

***PINE VALLEY CENTRAL
SCHOOL DISTRICT
AUDIT REPORTING PACKAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019***

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2019 REPORTING PACKAGE

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***PINE VALLEY CENTRAL
SCHOOL DISTRICT***

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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, 2019, 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, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited *Pine Valley Central School District's* June 30, 2018 financial statements, and our report dated September 6, 2018, 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, 2018, 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, the schedule of expenditures of federal awards, 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, the schedule of expenditures of federal awards, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019 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 19, 2019**

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Page 3

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, 2019. 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, 2019:

- Overall net position of the District increased during the current year from operations in the amount of \$1,646,000 as compared to an increase of \$2,201,000 during the prior fiscal year.
- The District's total revenue increased 1% from \$17,057,000 for the year ended June 30, 2018 to \$17,222,000 for the year ended June 30, 2019 due to an increase in medicaid reimbursements and BOCES Aid.
- The District's total expenses increased approximately 5% from \$14,856,000 during the year ended June 30, 2018 to \$15,576,000 during the year ended June 30, 2019. This increase was primarily the result of an increase in salaries and benefits.
- The District's had capital outlays during the current year in the amount of approximately, which primarily related to the capital outlay project and vehicle and equipment 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, 2019**

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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.

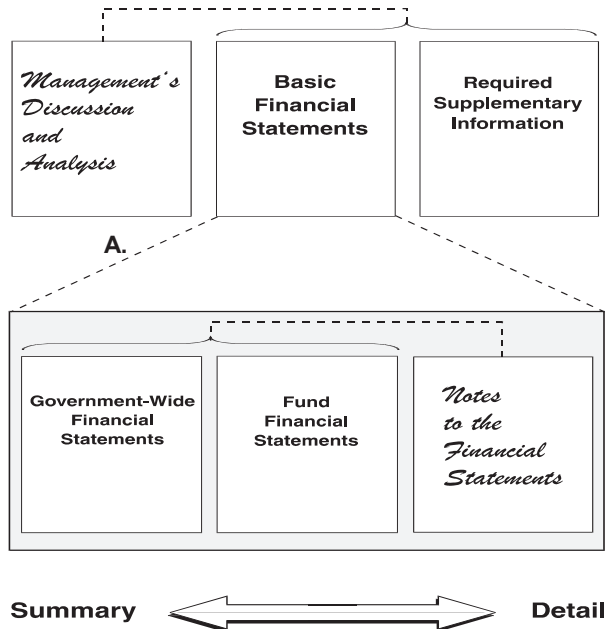
2. Fiduciary Funds

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

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 \$22,246,000. The components of net position include: net investment in capital assets, of \$17,188,000; restricted net position of \$4,121,000 and unrestricted net position of \$937,000.

Changes in Net Position

The District's total government-wide revenue increased by approximately 1% to \$17,222,000. Approximately 20%, 5% and 72% of total revenue is derived from the property taxes, operating grants, and state aid, respectively. The remaining 3% comes from federal aid, use of money and property, miscellaneous 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 5% to \$15,576,000. The District's expenses cover a range of services, with 72% related to instruction and 14% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 1%, while total expenses increased 5%. The District's total net position increased approximately \$1,646,000 during the fiscal year ended June 30, 2019.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$17,222,000 for the fiscal year ended June 30, 2019. 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 remained consistent during the year ended June 30, 2019.
- The District's state sources which represent \$12,471,000 or 72% of total governmental revenue. The District's state sources increased approximately 1% during the current year. The District received an increase in BOCES aid during the current year.
- During the year ended June 30, 2019, the District saw a decrease in program revenue, which resulted from a decrease in charges for services of \$28,000 and a decrease in operating grants and contributions of \$70,000 due to a decrease in Title I and Title IIA funding.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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 \$15,576,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support costs decreased by approximately \$243,000 or 10%. This decrease was primarily the result of an decrease in costs related to District's share of the BOCES capital project.
- The District's instruction costs increased by approximately \$959,000 or 9% which was the result an increase in salaries and employee benefits. The increase was also the result of an increase in BOCES expenditures.
- Debt service costs decreased \$77,000 during the current year.
- Transportation costs of the District increased \$87,000 or 6% during the year ended June 30, 2019 due to an increase in wages and employee benefits.
- The District's cost of sales (food service fund) totaled \$299,000 during the current year as compared to \$306,000 during the fiscal year ended June 30, 2018.
- The District received approximately \$994,000 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 (\$14.6 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			
	2019	2018	% Change
Assets			
Current and other assets	\$ 7,851	\$ 7,486	5%
Capital assets	30,164	30,651	-2%
Total assets	38,015	38,137	0%
Deferred outflows of resources	3,819	3,578	7%
Total assets and deferred outflows	\$ 41,834	\$ 41,715	0%
Liabilities			
Other liabilities	\$ 941	\$ 1,205	-22%
Long-term liabilities	17,875	18,553	-4%
Total liabilities	18,816	19,758	-5%
Deferred inflows of resources	772	1,357	-43%
Net position			
Net investment in capital assets	17,188	15,288	12%
Restricted	4,121	3,858	7%
Unrestricted	937	1,454	-36%
Total net position	22,246	20,600	8%
Total liabilities, deferred inflows and net position	\$ 41,834	\$ 41,715	0%

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			
	2019	2018	% Change
Revenue			
Program revenue			
Charges for services	\$ 109	\$ 137	-20%
Operating grants and contributions	885	955	-7%
General revenue			
Real property taxes	3,357	3,350	0%
Use of money & property	36	23	57%
Sale of property & comp for loss	20	2	900%
State sources	12,471	12,394	1%
Federal sources	170	26	554%
Miscellaneous	174	170	2%
Total revenue	17,222	17,057	1%
Expenses			
General support	2,230	2,473	-10%
Instruction	11,147	10,188	9%
Transportation	1,547	1,460	6%
Community services	27	26	4%
Debt service - interest	326	403	-19%
Food service program	299	306	-2%
Total expenses	15,576	14,856	5%
Change in net position	\$ 1,646	\$ 2,201	

PINE VALLEY CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Figure A-5 – Sources of revenue

