,881,451 | \$ 3,991,893 | \$ 4,239,772 | \$ 4,550,172 | \$ 4,719,628 |
| District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll | n/a | 4.79% | -6.94% | 69.15% | 75.41% | 4.35% |
| Plan fiduciary net position as a percentage of the total pension liability | n/a | 100.66% | 99.01% | 110.46% | 111.48% | 100.70% |

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

| As of the measurement date of March 31, | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|----------------|--------------|--------------|--------------|
| District's proportion of the net pension (liability) | 0.0073792% | 0.0076891% | 0.0075291% | 0.0081560% | n/a | n/a |
| District's proportionate share of the net pension (liability) | \$ (238,158) | \$ (722,484) | \$ (1,208,434) | \$ (275,530) | \$ (368,559) | n/a |
| District's covered-employee payroll | \$ 2,220,300 | \$ 2,172,612 | \$ 2,093,280 | \$ 2,046,187 | \$ 2,056,147 | \$ 2,223,941 |
| District's proportionate share of the net pension (liability) as a percentage of its covered employee payroll | -10.73% | -33.25% | -57.73% | -13.47% | -17.92% | n/a |
| Plan fiduciary net position as a percentage of the total pension (liability) | 98.24% | 94.70% | 90.70% | 97.90% | n/a | n/a |

See accompanying independent auditor's report.



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

**To the President and
Members of the Board of Education
Pine Valley Central School District
South Dayton, New York**

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of *Pine Valley Central School District* as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise *Pine Valley Central School District's* basic financial statements and have issued our report thereon dated September 6, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item II.A.2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Pine Valley Central School District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2018-002.

Pine Valley Central School District's Responses to Findings

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

Purpose of this Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
September 6, 2018**



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

**To the President and
Members of the Board of Education
Pine Valley Central School District
South Dayton, New York**

Report on Compliance for Each Major Federal Program

We have audited *Pine Valley Central School District's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of *Pine Valley Central School District's* major federal programs for the year ended June 30, 2018. *Pine Valley Central School District's* major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
September 6, 2018**

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

| | | |
|---|--------------------------|---------------------------------|
| Material weakness(es) identified? | <u> </u> yes | <u> x </u> no |
| Significant deficiency(ies) identified? | <u> x </u> yes | <u> </u> none reported |
| Noncompliance material to financial statements noted? | <u> x </u> yes | <u> </u> no |

Federal Awards

Internal control over major programs:

| | | |
|---|-----------------------|------------------------------------|
| Material weakness(es) identified? | <u> </u> yes | <u> x </u> no |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> x </u> none reported |

Type of auditor's opinion issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a)

| | |
|-----------------------|-------------------------|
| <u> </u> yes | <u> x </u> no |
|-----------------------|-------------------------|

| Federal Program Title | Federal CFDA Number | Amount |
|--------------------------------------|---------------------|-------------------|
| Total expenditures of Federal Awards | | <u>\$ 787,898</u> |

Identification of Major Programs Tested:

| | | |
|--|---------|-------------------|
| U.S. Department of Education - IDEA, Part B Section 611 ** | 84.027A | \$ 186,359 |
| U.S. Department of Education - IDEA, Part B Section 619 ** | 84.173A | 4,356 |
| U.S. Department of Agriculture - National School Lunch Program *** | 10.555 | 153,864 |
| U.S. Department of Agriculture - National School Breakfast Program *** | 10.553 | <u>54,433</u> |
| Total major programs tested | | <u>\$ 399,012</u> |
| % of Federal programs tested | | <u>51%</u> |

** Constitutes a cluster of Federal programs

*** Constitutes a cluster of Federal programs

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low risk?

| | |
|-----------------------|-------------------------|
| <u> </u> yes | <u> x </u> no |
|-----------------------|-------------------------|

**PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2018-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2018

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 government-wide financial statement purposes. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District.

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

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.

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.

B. COMPLIANCE AND OTHER MATTERS

2018-002 Unassigned Fund Balance

Year ended June 30, 2018

Conditions and criteria: *Pine Valley Central School District's* unassigned fund balance as of June 30, 2018 amounted to approximately \$2,437,000. This amount constitutes approximately 15.4% of the 2018-2019 school budget.

Cause and 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: *Pine Valley Central School District* should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

District's Response: *Pine Valley Central School District* realizes that it's unassigned fund balance as of June 30, 2018 was in excess of the NYS mandated 4% level. The District has and will continue to closely monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance.

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2018

No findings related to compliance are being reported upon during the year ended June 30, 2018.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2018

No findings related to internal control over compliance are being reported upon during the year June 30, 2018.

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS

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I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Year ended June 30, 2017

Summary of Prior Year Finding: 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. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Current Status: This finding does not rise to the level of a material weakness for the year ended June 30, 2018, however is still being reported as a significant deficiency as item II.A.2018-001.

B. COMPLIANCE AND OTHER MATTERS

2017-002 Unassigned Fund Balance

Year Ended June 30, 2017

Summary of Prior Year Finding: *Pine Valley Central School District's* unassigned fund balance as of June 30, 2017 amounted to approximately \$2,036,000. This amount constitutes approximately 12.5% of the 2017-2018 school budget. 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.

Current Status: Similar finding related to compliance and other matters is being reported upon during the year ended June 30, 2018 as item II.B.2018-002.

II. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year Ended June 30, 2017

There were no findings related to compliance during the year ended June 30, 2017.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2017

There were no findings related to internal control over compliance during the year ended June 30, 2017.