

***GOWANDA CENTRAL SCHOOL DISTRICT***

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

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

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

# **GOWANDA CENTRAL SCHOOL DISTRICT**

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## ***INDEPENDENT AUDITOR'S REPORT***

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

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

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

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

### ***Report on Summarized Comparative Information***

We have previously audited the *Gowanda Central School District's* June 30, 2016 financial statements, and our report dated September 21, 2016, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans on pages 3 through 9, 35 through 36, and 44 through 45 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 **Gowanda 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the 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 20, 2017 on our consideration of **Gowanda 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 **Gowanda Central School District's** internal control over financial reporting and compliance.

*Buffamante Whipple Buttafaro PC*

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

**Olean, New York  
September 20, 2017**

**GOWANDA CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**I. Discussion and Analysis**

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

**II. Financial Highlights**

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

- Overall net position from operations of the District increased \$1,796,000 during the current year as compared to an increase of \$3,958,000 during the prior fiscal year.
- The District's total revenue increased 2% from \$30,583,000 during the year ended June 30, 2016 to \$31,273,000 during the year ended June 30, 2017. This increase was primarily due to an increase in State aid and Federal aid received in the current year.
- The District's total expenses increased approximately 11% from \$26,625,000 during the year ended June 30, 2016 to \$29,477,000 during the year ended June 30, 2017. This increase was mostly related to an increase in a new actuarial study and change in actuarial assumptions for the Teachers' Retirement System resulting in higher pension expenses. There was also an increase in salaries.
- The District had capital outlays during the current year in the amount of \$602,000 which primarily related to the capital outlay project and purchase of vehicles.

**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 **Gowanda 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 Assets**

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

**2. Statement of Activities**

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

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

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

**GOWANDA CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Page 4**

**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.

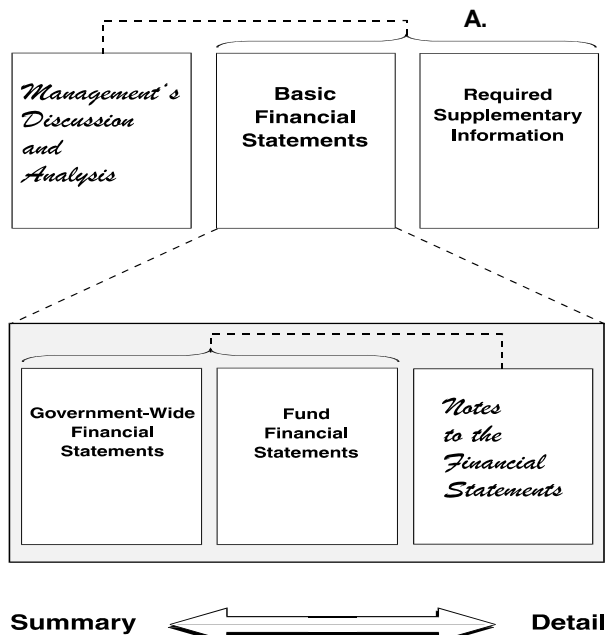
**Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements**

	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 Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, all assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**GOWANDA CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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



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

**Net Position**

The District's total reporting entity net position was approximately \$41,918,000. The components of net assets include: net investment in capital assets, of \$27,336,000; restricted net assets of \$4,675,000; and unrestricted net assets of \$9,907,000.

**Changes in Net Position**

The District's total government-wide revenue increased by approximately \$690,000 to \$31,273,000. Approximately 16%, 8% and 61% of total revenue is derived from the property taxes, operating grants and the state aid, respectively. The remaining 15% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

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

**Changes in Net Position (continued)**

The total cost of all programs and services of the District increased 11% to \$29,477,000. The District's expenses cover a range of services, with 73% related to instruction and 16% 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 2%, while total expenses increased 11%. The District's total net position from operations increased approximately \$1,796,000 during the fiscal year ended June 30, 2017.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$31,273,000 for the fiscal year ended June 30, 2017. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 16% of the District's total revenue for governmental activities increased less than 1% during the year ended June 30, 2017.
- The District's most significant revenue is state sources which represent \$19,025,000 or 61% of total governmental revenue. The District State Aid increased approximately 3% as the result of an increase in state aid received in the current year.
- During the year ended June 30, 2017, the District saw a decrease in program revenue, as charges for services decreased \$304,000 primarily due to a decline in Native American tuition, while operating grants and contributions increased \$245,000 which mostly resulted from increases in the Title I grant and Native American transportation aid in the current year.
- During the year ended June 30, 2017, the District received Federal Impact aid in the amount of approximately \$997,000 which increased approximately \$112,000 over the prior year.