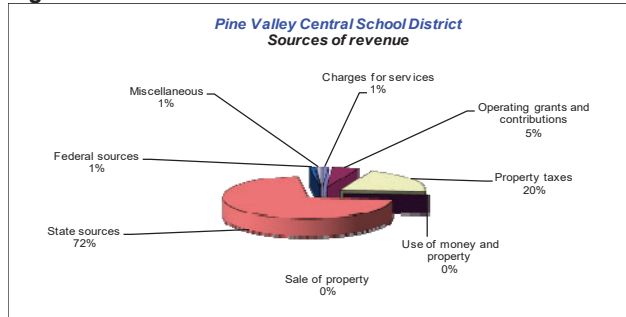


Figure A-6 - Expenses

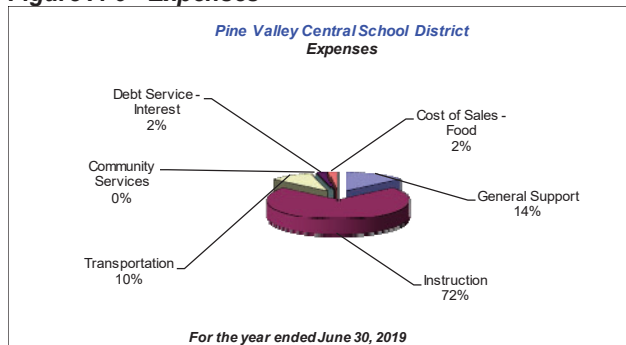


Figure A-7 – Expenditures Supported with Program Revenue

Pine Valley Central School District Expenditures supported with program revenue (in thousands of dollars)				
	Governmental Activities & Total District			
	2019		2018	
Expenditures supported with general revenue (from taxes & other sources)	\$ 14,582	94%	\$ 13,764	93%
Expenditures supported with program revenue	994	6%	1,092	7%
Total expenditures related to governmental activities	\$ 15,576	100%	\$ 14,856	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		
	2019	2018	Change	2019	2018	Change
General support	\$ 2,230	\$ 2,473	\$ (243)	\$ 2,230	\$ 2,473	\$ (243)
Instruction	11,147	10,188	959	10,452	9,408	1,044
Transportation	1,547	1,460	87	1,532	1,441	91
Community Services	27	26	1	27	26	1
Debt service - interest	326	403	(77)	326	403	(77)
Cost of sales - food	299	306	(7)	15	13	2
Total	\$ 15,576	\$ 14,856	\$ 720	\$ 14,582	\$ 13,764	\$ 818

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 \$132,101.
- The District's general fund unassigned fund balance equated to approximately \$1,437,000 as of June 30, 2019.
- The District had many fund balance reserves during the year ended June 30, 2019, and had a total restricted fund balance of approximately \$3,617,000.
- The District's total assets increased approximately \$151,000 as of June 30, 2019 due to an increase in cash. The District's liabilities increased approximately \$19,000 as a result of an increase to the TRS accrual and accrued expenses, which was partially offset by decreases in accounts payable and ERS accrual.
- Total revenue in the District's general fund increased \$252,000 which was primarily related to an increase in BOCES and medicare reimbursements. Total expenditures in the District's general fund increased \$1,188,000 resulting from an increase in wages and benefits.

Food Service Fund

- The District's food service fund experienced a \$15,000 decrease in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$283,000 during 2019 as compared with \$293,000 in 2018. Expenditures were \$299,000 during 2019 as compared with \$306,000 in 2018. This decrease was the result of an overall decrease in cost of sales.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$74,000 or 10% in the current year primarily related to a decrease in Title I and Title IIA spending.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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 \$144,000 below the revised budget. The most significant positive variances were in the areas of instruction and general support which totaled \$104,000 and \$32,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$445,000 above the final budgeted amount. With the most significant variances being local sources which were \$202,000 above and federal sources which were \$131,000 above, 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	\$ 3,434	\$ 3,636	\$ 202
State sources	12,360	12,471	111
Federal sources	40	171	131
Operating transfers	-	1	1
Total revenue	\$ 15,834	\$ 16,279	\$ 445
Expenditures			
General support	\$ 1,727	\$ 1,695	\$ 32
Instruction	7,631	7,527	104
Transportation	890	914	(24)
Employee benefits	2,731	2,703	28
Debt service	2,778	2,778	-
Community services	31	27	4
Interfund transfers	503	503	-
Total expenditures	\$ 16,291	\$ 16,147	\$ 144

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2019, the District had invested approximately \$30,164,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2019, totaled approximately \$629,000 and consisted primarily of the purchase of new vehicles and capital improvements related to the District's capital outlay project and 2011 capital project. 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, 2019, the District had approximately \$17,875,000 in bonds, net pension liability, compensated absences and post-employment benefits, a decrease of approximately 4% as compared with the previous year. The decrease in bonds payable was the result of current year principal payments. The increase in other post-employment benefits was a result in changes in actuarial assumptions.

Figure A-10 – Capital Assets

<i>Pine Valley Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2019	2018	Change
Land	\$ 17,550	\$ 17,550	0%
Construction-in-progress	13,649	11,386,555	-100%
Building and improvements	39,264,325	27,761,823	41%
Furniture, equipment & vehicles	5,113,863	5,077,467	1%
Accumulated depreciation	(14,244,989)	(13,592,062)	5%
Total Capital Assets, net	\$ 30,164,398	\$ 30,651,333	-2%

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		
	2019	2018	Change
Bonds payable	\$ 13,062,140	\$ 15,213,372	-14%
Net pension liability	476,253	238,158	100%
Compensated Absences	330,324	295,807	12%
Other post-employment benefits	4,005,917	2,805,724	43%
Total Long-Term Debt	\$ 17,874,634	\$ 18,553,061	-4%

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, however projections are showing that the decline has begun to level off.

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, 2019

Schedule 1

Page 10

	2019	2018
Assets		
Cash		
Unrestricted	\$ 2,054,418	\$ 2,082,098
Restricted	4,120,804	3,730,684
Receivables		
State and federal aid	1,155,660	1,321,006
Due from other governments	3,376	26,309
Due from other fiduciary funds	1,936	-
Inventories	8,093	11,617
Net pension asset	419,990	186,083
Cash to be used for capital assets	86,351	127,971
Capital assets, net	30,164,398	30,651,333
Total assets	<u>38,015,026</u>	<u>38,137,101</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	2,869,264	3,404,124
Deferred outflows related to OPEB	950,101	173,870
Total deferred outflows of resources	<u>3,819,365</u>	<u>3,577,994</u>
 Total assets and deferred outflows of resources	<u><u>\$ 41,834,391</u></u>	<u><u>\$ 41,715,095</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$ 66,535	\$ 145,407
Accrued liabilities	191,033	143,762
Accrued interest	101,000	124,000
Due to other fiduciary funds	-	64
Due to other governments	238	231
Due to retirement systems	551,278	484,478
Unearned revenue	31,146	28,767
Bond anticipation notes payable	-	278,350
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	1,920,000	1,860,000
Portion due or payable after one year		
Bonds payable	11,142,140	13,353,372
Net pension liability	476,253	238,158
Compensated absences	330,324	295,807
Other post-employment benefits	4,005,917	2,805,724
Total liabilities	<u>18,815,864</u>	<u>19,758,120</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	719,549	1,284,180
Deferred inflows related to OPEB	52,591	72,819
Total deferred inflows of resources	<u>772,140</u>	<u>1,356,999</u>
Net Position		
Net investment in capital assets	17,188,609	15,287,582
Restricted	4,120,804	3,858,655
Unrestricted	936,974	1,453,739
Total net position	<u>22,246,387</u>	<u>20,599,976</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 41,834,391</u></u>	<u><u>\$ 41,715,095</u></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, 2019

Schedule 2

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					2019	2018
					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	\$ 2,084,077	\$ 145,530	\$ -	\$ -	\$ (2,229,607)	\$ (2,473,389)
Instruction	10,501,710	646,360	42,135	654,282	(10,451,653)	(9,408,188)
Pupil transportation	1,238,234	308,616	-	14,236	(1,532,614)	(1,439,697)
Community services	26,630	-	-	-	(26,630)	(26,480)
Debt service	325,767	-	-	-	(325,767)	(402,583)
Food service program	298,597	-	66,983	216,142	(15,472)	(13,053)
Depreciation	1,100,506	(1,100,506)	-	-	-	-
Total functions and programs	<u>\$ 15,575,521</u>	<u>\$ -</u>	<u>\$ 109,118</u>	<u>\$ 884,660</u>	<u>(14,581,743)</u>	<u>(13,763,390)</u>
General Revenues						
Real property taxes					3,356,967	3,349,955
Use of money and property					35,780	22,440
Sale of equipment and compensation for loss					19,897	1,932
Miscellaneous					173,964	170,060
State sources					12,471,018	12,394,354
Federal sources					170,528	26,053
Total general revenues					<u>16,228,154</u>	<u>15,964,794</u>
Change in net position					1,646,411	2,201,404
Net position - beginning of year					20,599,976	20,871,550
Prior period adjustments					-	(2,472,978)
Net position - end of year					<u>\$ 22,246,387</u>	<u>\$ 20,599,976</u>

PINE VALLEY CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019

Schedule 3

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	Governmental Funds					2018	
	General	Special Aid	Food Service	Debt Service	Capital Projects	2019 Total	(Memo only) Total
Assets							
Unrestricted cash	\$ 2,053,111	\$ -	\$ 1,307	\$ -	\$ -	\$ 2,054,418	\$ 1,971,585
Restricted cash	3,616,563	-	-	504,241	86,351	4,207,155	3,969,168
Due from other funds	340,601	-	-	-	-	340,601	385,838
State and federal aid receivable	825,869	312,936	16,855	-	-	1,155,660	1,321,006
Due from other governments	3,376	-	-	-	-	3,376	26,309
Inventories	-	-	8,093	-	-	8,093	11,617
Total assets	<u>\$ 6,839,520</u>	<u>\$ 312,936</u>	<u>\$ 26,255</u>	<u>\$ 504,241</u>	<u>\$ 86,351</u>	<u>\$ 7,769,303</u>	<u>\$ 7,685,523</u>
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 66,535	\$ -	\$ -	\$ -	\$ -	\$ 66,535	\$ 145,407
Accrued liabilities	191,033	-	-	-	-	191,033	143,762
Unearned revenue	31,146	-	-	-	-	31,146	28,767
Bond anticipation notes payable	-	-	-	-	-	-	278,350
Due to other funds	-	312,936	25,729	-	-	338,665	385,902
Due to other governments	-	-	238	-	-	238	231
Due to Teachers' Retirement System	480,180	-	-	-	-	480,180	401,589
Due to Employees' Retirement System	61,323	-	9,775	-	-	71,098	82,889
Total liabilities	<u>830,217</u>	<u>312,936</u>	<u>35,742</u>	<u>-</u>	<u>-</u>	<u>1,178,895</u>	<u>1,466,897</u>
Fund Equity							
Nonspendable	-	-	8,093	-	-	8,093	11,617
Restricted	3,616,563	-	-	504,241	-	4,120,804	3,858,655
Assigned	955,542	-	-	-	86,351	1,041,893	67,371
Unassigned (deficit)	1,437,198	-	(17,580)	-	-	1,419,618	2,280,983
Total fund equity (deficit)	<u>6,009,303</u>	<u>-</u>	<u>(9,487)</u>	<u>504,241</u>	<u>86,351</u>	<u>6,590,408</u>	<u>6,218,626</u>
Total liabilities and fund equity	<u>\$ 6,839,520</u>	<u>\$ 312,936</u>	<u>\$ 26,255</u>	<u>\$ 504,241</u>	<u>\$ 86,351</u>	<u>\$ 7,769,303</u>	<u>\$ 7,685,523</u>

PINE VALLEY CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 4

Page 13

	<i>Governmental Funds</i>						
	General	Special Aid	Food Service	Debt Service	Capital Projects	2019 (Memo only) Total	2018 (Memo only) Total
Revenue							
Real property taxes	\$ 3,356,967	\$ -	\$ -	\$ -	\$ -	\$ 3,356,967	\$ 3,349,955
Use of money and property	28,367	-	22	7,413	-	35,802	22,454
Charges for services	42,135	-	-	-	-	42,135	59,050
Sale of property compensation for loss	35,094	-	-	-	-	35,094	1,932
Miscellaneous	173,964	-	1,881	-	-	175,845	172,735
State sources	12,471,018	151,546	6,415	-	-	12,628,979	12,561,682
Federal sources	170,528	516,972	189,649	-	-	877,149	794,170
Surplus food	-	-	20,078	-	-	20,078	19,781
Sales (school food service)	-	-	65,080	-	-	65,080	75,144
Total revenue	16,278,073	668,518	283,125	7,413	-	17,237,129	17,056,903
Expenditures							
General support	1,694,846	-	136,721	-	-	1,831,567	2,106,601
Instruction	7,527,505	589,963	-	-	-	8,117,468	7,373,053
Pupil transportation	913,700	14,236	-	-	312,180	1,240,116	879,538
Community services	26,630	-	-	-	-	26,630	26,480
Employee benefits	2,703,360	77,427	30,316	-	-	2,811,103	2,760,848
Debt service							
Principal	2,338,350	-	-	-	-	2,338,350	2,105,651
Interest	439,999	-	-	-	-	439,999	511,815
Capital outlay	-	-	-	-	206,904	206,904	46,513
Cost of sales	-	-	126,395	-	-	126,395	137,641
Other expenses	-	-	5,165	-	-	5,165	3,775
Total expenditures	15,644,390	681,626	298,597	-	519,084	17,143,697	15,951,915
Excess (deficiency) of revenue over expenditures	633,683	(13,108)	(15,472)	7,413	(519,084)	93,432	1,104,988
Other sources and uses							
BANs redeemed from appropriations	-	-	-	-	278,350	278,350	205,650
Operating transfers in	1,014	13,108	-	11,010	489,488	514,620	119,417
Operating transfers out	(502,596)	-	-	-	(12,024)	(514,620)	(119,417)
Total other sources (uses)	(501,582)	13,108	-	11,010	755,814	278,350	205,650
Excess (deficiency) of revenue and other sources over expenditures and other uses	132,101	-	(15,472)	18,423	236,730	371,782	1,310,638
Fund equity (deficit), beginning of year	5,877,202	-	5,985	485,818	(150,379)	6,218,626	4,907,988
Fund equity (deficit), end of year	\$ 6,009,303	\$ -	\$ (9,487)	\$ 504,241	\$ 86,351	\$ 6,590,408	\$ 6,218,626

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

PINE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2019

Schedule 5

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	Private Purpose Trusts	Agency Funds	2019 Total	2018 Total
Assets				
Cash and investments	\$ 13,940	\$ 70,372	\$ 84,312	\$ 82,663
Due from other funds	-	2,000	2,000	64
Total assets	\$ 13,940	\$ 72,372	\$ 86,312	\$ 82,727
Liabilities				
Accrued liabilities	\$ -	\$ 1,183	\$ 1,183	\$ 7,168
Due to other funds	-	3,936	3,936	-
Student extraclassroom activity funds	-	67,253	67,253	60,901
Total liabilities	-	72,372	72,372	68,069
Net Position				
Reserved for scholarships	13,940	-	13,940	14,658
Total liabilities and net position	\$ 13,940	\$ 72,372	\$ 86,312	\$ 82,727

PINE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 6

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	6/30/2019	6/30/2018
Additions		
Gifts and contributions	\$ 380	\$ 590
Interest earnings	47	66
Total additions	427	656
Deductions		
Scholarships awarded	1,145	1,664
Change in net position	(718)	(1,008)
Net position - beginning of year	14,658	15,666
Net position - end of year	\$ 13,940	\$ 14,658