**GOWANDA CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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 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 \$29,477,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$610,000 or 15% which was primarily due a new actuarial study and change in actuarial assumptions for the Teachers' Retirement System resulting in higher pension expenses, along with an increase in BOCES expenditures.
- The District's instruction costs increased by approximately \$2,293,000 or 12% which was the result of an increase pension expenses, contractual expenses and textbooks. These increases were partially offset by a decrease in BOCES expenditures.
- Debt service of the District decreased approximately \$312,000 during the year ended June 30, 2017 which was the result of bond issuance costs related to the bond refunding in the prior year.
- Transportation costs of the District increased \$267,000 or 14% during the year ended June 30, 2017 due to a an increase in pension expenses, salaries and contracted costs from additional bus runs.
- The District's cost of sales (food service fund) totaled \$685,000 during the current year as compared to \$691,000 during the fiscal year ended June 30, 2016.
- The District received approximately \$5,054,000 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 (\$24.4 million) were financed by real property taxes and state aid.

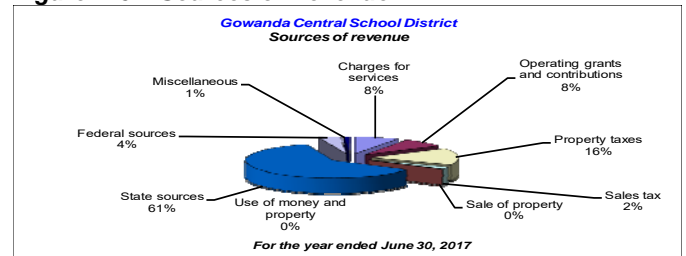
**Figure A-3 – Condensed Statement of Net Assets**

<b>Gowanda Central School District</b>			
<b>Condensed Statement of Net Position (in thousands of dollars)</b>			
	Governmental Activities and Total District-wide		
	2017	2016	% Change
<b>Assets</b>			
Current and other assets	\$ 12,215	\$ 19,179	-36%
Capital assets	34,993	35,710	-2%
Total assets	<b>47,208</b>	<b>54,889</b>	<b>-14%</b>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	7,782	3,274	138%
Deferred outflows of resources and assets	<b>\$ 54,990</b>	<b>\$ 58,163</b>	<b>-5%</b>
<b>Liabilities</b>			
Other liabilities	\$ 1,948	\$ 2,125	-8%
Long-term liabilities	10,694	13,290	-20%
Total liabilities	12,642	15,415	-18%
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	430	2,625	-84%
Deferred inflows of resources and liabilities	13,072	18,040	-28%
<b>Net position</b>			
Invested in capital assets, Net of related debt	27,336	25,627	7%
Restricted	4,675	3,978	18%
Unrestricted	9,907	10,518	-6%
Total net position	41,918	40,123	4%
Total liabilities, deferred inflows of resources, and net position	<b>\$ 54,990</b>	<b>\$ 58,163</b>	<b>-5%</b>

**Figure A-4 – Changes in Net Asset**

<b>Gowanda Central School District</b>			
<b>Changes in Net Assets from Operating Results (in thousands of Dollars)</b>			
	Governmental Activities and Total District-wide		
	2017	2016	% Change
<b>Revenue</b>			
Program revenue			
Charges for services	\$ 2,602	\$ 2,906	-10%
Operating grants and contributions	2,452	2,207	11%
General revenue			
Real property taxes	4,987	4,980	0%
Sales tax	753	759	-1%
Use of money & property	29	30	-3%
Sale of property & comp for loss	(19)	(10)	90%
State sources	19,025	18,417	3%
Federal sources	1,122	1,032	9%
Miscellaneous	322	262	23%
Total revenue	<b>31,273</b>	<b>30,583</b>	<b>2%</b>
<b>Expenses</b>			
General support	4,697	4,087	15%
Instruction	21,672	19,379	12%
Transportation	2,218	1,951	14%
Debt service - interest	205	517	-60%
Cost of sales	685	691	-1%
Total expenses	<b>29,477</b>	<b>26,625</b>	<b>11%</b>
<b>Change in net position</b>	<b>\$ 1,796</b>	<b>\$ 3,958</b>	

**Figure A-5 – Sources of Revenue**



# GOWANDA CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Figure A-6 - Expenses

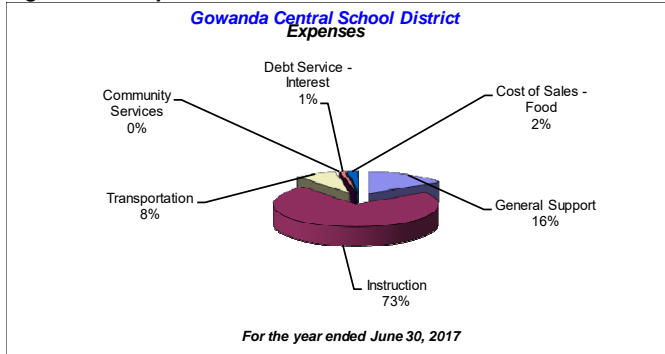


Figure A-7 – Expenditures Supported with Program Revenue

Gowanda Central School District Expenditures supported with program revenue (in thousands of dollars)				
	Governmental Activities & Total District			
	2017	2016		
Expenditures supported with general revenue (from taxes & other sources)	\$ 24,424	83%	\$ 21,512	81%
Expenditures supported with program revenue	5,054	17%	5,113	19%
<b>Total expenditures related to governmental activities</b>	<b>\$ 29,478</b>	<b>100%</b>	<b>\$ 26,625</b>	<b>100%</b>