PINE VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Total fund balances - governmental funds \$ 6,590,408

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	\$ 44,409,387	
Accumulated depreciation	<u>(14,244,989)</u>	30,164,398

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.		419,990
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(101,000)
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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.		2,149,715
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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.		897,510
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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	(13,062,140)	
Net pension liability	(476,253)	
Compensated absences	(330,324)	
Other post-employment benefits	<u>(4,005,917)</u>	<u>(17,874,634)</u>

Total net position - governmental activities		\$ <u>22,246,387</u>
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	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 6,261,573	\$ -	\$ -	\$ (86,351)	\$ 6,175,222
Due from other funds	340,601	-	-	(338,665)	1,936
State and federal aid receivable	1,155,660	-	-	-	1,155,660
Due from other governments	3,376	-	-	-	3,376
Inventories	8,093	-	-	-	8,093
Net pension asset	-	419,990	-	-	419,990
Cash to be used for capital assets	-	-	-	86,351	86,351
Capital assets, net	-	30,164,398	-	-	30,164,398
Total assets	7,769,303	30,584,388	-	(338,665)	38,015,026
Deferred Outflows of Resources					
Deferred outflows related to pensions and OPEB	-	3,819,365	-	-	3,819,365
Total assets and deferred outflows of resources	\$ 7,769,303	\$ 34,403,753	\$ -	\$ (338,665)	\$ 41,834,391
Liabilities, Deferred Inflows of Resources and Fund Equity					
Liabilities					
Accounts payable	\$ 66,535	\$ -	\$ -	\$ -	\$ 66,535
Accrued liabilities	191,033	-	-	-	191,033
Unearned revenue	31,146	-	-	-	31,146
Accrued interest	-	-	101,000	-	101,000
Due to other funds	338,665	-	-	(338,665)	-
Due to other governments	238	-	-	-	238
Due to retirement systems	551,278	-	-	-	551,278
Bonds payable	-	-	13,062,140	-	13,062,140
Net pension liability	-	-	476,253	-	476,253
Compensated absences	-	-	330,324	-	330,324
Other post-employment benefits	-	-	4,005,917	-	4,005,917
Total liabilities	1,178,895	-	17,975,634	(338,665)	18,815,864
Deferred Inflows of Resources					
Deferred inflows related to pensions and OPEB	-	-	772,140	-	772,140
Fund equity and net position	6,590,408	34,403,753	(18,747,774)	-	22,246,387
Total liabilities, deferred inflows of resources, and fund equity/net position	\$ 7,769,303	\$ 34,403,753	\$ -	\$ (338,665)	\$ 41,834,391

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, 2019

Total net change in fund balances - governmental funds \$ 371,782

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	\$ 628,768	
Depreciation expense	<u>(1,100,506)</u>	(471,738)

Proceeds from the sale of assets are reported as revenue in the governmental funds, whereas in the statement of activities a gain or loss on sale is reported.		(15,197)
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<p>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.</p>		2,174,232
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<p>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.</p>		25,583
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<p>District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows related to OPEB are recorded in the statement of activities, whereas in the governmental funds, OPEB expense is based on the District's contribution to the OPEB plan</p>		(444,103)
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<p>In the statement of activities, certain operating expenses - compensated absences 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 changed by this amount.</p>		<u>5,852</u>
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Change in net position of governmental activities		<u><u>\$ 1,646,411</u></u>
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	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	\$ 3,356,967	\$ -	\$ -	\$ -	\$ 3,356,967
Use of money and property	35,802	-	-	(22)	35,780
Charges for services	42,135	-	-	(42,135)	-
Sale of property/compensation for loss	35,094	(15,197)	-	-	19,897
Miscellaneous	175,845	-	-	(1,881)	173,964
State sources	12,628,979	-	-	(157,961)	12,471,018
Federal sources	877,149	-	-	(706,621)	170,528
Surplus food	20,078	-	-	(20,078)	-
Sales (school food service)	65,080	-	-	(65,080)	-
Total revenue	17,237,129	(15,197)	-	(993,778)	16,228,154
Expenditures					
General support	1,831,567	134,164	-	263,876	2,229,607
Instruction	8,117,468	576,710	34,517	1,722,958	10,451,653
Pupil transportation	1,240,116	279,948	-	12,550	1,532,614
Community services	26,630	-	-	-	26,630
Employee benefits	2,811,103	-	378,151	(3,189,254)	-
Debt service	2,778,349	-	(2,452,582)	-	325,767
Capital outlay	206,904	(519,084)	-	312,180	-
Cost of sales	126,395	-	-	(110,923)	15,472
Other expenses	5,165	-	-	(5,165)	-
Total expenditures	17,143,697	471,738	(2,039,914)	(993,778)	14,581,743
Excess (deficiency) of revenue over expenditures	93,432	(486,935)	2,039,914	-	1,646,411
Other sources and uses					
Operating transfers in	514,620	-	-	(514,620)	-
Operating transfers out	(514,620)	-	-	514,620	-
BANs redeemed from appropriations	278,350	-	(278,350)	-	-
Total other sources (uses)	278,350	-	(278,350)	-	-
Net change for year	\$ 371,782	\$ (486,935)	\$ 1,761,564	\$ -	\$ 1,646,411

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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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 \$2,782,000 for BOCES administration, program and capital costs. The District's share of BOCES aid, rental charges and refunds amounted to \$1,191,000 for the year ended June 30, 2019. 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, 2019**

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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.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

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

E. Cash and Cash Equivalents

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

F. 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, along with benefits paid subsequent to the measurement period.

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, 2019**

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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 \$330,324 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, 2019**

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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. This reserve is accounted for in the Private Purpose Trust Fund.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

O. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

9. Reserve for Teachers' Retirement Contributions

This reserve is used to pay for district expenses to the NYS Teachers' Retirement System. Funds may be paid into the retirement contribution reserve fund from budgetary appropriation or excess fund balance. Funds added to this reserve will not exceed 2% of teacher salaries in the prior year. When the District experiences a rate increase, the difference from year to year would be supported by the use of this reserve. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

10. Workers' Compensation Reserve

This reserve is used to fund Workers' Compensation expenses, related medical expenses and self-insurance administrative costs. This reserve is funded from excess fund balance, and can be used to pay any expenses related to Workers' Compensation. The reserve is accounted for in the General Fund.

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, 2019.

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.

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

O. Fund Equity (continued)

1. Governmental Funds (continued)

1. Encumbrance Accounting (continued)

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 \$342 as of June 30, 2019.

2. Appropriated Fund Equity

General Fund - The amount of \$955,200 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2020 as allowed by Section 1318 of the Real Property Tax Law.

B. Unassigned

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

2. Government-wide financial statements

A. Net Investment in Capital Assets

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

B. Restricted

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

C. Unrestricted

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

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

O. Fund Equity (continued)

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.

P. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

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

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

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

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.

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.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

A. Total Fund 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.

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.

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

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.

4. Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

5. OPEB Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

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.

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, 2019, 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

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash and Investments

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, 2019 per bank were approximately \$6,425,000. These deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 500,000	\$ 5,925,000	\$ --	\$ 6,425,000

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.

Private Purpose Trust:

Certificates of Deposit	\$ 5,000
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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

II. Capital Assets

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Beginning Balance 6/30/18	Additions Net of Disposals	Ending Balance 6/30/19
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 17,550	\$ -	\$ 17,550
Construction-in-progress	11,386,555	(11,372,906)	13,649
Total non-depreciable capital assets	11,404,105	(11,372,906)	31,199
Capital assets that are depreciated:			
Buildings and improvements	27,761,823	11,502,502	39,264,325
Furniture and equipment	5,077,467	36,396	5,113,863
Total depreciable historical cost	32,839,290	11,538,898	44,378,188
Total cost	44,243,395		44,409,387
Less accumulated depreciation:	13,592,062	\$ 652,927	14,244,989
Total net book value	\$30,651,333		\$30,164,398

Depreciation

Depreciation expense was charged to governmental functions as follows:

General support	\$ 145,530
Instruction	646,360
Pupil transportation	308,616
	<u>\$ 1,100,506</u>

Total additions during the current year amounted to approximately \$629,000.

III. Interfund Transactions

Interfund balances at June 30, 2019 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 340,601	\$ -
Special Aid Fund	-	312,936
Debt Service Fund	-	-
School Lunch Fund	-	25,729
Trust and Agency	2,000	3,936
Capital Project Fund	-	-
Total	<u>\$ 342,601</u>	<u>\$ 342,601</u>

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

III. Interfund Transactions (continued)

Interfund transfers consisted of the following during the fiscal year ended June 30, 2019:

	Interfund Revenue	Interfund Expenditures
General Fund	\$ 1,014	\$ 502,596
Special Aid Fund	13,108	-
Debt Service Fund	11,010	-
School Lunch Fund	-	-
Capital Projects Fund	489,488	12,024
Total	<u>\$ 514,620</u>	<u>\$ 514,620</u>

During the current year, the District transferred \$13,108 from the general fund to the special aid fund as the local share of the summer school handicap program. The District transferred \$1,014 to the general fund from the capital fund related to the closing of the 2018 capital outlay. The District also transferred \$11,010 to the debt service fund relating to the closing of the 2011 capital project, and \$489,488 from the general fund to the capital projects fund related to the purchase of vehicles, snow removal equipment, and the 2019 capital outlay project as approved by the voters and Board of Education.

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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided

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

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.nystsr.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 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.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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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)

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
2019	\$ 296,000	\$ 451,000
2018	\$ 316,000	\$ 371,000
2017	\$ 323,000	\$ 455,000

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

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)

At June 30, 2019, 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, 2019 for ERS and June 30, 2018 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.

Measurement date	ERS 3/31/2019	TRS 6/30/2018
Net pension asset (liability)	\$ (476,253)	\$ 419,990
District's portion of the Plan's total net pension liability	.0067217%	.023226%

For the year ended June 30, 2019, the District's recognized pension expense of \$325,229 for ERS and \$383,978 for TRS. At June 30, 2019 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	\$ 93,784	\$ 313,855	\$ 31,970	\$ 56,851
Changes of assumptions	119,711	1,468,140	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	122,233	466,221
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	58,782	293,147	42,274	-
District's contributions subsequent to the measurement date	71,098	450,747	-	-
Total	\$ 343,375	\$ 2,525,889	\$ 196,477	\$ 523,072

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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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 ending June 30, 2020. 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 ending:		
2020	\$ 107,687	\$ 478,996
2021	(87,493)	343,840
2022	(7,884)	88,168
2023	63,490	342,850
2024	-	233,866
Thereafter	-	64,350

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	3/31/19	6/30/18
Actuarial valuation date	4/1/18	6/30/17
Interest rate	7%	7.25%
Salary scale	4.2% 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%	2.25%

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, 2018 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, 2017 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 3/31/19	Expected Rate of Return	TRS 6/30/18	Expected Rate of Return
Asset Type:				
Domestic Equity	36%	4.55%	33%	5.8%
International Equity	14%	6.35%	16%	7.3%
Global Equity	-%	-%	4%	6.7%
Private Equity	10%	7.50%	8%	8.9%
Real Estate	10%	5.55%	11%	4.9%
Absolute return strategies	2%	3.75%	-%	-%
Opportunistic portfolio	3%	5.68%	-%	-%
Real assets	3%	5.29%	-%	-%
Domestic fixed income securities	-%	-%	16%	1.3%
Global fixed income securities	-%	-%	2%	0.9%
Real estate debt	-%	-%	7%	2.8%
Private debt	-%	-%	1%	6.8%
Short-term	-%	-%	1%	0.3%
High-yield fixed income	-%	-%	1%	3.5%
Bonds and Mortgages	17%	1.31%	-%	-%
Cash	1%	(.25%)	-%	-%
Inflation-indexed bonds	4%	1.25%	-%	-%
Total:	100%		100%	

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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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)	\$ (2,082,254)	\$ (476,253)	\$ 872,902

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)	\$ (2,885,403)	\$ 419,990	\$ 3,188,991

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	3/31/19	6/30/18
Employers' total pension liability	\$ 189,803,429	\$ 118,107,253
Plan net position	\$ 182,718,124	\$ 119,915,517
Employers' net pension asset (liability)	\$ (7,085,305)	\$ 1,808,264
Ratio of plan net position to be Employers' total pension asset (liability)	96.27%	101.53%

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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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, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$71,098.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 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, 2019 amounted to \$480,180 of which \$450,747 is related to employer contributions and \$29,433 is related to employee contributions.

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, 2019 the plan had total active employees of 112 and retirees of 23.

Total OPEB Liability

The District's total OPEB liability of \$4,005,917 was measured as of March 31, 2019 and was determined by an actuarial valuation as of July 1, 2017.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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	3.36% per year
Discount rate	3.44% as of June 30, 2019 and 3.61% as of June 30, 2018
Healthcare cost trend rates	2019 – 6.2% reduced to an ultimate rate of 4.23% after 2070.
Retirees' share of benefit-related costs	District pays 83.5% for single and 81.5% 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.

Changes in the Total OPEB Liability

Service cost	\$	159,084
Interest		101,200
Change of benefit terms		(24,828)
Differences between expected and actual experience		1,093,546
Changes in assumptions		32,668
Benefit payments		(161,477)
Net changes		1,200,193
Net OPEB liability – beginning of year		2,805,724
Net OPEB liability – end of year	\$	4,005,917

Changes in assumptions reflect a change in the discount rate from 3.61% in 2018 to 3.44% in 2019. Also, salary scale changes from 3.31% to 3.36%.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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 (2.44%) or 1 percentage point higher (4.44%) than the current discount rate:

	1% Decrease (2.44%)	Current Assumption (3.44%)	1% Increase (4.44%)
Total OPEB liability	\$ 4,487,215	\$ 4,005,917	\$ 3,593,084

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	\$ 3,472,391	\$ 4,005,917	\$ 4,676,563

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$470,959. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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 (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 855,819	\$ 52,591
Changes in assumptions	53,913	--
Benefits subsequent to measurement date	40,369	
Total	\$ 950,101	\$ 52,591

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:	
2020	\$ 235,503
2021	235,503
2022	239,237
2023	146,898
2024	-
Thereafter	-

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, 2019, the District redeemed BAN's in the amount of \$278,350. There were no bond anticipation notes outstanding as of June 30, 2019.