Figure A-8 – Net Cost of Governmental Activities

Gowanda Central School District Net Cost of Governmental Activities (in thousands of dollars)						
	Total cost of services			Net cost of services		
	2017	2016	Change	2017	2016	Change
General support	\$ 4,697	\$ 4,087	\$ 610	\$ 4,697	\$ 4,087	\$ 610
Instruction	21,673	19,379	2,294	17,816	15,381	2,435
Transportation	2,218	1,951	267	1,732	1,546	186
Debt service - interest	205	517	(312)	205	518	(313)
Cost of sales - food	685	691	(6)	(25)	(20)	(5)
<b>Total</b>	<b>\$ 29,478</b>	<b>\$ 26,625</b>	<b>\$ 2,853</b>	<b>\$ 24,425</b>	<b>\$ 21,512</b>	<b>\$ 2,913</b>

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

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net assets is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term

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

debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

### General Fund

- The District's general fund revenue and other sources exceeded expenditures and other uses exceeded by approximately \$978,000.
- The District's general fund unassigned fund balance equated to approximately \$1,030,000 as of June 30, 2017.
- The District maintained many fund balance reserves during the year ended June 30, 2017, and had a total restricted fund balance of approximately \$4,531,000.
- The District's total assets increased approximately \$736,000 as of June 30, 2017 primarily related to an increase in cash and due from other funds. The District's liabilities decreased approximately \$242,000 due to a decrease in Teachers' Retirement System liability and deferred revenue.
- Total revenue in the District's general fund increased \$1,537,000, which was primarily related to an increase in state aid and Federal Impact aid received during the year. Total expenditures in the District's general fund increased \$1,525,000 primarily as a result of increases in salaries and employee benefits related to health insurance costs and textbook purchases.

### Food Service Fund

- The District's food service fund experienced approximately a \$25,000 increase in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$711,000 during 2017 as compared with \$714,000 in 2016. Expenditures increased approximately \$6,000 during the current year.

### Special Aid Fund

- The District's revenue and expenditures increased approximately \$193,000 or 11% which was primarily related to an increase in the Title I grant and Native American transportation aid in the current year.

### Capital Projects Fund

- The District had expenditures in the amount of \$100,000 in capital projects during the year ended June 30, 2017, which was primarily related to the capital outlay project.

**GOWANDA CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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 \$2,248,000 below the revised budget. The most significant variance was in the area of general support, instruction, and transportation which totaled \$525,000, \$911,000 and \$562,000, respectively, below the budget. On the other hand, resources available for appropriations were approximately \$1,617,000 above the final budgeted amount. Significant variances of revenue items consisted of local sources, Federal sources and other sources which totaled approximately \$265,000, \$490,000 and \$688,000, respectively, above, the budget.

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

Figure 10-2 Budget vs Actual Comparison

Gowanda Central School District				
General Fund - Budget vs Actual Comparison (in thousands of dollars)				
	Revised Budget	Actual	Difference	%
Revenue				
Local sources	\$ 8,276	\$ 8,541	\$ 265	3%
State sources	18,851	19,025	174	1%
Federal sources	632	1,122	490	78%
Other sources	153	841	688	450%
Total revenue	\$ 27,912	\$ 29,529	\$ 1,617	6%
Expenditures				
General support	\$ 4,384	\$ 3,859	\$ 525	12%
Instruction	15,249	14,338	911	6%
Transportation	1,998	1,436	562	28%
Employee benefits	6,328	6,179	149	2%
Debt service	2,639	2,639	-	0%
Operating transfers	201	100	101	50%
Total expenditures	\$ 30,799	\$ 28,551	\$ 2,248	7%

**VII. Capital Assets and Debt Administration**

**Capital Assets**

As depicted in Figure A-10, as of June 30, 2017, the District had invested approximately \$34,993,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2017, totaled approximately \$602,000 and related primarily the capital outlay project and purchase of vehicles. More detailed information about the District's capital assets is presented in the notes of the financial statements.

**VII. Capital Assets and Debt Administration  
(continued)**

**Long-term Debt**

As depicted in Figure A-11, as of June 30, 2017, the District had approximately \$10,694,000 in bonds, net pension liability and compensated absences, a decrease of approximately 20% as compared with the previous year. The decrease in bonds payable was the result of the District making scheduled payments on its outstanding debt. The decrease in compensated absences was related to a decrease in sick days accrued. Lastly, the net pension liability to the NYS Employees' Retirement System decreased during the current year, whereas the Teachers' Retirement System was reported as a net pension asset in the prior year, as compared with a net pension liability in the current year.

**Figure A-10 – Capital Assets**

<i>Gowanda Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2017	2016	Change
Land	\$ 88,200	\$ 88,200	0%
Cost basis	55,051,637	54,672,198	1%
Accumulated depreciation	(20,146,978)	(19,049,973)	6%
<b>Total Capital Assets, net</b>	<b>\$ 34,992,859</b>	<b>\$ 35,710,425</b>	<b>-2%</b>

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

<i>Gowanda Central School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2017	2016	Change
Bonds payable	\$ 7,793,562	\$ 10,220,675	-24%
Net pension liability - TRS & ERS	1,823,970	1,979,418	-8%
Compensated absences	1,076,000	1,090,000	-1%
<b>Total Long-Term Debt</b>	<b>\$ 10,693,532</b>	<b>\$ 13,290,093</b>	<b>-20%</b>

**GOWANDA CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Page 9**

**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 is in the process of planning a new capital improvement project with an estimated value of approximately \$26,000,000.

**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:

Gowanda Central School District  
District Administrative Offices  
Attention: Mrs. Joelle Woodward  
Director of Finance and Support Services  
10674 Prospect Street  
Gowanda, New York 14070

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

**Schedule 1**

**Page 10**

	2017	2016
<b>Assets</b>		
Cash	\$ 7,617,376	\$ 7,685,601
Receivables		
State and federal aid	3,503,451	3,554,541
Other receivables	17,100	1,019
Due from other governments	1,037,274	1,009,769
Due from other fiduciary funds	12	-
Inventories	40,043	26,164
Prepaid expenses	-	3,400
Net pension asset - NYS Teachers' Retirement System	-	6,898,076
Capital assets, net	34,992,859	35,710,425
Total assets	47,208,115	54,888,995
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	7,781,686	3,274,468
Total assets and deferred outflows of resources	\$ 54,989,801	\$ 58,163,463
<b>Liabilities</b>		
Current liabilities		
Accounts payable and retainage payable	\$ 151,497	\$ 297,771
Accrued liabilities	287,802	231,313
Accrued interest	10,000	17,000
Due to other governments	704	923
Due to retirement systems	1,491,835	1,567,992
Unearned revenue	6,151	10,696
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	1,625,000	2,360,000
Compensated absences	148,369	129,678
Portion due or payable after one year		
Bonds payable	6,168,562	7,860,675
Net pension liability - NYS Teachers' Retirement System	710,836	-
Net pension liability - NYS Employees' Retirement System	1,113,134	1,979,418
Compensated absences	927,631	960,322
Total liabilities	12,641,521	15,415,788
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	430,344	2,624,677
Total liabilities and deferred inflows of resources	13,071,865	18,040,465
<b>Net Position</b>		
Net investment in capital assets	27,336,077	25,626,530
Restricted	4,674,443	3,977,722
Unrestricted	9,907,416	10,518,746
Total net position	41,917,936	40,122,998
Total liabilities, deferred inflows of resources and net position	\$ 54,989,801	\$ 58,163,463

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

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

**Schedule 2**

**Page 11**

		Indirect	Program Revenues		2017	2016
	Expenses	Expenses Allocation	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
<b>Functions/Programs</b>						
General support	\$ 4,492,560	\$ 204,607	\$ -	\$ -	\$ (4,697,167)	\$ (4,087,029)
Instruction	20,911,072	761,215	2,380,471	1,476,001	(17,815,815)	(15,381,473)
Pupil transportation	1,885,553	332,801	-	486,841	(1,731,513)	(1,545,982)
Debt service - interest	204,831	-	-	-	(204,831)	(517,757)
Food service program	685,196	-	221,412	489,208	25,424	20,018
Depreciation	1,298,623	(1,298,623)	-	-	-	-
Total functions and programs	\$ 29,477,835	\$ -	\$ 2,601,883	\$ 2,452,050	(24,423,902)	(21,512,223)
<b>General Revenues</b>						
Real property taxes					4,986,534	4,979,693
Sales tax					752,933	759,144
Use of money and property					28,804	29,868
Sale of property and compensation for loss					(19,484)	(10,253)
Miscellaneous					322,562	263,366
State sources					19,025,302	18,416,669
Federal sources					1,122,189	1,031,794
Total general revenues					26,218,840	25,470,281
<b>Change in net position</b>					1,794,938	3,958,058
Net position - beginning of year					40,122,998	36,164,940
<b>Net position - end of year</b>					<u>\$ 41,917,936</u>	<u>\$ 40,122,998</u>