b. Short-Term Debt Interest

Total interest incurred on short-term debt was \$5,567 during the fiscal year ended June 30, 2019.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

C. Indebtedness

2. Long-Term Debt

a. Debt Limit

At June 30, 2019, the total outstanding indebtedness represented approximately 119% 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 \$434,432 of expenditures for long-term debt interest in the governmental fund financial statements during the fiscal year ended June 30, 2019.

d. Changes

The School District's indebtedness, as of June 30, 2019 and 2018 are summarized as follows:

	<u>Balance June 30, 2019</u>	<u>Balance June 30, 2018</u>
Serial bonds	\$ 12,720,000	\$ 14,780,000
Premium on obligation	342,140	433,372
Compensated absences	330,324	295,807
Net pension liability	476,253	238,158
Other post-employment benefit	4,005,917	2,805,724
	<u>\$ 17,874,634</u>	<u>\$ 18,553,061</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Changes (continued)

The District made principal payments on serial bonds in the amount of \$2,060,000 during the current fiscal year and recorded one year of amortization expense in the amount of \$91,232 on its premium on obligation. The net change in compensated absences was an increase of \$34,517 during the fiscal year ended June 30, 2019. The net change in other post-employment benefit liability was an increase of \$1,200,193. Also, the change in the net pension liability was \$238,095.

e. Summary

- The following is a summary of maturity of indebtedness:

<u>Description</u>	<u>Outstanding June 30, 2019</u>
Serial Bonds, issued in 2008 with maturity date of 2024, bonds carry interest at 3.63%-4.5%	\$ 2,655,000
Serial Bonds, issued in 2010 with maturity date of 2024, bonds carry interest at 3%-3.75%	1,225,000
Advanced refunding serial Bonds, issued 2012 with maturity date of 2021, bonds carry interest at 5%.	1,110,000
Serial Bonds, issued in 2016 with maturity date of 2032, bonds carry interest at 2%.	7,730,000
	<u>\$ 12,720,000</u>

f. Maturity

- 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>
2020	\$ 1,920,000	\$ 360,844
2021	1,985,000	291,913
2022	1,460,000	219,555
2023	1,505,000	173,707
2024	1,355,000	125,300
2025-2029	3,575,000	273,750
2030-2032	920,000	18,800
Totals	<u>\$ 12,720,000</u>	<u>\$ 1,463,869</u>

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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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 (continued)

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

Year	Principal payments	Interest payments
2020	\$ 1,920,000	\$ 360,844
2021	1,985,000	291,913
2022	1,460,000	219,555
2023	1,505,000	173,707
2024	1,355,000	125,300
2025-2029	3,575,000	273,750
2030-2032	920,000	18,800
Totals	\$ 12,720,000	\$ 1,463,869

V. Fund Equity

A. Classification

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

Category / Fund	Description	Balance June 30, 2019
Nonspendable:		
Food Service	Inventory	\$ 8,093
Restricted:		
General	Unemployment reserve	\$ 34,681
	Employee benefit reserve	731,848
	Insurance reserve	75,859
	TRS Reserve	72,438
	ERS Reserve	611,371
	Capital reserve	2,040,366
	Workers' Compensation reserve	50,000
		\$ 3,616,563
Debt Service	Reserve for debt service	\$ 504,241
Trust and Agency	Reserve for endowment scholarships	\$ 13,940

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Fund Equity (continued)

A. Classification (continued)

Category / Fund	Description	Balance June 30, 2019
Assigned:		
General	Appropriated Fund Balance	\$ 955,200
	Encumbrances	342
		\$ 955,542
Capital Projects	Fund Equity	\$ 86,351

B. Assigned – Appropriated Fund Balance

General Fund - The amount of \$955,200 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2020 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 \$4,121,000 which represent restricted amounts in the general, capital and debt service funds as presented above.

D. Deficit Fund Balances

The District's cafeteria fund has a deficit unassigned fund balance in the amount of \$17,580 .

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, 2019**

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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 \$417,000 as of June 30, 2019 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. This project was closed out as of June 30, 2019, with the District expending a total of \$11,389,468 with the remainder being transferred to the debt service fund.

The district also had expenditures in the current year in the amount of \$75,453 related to its capital outlay project and \$389,488 related to the purchase of vehicles.

NOTE 5 – TAX ABATEMENTS

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

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 19, 2019, 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, 2019

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 3,347,147	\$ 3,347,147	\$ 3,356,967	\$ 9,820
Charges for services	30,000	30,000	42,135	12,135
Use of money and property	6,000	6,000	28,367	22,367
Sale of property and compensation for loss	-	-	35,094	35,094
Miscellaneous	51,000	51,000	173,964	122,964
State Sources:				
Basic formula	11,317,871	11,317,871	11,352,766	34,895
BOCES	970,931	970,931	1,058,593	87,662
Textbooks	52,501	52,501	36,033	(16,468)
All other aid	18,194	18,194	23,626	5,432
Federal Sources:				
Medicaid reimbursement	40,000	40,000	170,528	130,528
Total revenue	15,833,644	15,833,644	16,278,073	444,429
Other Sources				
Operating transfer in	-	-	1,014	1,014
Total revenue and other sources	15,833,644	15,833,644	16,279,087	\$ 445,443
Appropriated fund equity, reserves, and carryover encumbrances	389,488	456,859		
Total revenue, other sources, reserves and appropriated fund equity	\$ 16,223,132	\$ 16,290,503		

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 31,886	\$ 30,383	\$ 27,267	\$ -	\$ 3,116
Central administration	228,988	230,480	224,984	-	5,496
Finance	232,565	216,459	216,403	-	56
Staff	83,399	121,480	119,526	-	1,954
Central services	980,137	978,889	956,507	-	22,382
Special items	152,455	149,208	150,159	-	(951)
Instructional:					
Instruction, administration and improvement	437,142	440,357	443,618	243	(3,504)
Teaching - regular school	2,939,556	3,107,141	3,123,366	-	(16,225)
Programs for children with handicapping conditions	1,909,471	2,222,449	2,183,570	-	38,879
Occupational education	358,300	336,379	336,379	-	-
Instructional media	1,075,443	998,540	912,484	-	86,056
Pupil services	501,279	525,913	528,088	-	(2,175)
Pupil Transportation	845,401	890,266	913,700	-	(23,434)
Employee Benefits	3,055,607	2,731,076	2,703,360	-	27,716
Community Service	106,540	30,538	26,630	99	3,809
Debt Service:					
Debt service principal	2,338,350	2,338,350	2,338,350	-	-
Debt service interest	440,125	439,999	439,999	-	-
Total expenditures	<u>15,716,644</u>	<u>15,787,907</u>	<u>15,644,390</u>	<u>342</u>	<u>143,175</u>
Other Uses:					
Transfer to other funds	506,488	502,596	502,596	-	-
Total other uses	<u>506,488</u>	<u>502,596</u>	<u>502,596</u>	<u>-</u>	<u>-</u>
Total expenditures and other uses	<u>\$ 16,223,132</u>	<u>\$ 16,290,503</u>	<u>16,146,986</u>	<u>\$ 342</u>	<u>\$ 143,175</u>
Excess of revenue and other sources over expenditures and other uses			<u>\$ 132,101</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, 2019