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

**Schedule 3**

**Page 12**

	<i>Governmental Funds</i>						
	General	Special Aid	Food Service	Debt Service	Capital Projects	2017 (Memo only) Total	2016 (Memo only) Total
<b>Assets</b>							
Unrestricted cash	\$ 2,647,647	\$ 45,902	\$ 102,511	\$ -	\$ 146,873	\$ 2,942,933	\$ 3,707,879
Restricted cash	4,530,973	-	-	143,470	-	4,674,443	3,977,722
Due from other funds	791,714	294	-	-	-	792,008	591,974
State and federal aid receivable	2,658,720	813,105	31,626	-	-	3,503,451	3,554,541
Other receivables	695	14,103	2,302	-	-	17,100	1,019
Due from other governments	1,037,274	-	-	-	-	1,037,274	1,009,769
Inventories and prepaid expenses	-	-	40,043	-	-	40,043	29,564
Total assets	<u>\$ 11,667,023</u>	<u>\$ 873,404</u>	<u>\$ 176,482</u>	<u>\$ 143,470</u>	<u>\$ 146,873</u>	<u>\$ 13,007,252</u>	<u>\$ 12,872,468</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Equity</b>							
<b>Liabilities</b>							
Accounts payable	\$ 133,952	\$ 16,568	\$ 977	\$ -	\$ -	\$ 151,497	\$ 297,771
Accrued liabilities	279,365	8,437	-	-	-	287,802	231,313
Due to other funds	294	780,207	1,402	-	10,093	791,996	591,974
Unearned revenue	-	385	5,766	-	-	6,151	10,696
Due to other governments	-	-	704	-	-	704	923
Due to Teachers' Retirement System	1,268,672	61,765	-	-	-	1,330,437	1,416,995
Due to Employees' Retirement System	144,497	6,042	10,859	-	-	161,398	150,997
Total liabilities	<u>1,826,780</u>	<u>873,404</u>	<u>19,708</u>	<u>-</u>	<u>10,093</u>	<u>2,729,985</u>	<u>2,700,669</u>
<b>Deferred inflow of resources</b>							
Unavailable revenue - Native American tuition and Erie County sales tax	2,354,173	-	-	-	-	2,354,173	2,424,622
<b>Fund Equity</b>							
Fund equity:							
Nonspendable	-	-	40,043	-	-	40,043	28,422
Restricted	4,530,973	-	-	143,470	-	4,674,443	3,977,722
Assigned	1,924,834	-	116,731	-	136,780	2,178,345	2,551,494
Unassigned	1,030,263	-	-	-	-	1,030,263	1,189,539
Total fund equity	<u>7,486,070</u>	<u>-</u>	<u>156,774</u>	<u>143,470</u>	<u>136,780</u>	<u>7,923,094</u>	<u>7,747,177</u>
Total liabilities, deferred inflow of resources and fund equity	<u>\$ 11,667,023</u>	<u>\$ 873,404</u>	<u>\$ 176,482</u>	<u>\$ 143,470</u>	<u>\$ 146,873</u>	<u>\$ 13,007,252</u>	<u>\$ 12,872,468</u>

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

**Schedule 4**

**Page 13**

	Governmental Funds					2017	2016
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
<b>Revenue</b>							
Real property taxes and tax items	\$ 4,986,534	\$ -	\$ -	\$ -	\$ -	\$ 4,986,534	\$ 4,979,693
Non-property taxes	753,176	-	-	-	-	753,176	761,020
Charges for services	2,450,677	-	-	-	-	2,450,677	2,506,544
Use of money and property	26,314	-	288	2,490	-	29,092	30,084
Sale of property compensation for loss	1,789	-	-	-	-	1,789	4,225
Miscellaneous	322,562	-	1,837	-	-	324,399	265,238
State sources	19,025,302	859,682	16,531	-	-	19,901,515	19,131,600
Federal sources	1,122,189	1,103,160	449,777	-	-	2,675,126	2,498,835
Surplus food	-	-	22,900	-	-	22,900	24,854
Sales (school food service)	-	-	219,287	-	-	219,287	227,672
Total revenue	28,688,543	1,962,842	710,620	2,490	-	31,364,495	30,429,765
<b>Expenditures</b>							
General support	3,859,000	-	268,681	-	-	4,127,681	3,729,291
Instruction	14,336,950	1,112,655	-	-	-	15,449,605	14,777,092
Pupil transportation	1,436,309	486,841	-	-	-	1,923,150	1,665,092
Employee benefits	6,179,430	363,346	81,401	-	-	6,624,177	6,190,144
Debt service							
Principal	2,360,000	-	-	-	-	2,360,000	2,270,000
Interest	278,944	-	-	-	-	278,944	370,191
Capital outlay	-	-	-	-	89,907	89,907	126,575
Cost of sales	-	-	311,800	-	-	311,800	304,113
Other expenses	-	-	23,314	-	-	23,314	33,031
Total expenditures	28,450,633	1,962,842	685,196	-	89,907	31,188,578	29,465,529
Excess (deficiency) of revenue over expenditures	237,910	-	25,424	2,490	(89,907)	175,917	964,236
<b>Other sources and uses</b>							
Proceeds from refunding bonds	-	-	-	-	-	-	3,275,348
Payment to refunded bond escrow agent	-	-	-	-	-	-	(3,275,348)
Operating transfers in	840,093	-	-	-	100,000	940,093	148,572
Operating transfers out	(100,000)	-	-	(830,000)	(10,093)	(940,093)	(148,572)
Total other sources (uses)	740,093	-	-	(830,000)	89,907	-	-
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	978,003	-	25,424	(827,510)	-	175,917	964,236
Fund equity, beginning of year	6,508,067	-	131,350	970,980	136,780	7,747,177	6,782,941
<b>Fund equity, end of year</b>	\$ 7,486,070	\$ -	\$ 156,774	\$ 143,470	\$ 136,780	\$ 7,923,094	\$ 7,747,177