Schedule SS1A

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	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 6,915	\$ 6,415	\$ (500)
Federal sources	190,385	189,649	(736)
Sales	79,945	66,961	(12,984)
Surplus food	7,350	20,078	12,728
Use of money and property	-	22	22
Total revenue	284,595	283,125	(1,470)
Expenditures			
General support	136,721	136,721	-
Employee benefits	24,208	30,316	(6,108)
Cost of sales	118,501	126,395	(7,894)
Other expenses	5,165	5,165	-
Total expenditures	284,595	298,597	(14,002)
Deficiency of revenue over expenditures	<u>\$ -</u>	<u>(15,472)</u>	<u>\$ (15,472)</u>
Fund equity, beginning of year		<u>5,985</u>	
Fund equity (defecit), end of year		<u>\$ (9,487)</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, 2019

Schedule SS2

Page 38

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 16,223,132
Additions:	
Encumbrances	<u>67,371</u>
Original budget	16,290,503
Budget revisions:	<u>-</u>
Final budget	<u><u>\$ 16,290,503</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 voter-approved expenditure budget	\$ 17,140,656
Maximum allowed (4% of 2019-20 budget)	\$ 685,626

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	955,542
Unassigned fund balance	<u>1,437,198</u>
Total unrestricted fund balance	<u>2,392,740</u>
Less:	
Appropriated fund balance	955,200
Encumbrances included in committed and assigned fund balance	<u>342</u>
Total adjustments	<u>955,542</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,437,198</u></u>
Actual percentage	<u><u>8.38%</u></u>

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

PINE VALLEY CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

Schedule SS3

Page 39

Project Title	Original Appropriation	Revised Appropriation	Prior Years	Expenditures		Unexpended (Overexpended) Balance	Proceeds of Obligations	Methods of financing		Fund Balance June 30, 2019
				Current Year	Interfund Transfer			State Sources	Local Sources	
Snow Removal Equipment	\$ 77,308	\$ 77,308	\$ -	\$ 77,308	\$ -	\$ 77,308	\$ -	\$ -	\$ 77,308	\$ 77,308
Transportation Vehicles	312,180	312,180	-	312,180	-	312,180	-	-	312,180	312,180
Capital Outlay 2018	100,000	100,000	37,183	61,803	1,014	100,000	-	-	100,000	100,000
Capital Outlay 2019	100,000	100,000	-	13,649	-	86,351	-	-	100,000	86,351
Reconstruction Project - 2011	11,400,000	11,400,000	11,335,326	54,144	11,010	(480)	10,788,103	287,377	325,000	11,400,480
Total	\$ 11,989,488	\$ 11,989,488	\$ 11,372,509	\$ 519,084	\$ 12,024	\$ 11,903,617	\$ 10,788,103	\$ 287,377	\$ 914,488	\$ 11,989,968
Less: Bond anticipation notes outstanding										-
Total fund equity (deficit) as of June 30, 2019										\$ 86,351

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, 2019****Page 40**

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school *	N/A	2019	\$ 65,542	\$ 65,542	\$ 65,542
Universal Pre-kindergarten	409-19-7472	2019	99,112	99,112	99,112
School breakfast programs	N/A	2019	2,775	2,775	2,775
School lunch programs	N/A	2019	3,640	3,640	3,640
			\$ 171,069	\$ 171,069	\$ 171,069

* Revenue includes interfund transfer of \$13,108 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, 2019

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, 2019, the District reported in the Schedule of Federal Awards \$20,078 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, 2019

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	0021-18-0340	2018	\$ 24,344	\$ 24,344	\$ 24,344
Title I	84.010A	0021-19-0340	2019	259,070	233,100	233,100
IDEA, Part B Section 611 **	84.027A	0032-19-0101	2019	183,990	183,990	183,990
IDEA, Part B Section 619 **	84.173A	0033-19-0101	2019	4,618	3,635	3,635
Title II, Part A	84.367A	0147-19-0340	2019	46,259	45,072	45,072
Title IV	84.424	0204-19-0340	2019	18,843	18,715	18,715
Title V	84.358B	0006-19-0340	2019	9,736	8,116	8,116
US Department of Agriculture:						
Passed through NYS						
Department of Education;						
National School Lunch Program ***	10.555	N/A	2019	132,791	132,791	132,791
National School Breakfast Program ***	10.553	N/A	2019	56,858	56,858	56,858
National School Lunch Program						
Noncash assistance (Donated Commodities) ***	10.555	N/A	2019	20,078	20,078	20,078
Total expenditures and revenue					\$ 726,699	\$ 726,699

** Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures of \$ 187,625

*** Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 209,727

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

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2019

Schedule SS5

Page 42

Capital Assets	\$ 30,164,398
Less:	
Serial Bonds	(13,062,140)
Plus:	
Bond anticipation note proceeds less capital expenditures	<u>86,351</u>
Net investment in capital assets	<u>\$ 17,188,609</u>

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30 2018 THROUGH JUNE 30 2019

Schedule SS6

Page 43

As of the measurement date of July 1,

Total OPEB Liability

	2019	2018
Service cost	\$ 159,084	\$ 141,395
Interest	101,200	104,285
Change of benefit terms	(24,828)	-
Differences between expected and actual experience	1,093,546	(93,047)
Changes in assumptions	32,668	50,151
Benefit payments	(161,477)	(134,621)
Net change in total OPEB liability	1,200,193	68,163
Total OPEB liability - beginning	2,805,724	129,962
Prior period adjustment	-	2,607,599
Total OPEB liability - ending	<u>\$ 4,005,917</u>	<u>\$ 2,805,724</u>

Plan fiduciary net position

Contributions - employer	\$ 161,477	\$ 134,621
Net investment income	-	-
Benefit payments	(161,477)	(134,621)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>

District's net OPEB liability	<u>\$ 4,005,917</u>	<u>\$ 2,805,724</u>
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Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
---	-------	-------

Covered-employee payroll	\$ 4,796,890	\$ 4,940,797
--------------------------	--------------	--------------

District's net OPEB liability as a percentage of covered-employee payroll	83.51%	56.79%
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Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate changes - 3.61% to 3.44% effective June 30, 2019
Salary scale changes from 3.31% to 3.36%

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB
FOR THE YEARS ENDED JUNE 30 2018 THROUGH JUNE 30 2019

Schedule SS7

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For the year ended June 30,	2019	2018
Actuarially determined contributions	\$ 161,477	\$ 134,621
Contributions in relation to the actuarially determined contribution	(161,477)	(134,621)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 4,796,890	\$ 4,940,797
Contributions as a percentage of District's covered-employee payroll	3.37%	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	3.8 as of June 30, 2019, 3.61% as of June 30, 2018 and 3.80% as of July 1, 2017
Inflation	2.37% per year
Healthcare cost trend rates	2019 - 6.2%. Rates expected to decrease each year thereafter with an ultimate rate of 4.23% after 2070.
Salary increases	3.36% per year
Mortality	RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2017
Retiree Cost Sharing	District pays 83.5% for single and 83.5% 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, 2019

Schedule SS8

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New York State Teachers' Retirement System

For the year ended June 30,	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 450,747	\$ 370,687	\$ 454,906	\$ 529,325	\$ 743,232	\$ 739,403	\$ 558,804
Contributions in relation to the contractually required contribution	(450,747)	(370,687)	(454,906)	(529,325)	(743,232)	(739,403)	(558,804)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,244,322	\$ 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	10.62%	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,	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 295,646	\$ 316,614	\$ 323,160	\$ 357,217	\$ 420,117	\$ 382,843	\$ 457,279
Contributions in relation to the contractually required contribution	(295,646)	(316,614)	(323,160)	(357,217)	(420,117)	(382,843)	(457,279)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,000,929	\$ 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	14.78%	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, 2019****Page 46*****New York State Teachers' Retirement System - Net Pension Asset (Liability)***

As of the measurement date of June 30,	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset (liability)	n/a	0.023226%	0.024482%	0.025869%	0.028225%	0.030804%	0.031177%
District's proportionate share of the net pension asset (liability)	n/a	\$ 419,990	\$ 186,083	\$ (277,071)	\$ 2,931,674	\$ 3,431,331	\$ 205,221
District's covered-employee payroll	n/a	\$ 4,244,322	\$ 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	9.90%	4.79%	-6.94%	69.15%	75.41%	4.35%
Plan fiduciary net position as a percentage of the total pension liability	n/a	101.53%	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,	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension (liability)	0.0067217%	0.0073792%	0.0076891%	0.0075291%	0.0081560%	n/a	n/a
District's proportionate share of the net pension (liability)	\$ (476,253)	\$ (238,158)	\$ (722,484)	\$ (1,208,434)	\$ (275,530)	\$ (368,559)	n/a
District's covered-employee payroll	\$ 2,000,929	\$ 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	-23.80%	-10.73%	-33.25%	-57.73%	-13.47%	-17.92%	n/a
Plan fiduciary net position as a percentage of the total pension (liability)	96.27%	98.24%	94.70%	90.70%	97.90%	n/a	n/a



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

**To the President and
Members of the Board of Education
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, 2019, 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, 2019.

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.2019-001.

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.2019-002.

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 19, 2019**

**PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Page 49

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Pine Valley Central School District*.
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". The significant deficiency is described in the accompanying schedule of findings and questioned costs as item II.A.2019-001.
3. There was one instance of noncompliance material to the financial statements of *Pine Valley Central School District* reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards". This instance of noncompliance is described in the accompanying schedule of findings and questioned costs as item II.B.2019-002.
4. A single audit in accordance with 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) was not required during the fiscal year ended June 30, 2019, as the District's expenditures of Federal Awards were below \$750,000.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Page 50

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2019-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2019

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, accrued expenses 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

2019-002 Unassigned Fund Balance

Year ended June 30, 2019

Conditions and criteria: *Pine Valley Central School District's* unassigned fund balance as of June 30, 2019 amounted to approximately \$1,437,000. This amount constitutes approximately 8.4% of the 2019-2020 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 its unassigned fund balance as of June 30, 2019 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.

I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2018-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements (Significant deficiency)

Year ended June 30, 2018

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: Similar finding related to internal control over financial reporting is being reported on during the year June 30, 2019 as item II.A.2019-001.

B. COMPLIANCE AND OTHER MATTERS

2018-002 Unassigned Fund Balance

Year Ended June 30, 2018

Summary of Prior Year Finding: *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. 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, 2019 as item II.B.2018-002.



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

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2019 of the District's financial statements and have issued our reports thereon dated September 19, 2019. Our audit report expressed an unmodified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Pine Valley Central School District* for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2015 through June 30, 2019. In addition, we have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Pine Valley Central School District* has provided responses to additional comments that follow, however, we did not audit such responses, and accordingly, we express no opinion on them.

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

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

Very truly yours,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.
September 19, 2019

PINE VALLEY CENTRAL SCHOOL DISTRICT
REVENUE AND EXPENDITURE COMPARISON AND ANALYSIS OF
FUND EQUITY (AMOUNTS IN \$1,000)

Page 2

	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Revenue and other sources					
Property taxes	\$ 3,357	\$ 3,350	\$ 3,301	\$ 3,245	\$ 3,292
State aid	12,471	12,394	11,525	11,135	10,667
All other	450	282	416	598	402
	<u>16,278</u>	<u>16,026</u>	<u>15,242</u>	<u>14,978</u>	<u>14,361</u>
Expenditures and other uses					
General support	1,695	1,972	1,567	1,562	1,557
Instruction	7,528	6,772	6,505	6,195	6,448
Transportation	914	860	831	844	1,022
Benefits	2,703	2,595	2,660	2,779	3,332
Debt	2,778	2,616	2,840	2,894	2,444
Community services	27	26	23	27	25
Transfers	503	116	111	468	27
	<u>16,148</u>	<u>14,957</u>	<u>14,537</u>	<u>14,769</u>	<u>14,855</u>
Excess (deficiency) of revenue over expenditures	130	1,069	705	209	(494)
Fund equity					
Beginning of year	5,879	4,810	4,105	3,896	4,390
End of year	<u>\$ 6,009</u>	<u>\$ 5,879</u>	<u>\$ 4,810</u>	<u>\$ 4,105</u>	<u>\$ 3,896</u>
Analysis of fund equity					
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ 21
Restricted					
Capital reserve	2,040	1,862	1,044	940	803
Reserve for tax certiorari	-	51	51	51	20
Reserve for unemployment insurance	35	36	46	51	49
Reserve for workers' compensation	50	-	-	-	-
Reserve for insurance	76	76	77	82	81
Reserve for employee benefits	732	738	736	748	747
Reserve for ERS	611	609	607	735	732
Reserve for TRS	72	-	-	-	-
Assigned	956	67	214	580	561
Unassigned	1,437	2,440	2,035	918	882
	<u>\$ 6,009</u>	<u>\$ 5,879</u>	<u>\$ 4,810</u>	<u>\$ 4,105</u>	<u>\$ 3,896</u>

**PINE VALLEY CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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GASB 84 – Fiduciary Activities

In 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities, which will be effective for the fiscal year ending June 30, 2020. This new standard's objective is to improve the guidance regarding the identification and reporting of fiduciary activities and focuses on the source of the revenue and control over activity assets. One of the characteristics of a fiduciary activity as defined by the standard are that the assets are for the benefit of individuals and the district does not have administrative involvement with the assets or direct financial involvement with the assets. School districts will be required to evaluate activity currently recorded in the trust and agency fund, including extraclassroom activities. Those activities that do not meet the fiduciary definition will be required to be reported in the governmental funds, either in the general fund or special revenue fund. The change also affects how certain fiduciary activities, custodial funds, are reported by requiring additions and subtractions to be included on the Statement of Changes in Fiduciary Net Position. We recommend the District review the new fiduciary activity standard to ensure proper adherence.

District response: The District will familiarize determine its impact on the District's financial statements going forward.

GASB 87- Accounting for Leases

In 2017, the Governmental Accounting Standards Board issued Statement No. 87, Accounting for Leases, which will be effective for the fiscal year ending June 30, 2021. The primary objective of this is new standard is to bring most leases onto the balance sheet. The goal is to determine if any operating leases contain a right-to-use asset and record an asset and liability related to that lease. Also under the new standard there will be changes in the terms used for the two classifications; operating leases and finance leases (previously capital leases) and additional financial statement disclosures. We recommend that the District begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new lease standard, which may include continuing education, webinars and further training.

District response: The District will familiarize determine its impact on the District's financial statements going forward.