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



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

**Schedule 5**

**Page 14**

	Private Purpose Trusts	Agency Funds	Total 6/30/2017	(Memo only) Total 6/30/2016
<b>Assets</b>				
Cash	\$ 603,966	\$ 203,208	\$ 807,174	\$ 790,936
Accounts receivable	-	8,994	8,994	5,890
Total assets	<u>\$ 603,966</u>	<u>\$ 212,202</u>	<u>\$ 816,168</u>	<u>\$ 796,826</u>
<b>Liabilities</b>				
Accrued liabilities	\$ -	\$ 119,413	\$ 119,413	\$ 94,132
Due to other funds	-	12	12	-
Student extraclassroom activity funds	-	92,777	92,777	98,524
Total liabilities	<u>-</u>	<u>212,202</u>	<u>212,202</u>	<u>192,656</u>
<b>Net position</b>				
Reserved for scholarships	<u>603,966</u>	<u>-</u>	<u>603,966</u>	<u>604,170</u>
Total liabilities and net position	<u>\$ 603,966</u>	<u>\$ 212,202</u>	<u>\$ 816,168</u>	<u>\$ 796,826</u>

**GOWANDA CENTRAL SCHOOL DISTRICT****Schedule 6****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017****Page 15**

	6/30/2017	(Memo only) 6/30/2016
<b>Additions</b>		
Gifts and contributions	\$ 2,636	\$ 529,872
Interest earnings	1,510	984
Total additions	4,146	530,856
<b>Deductions</b>		
Scholarships awarded	4,350	3,011
<b>Change in net position</b>	(204)	527,845
Net position - beginning of year	604,170	76,325
<b>Net position - end of year</b>	<u>\$ 603,966</u>	<u>\$ 604,170</u>

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

---

**Total fund balances - governmental funds**

\$ 7,923,094

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

\$ 55,139,837

Accumulated depreciation

(20,146,978)

34,992,859

Native American aid and sales tax earned throughout the fiscal year is reported as revenue on the government-wide basis. Amounts not available for use are not recognized as revenue in the governmental funds until measurable and available and therefore classified as deferred inflows of resources on the balance sheets.

2,354,173

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

(10,000)

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

7,351,342

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, net

(7,793,562)

Net pension liability - TRS

(710,836)

Net pension liability - ERS

(1,113,134)

Compensated absences

(1,076,000) (10,693,532)

**Total net position - governmental activities**

\$ 41,917,936

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
<b>Assets</b>					
Cash	\$ 7,617,376	\$ -	\$ -	\$ -	\$ 7,617,376
Due from other funds	792,008	-	-	(791,996)	12
State and federal aid receivable	3,503,451	-	-	-	3,503,451
Other receivables	17,100	-	-	-	17,100
Due from other governments	1,037,274	-	-	-	1,037,274
Inventories and prepaid expenses	40,043	-	-	-	40,043
Capital assets, net	-	34,992,859	-	-	34,992,859
Total assets	13,007,252	34,992,859	-	(791,996)	47,208,115
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions	-	7,781,686	-	-	7,781,686
Total assets and deferred outflows of resources	\$ 13,007,252	\$ 42,774,545	\$ -	\$ (791,996)	\$ 54,989,801
<b>Liabilities and Fund Equity</b>					
<b>Liabilities</b>					
Accounts payable	\$ 151,497	\$ -	\$ -	\$ -	\$ 151,497
Accrued liabilities	287,802	-	-	-	287,802
Accrued interest	-	-	10,000	-	10,000
Due to other funds	791,996	-	-	(791,996)	-
Deferred revenue	6,151	-	-	-	6,151
Due to other governments	704	-	-	-	704
Due to retirement systems	1,491,835	-	-	-	1,491,835
Bonds payable	-	-	7,793,562	-	7,793,562
Net pension liabilities	-	1,823,970	-	-	1,823,970
Compensated absences	-	-	1,076,000	-	1,076,000
Total liabilities	2,729,985	1,823,970	8,879,562	(791,996)	12,641,521
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to Native American tuition	2,354,173	(2,354,173)	-	-	-
Deferred inflows related to pensions	-	-	430,344	-	430,344
Total liabilities and deferred inflows of resources	5,084,158	(530,203)	9,309,906	(791,996)	13,071,865
<b>Fund equity and net position</b>					
	7,923,094	43,304,748	(9,309,906)	-	41,917,936
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 13,007,252	\$ 42,774,545	\$ -	\$ (791,996)	\$ 54,989,801

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

---

**Total net change in fund balances - governmental funds** \$ 175,917

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	\$ 602,330	
Depreciation expense	<u>(1,298,623)</u>	(696,293)

Sales tax revenue in the government-wide statement of activities that do not provide financial resources are not reported as revenue in the statement of revenue, expenditures and changes in fund equity.	(243)
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Native American tuition revenue in the government-wide statement of activities that do not provide financial resources are not reported as revenue in the statement of revenue, expenditures and changes in fund equity.	(70,206)
--	----------

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.	(21,273)
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Repayment of bond principal (including refundings) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,434,113
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District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts from changes in proportion are recorded in the statement of activities, whereas in the governmental funds pension expense is based on the District's required contribution to pension plans.	(41,077)
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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, special termination benefits and compensated absences earned exceeded the amounts paid.	<u>14,000</u>
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<b>Change in net position of governmental activities</b>	<b><u>\$ 1,794,938</u></b>
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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
<b>Revenue</b>					
Real property taxes	\$ 4,986,534	\$ -	\$ -	\$ -	\$ 4,986,534
Non-property taxes	753,176	(243)	-	-	752,933
Charges for services	2,450,677	-	-	(2,450,677)	-
Use of money and property	29,092	-	-	(288)	28,804
Sale of property compensation for loss	1,789	(21,273)	-	-	(19,484)
Miscellaneous	324,399	-	-	(1,837)	322,562
State sources	19,901,515	-	-	(876,213)	19,025,302
Federal sources	2,675,126	-	-	(1,552,937)	1,122,189
Surplus food	22,900	-	-	(22,900)	-
Sales (school food service)	219,287	-	-	(219,287)	-
Total revenue	31,364,495	(21,516)	-	(5,124,139)	26,218,840
<b>Expenditures</b>					
General support	4,127,681	195,307	-	374,179	4,697,167
Instruction	15,449,605	823,492	(14,000)	1,556,718	17,815,815
Pupil transportation	1,923,150	(75,258)	-	(116,379)	1,731,513
Employee benefits	6,624,177	-	41,077	(6,665,254)	-
Debt service	2,638,944	-	(2,434,113)	-	204,831
Capital outlay	89,907	(177,042)	-	87,135	-
Cost of sales	311,800	-	-	(337,224)	(25,424)
Other expenses	23,314	-	-	(23,314)	-
Total expenditures	31,188,578	766,499	(2,407,036)	(5,124,139)	24,423,902
Excess (deficiency) of revenue over expenditures	175,917	(788,015)	2,407,036	-	1,794,938
<b>Other sources and uses</b>					
Operating transfers in	940,093	-	-	(940,093)	-
Operating transfers out	(940,093)	-	-	940,093	-
Total other sources (uses)	-	-	-	-	-
<b>Net change for year</b>	\$ 175,917	\$ (788,015)	\$ 2,407,036	\$ -	\$ 1,794,938

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

**Page 18**

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

**I. Significant Accounting Policies**

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

**A. Reporting Entity**

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

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

**1. The Extraclassroom Activity Funds**

The extraclassroom activity funds of **Gowanda Central School District** represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are included as supplementary information to these audited financial statements, located on pages 57-60 of this report.

**B. Joint Venture**

The **Gowanda 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 \$2,861,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$1,423,000 for the year ended June 30, 2017. 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.

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

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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 funds:

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

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

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

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

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

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

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

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

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

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Non-expendable trust funds are accounted for on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.



**GOWANDA CENTRAL SCHOOL DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2017**

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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. Inventory**

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

**G. Investments**

Investments are stated at current market value.

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

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

**I. Capital Assets**

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

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

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

**I. Capital Assets (continued)**

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	50 years
Land			
improvements	5,000	Straight-line	25-30 years
Furniture and equipment	5,000	Straight-line	5-20 years
Transportation vehicles	5,000	Straight-line	8 years
Car/auto vehicles	5,000	Straight-line	5 years

**J. Compensated Absences**

Sick leave and Retirement Incentive Pay - certain of the District's employee groups have negotiated retirement incentive 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.

**K. Unearned Revenue**

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

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position.

This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension TRS and ERS systems after the measurement date.

**GOWANDA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualify for reporting in this category and is related to pensions reported in the district-wide Statement of Net Position.

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

In addition to liabilities, the Balance Sheet will report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflow of resources, represents an acquisition of revenue by the District that is applicable to a future reporting period. The District has two items that qualify for reporting in this category, Native American tuition and Erie County sales tax. Although these revenue resources are measurable and earned at year-end, they are not available to pay current expenditures and therefore classified as deferred inflows of resources.

**M. 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:

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

**M. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**A. Nonspendable (continued)**

**1. Prepaid Expenses**

This reserve is used to account for expenditures that were prepaid at the end of the fiscal year. This reserve is accounted for in the School Food Service Fund.

**2. 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:

**1. Unemployment Reserve**

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

**2. Reserve for Employee Benefits**

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

**GOWANDA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**M. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**3. 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.

**4. Employee Retirement Contribution Reserve**

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.

**5. 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. The reserve may be established by board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. This reserve is accounted for in the General Fund.

**6. 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 and this reserve is accounted for in the private purpose trust fund

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

**M. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**C. Committed**

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

**D. Assigned**

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

**1. Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. As of June 30, 2017, the District has a reserve for encumbrances in the amount of \$437,998.

**2. Appropriated Fund Balance**

General Fund - The amount of \$1,486,836 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2018 as allowed by Section 1318 of the Real Property Tax Law.

**E. Unassigned**

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

**GOWANDA CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**M. Fund Equity (continued)**

**2. Government-wide financial statements**

**A. Net Investment in Capital Assets**

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

**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 assets of the District not restricted for any other purpose.

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

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

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

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

**N. 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.
- 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.

**2. Budget Basis for Accounting**

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

The budget and actual comparison for Food Service Fund, included in the combined schedule of revenue and expenditures and changes in fund Equity - budget and actual, reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special aid fund and capital project fund 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.

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

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

**O. Property Taxes**

**1. Calendar**

Real property taxes are levied annually by the Board of Education no later than September 15 and become a lien on November 16 in Chautauqua and Cattaraugus Counties, and December 1 in Erie County.

**2. Enforcement**

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

**P. Interfund Transfers**

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

**Q. Estimates**

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

**R. Deferred Compensation Plan**

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

**S. Reclassifications**

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

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

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

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

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

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

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

**1. Long-term Revenue Differences**

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

**2. 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.



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

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**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 Assets.

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

**I. Cash**

The **Gowanda 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.

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

**A. Deposits**

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

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

Total financial institution (bank) balances at June 30, 2017 per the bank were approximately \$9,372,000. Deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Carrying Value</u>
\$ 595,000	\$ 8,777,000	\$ 9,372,000

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

**I. Cash (continued)**

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

**II. Interfund Transactions**

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 791,714	\$ 294
Special Aid Fund	294	780,207
Food Service Fund	-	1,402
Capital Projects Fund		10,093
Agency Fund		12
Total	<u>\$ 792,008</u>	<u>\$ 792,008</u>

Interfund transactions for the year ended June 30, 2017 are as follows:

	<u>Interfund Revenue</u>	<u>Interfund Expenditures</u>
General Fund	\$ 840,093	\$ 100,000
Debt Service Fund	-	830,000
Capital Projects Fund	100,000	10,093
Total	<u>\$ 940,093</u>	<u>\$ 940,093</u>

During the year ended June 30, 2017, the District transferred \$100,000 from the general fund to the capital project fund to fund the capital outlay project. In addition, the District \$10,093 from the capital projects fund to the general fund which represented the unspent funds related to the capital outlay project. Lastly, the District transferred \$830,000 from the debt service fund to the general fund to pay for debt service costs.

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

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

**III. Receivables**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Food Service	State and Federal Aid	\$ 31,626
Food Service	Other receivable	2,302
Special Aid	State and Federal Aid	813,105
Special Aid	Other Receivable	14,103
General	State and Federal Aid – Native American Tuition	2,250,053
General	State and Federal Aid	408,667
General	Other receivable	695
General	Due from Other Governments	1,037,274
		<u>\$ 4,557,825</u>

**IV. Capital Assets**

During the current year, the District had capital additions in the amount of \$602,330 of which \$425,288 and \$177,042 was related to equipment/vehicle purchases and buildings, respectively. Current year depreciation of \$1,298,623 consisted of \$985,132 and \$313,491 related to building improvements and furniture and equipment, respectively.

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

**IV. Capital Assets (continued)**

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

	<u>Beginning Balance 07/01/16</u>	<u>Change</u>	<u>Ending Balance 06/30/17</u>
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 88,200	\$ -	\$ 88,200
Construction-in-progress	-	-	-
Capital assets that are depreciated:			
Buildings and improvements	49,460,487	177,042	49,637,529
Furniture and equipment	5,211,711	202,397	5,414,108
Total historical cost	<u>54,672,198</u>	<u>\$ 379,439</u>	<u>55,051,637</u>
Buildings and improvements	15,096,224	\$ 985,168	16,081,392
Furniture and equipment	3,953,749	111,837	4,065,586
Total accumulated depreciation	<u>19,049,973</u>	<u>\$1,097,005</u>	<u>20,146,978</u>
Total net book value	<u>\$35,710,425</u>		<u>\$34,992,859</u>
Depreciation expense was charged to governmental functions as follows:			
General support		\$ 204,607	
Instruction		761,215	
Pupil transportation		332,801	
		<u>\$1,298,623</u>	

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

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

**V. Liabilities**

**A. Pension Plans**

**1. Plan Descriptions and Benefits Provided**

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

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

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

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State

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

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

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

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

**2. Contributions**

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



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

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

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**2. Contributions (continued)**

Year	TRS	ERS
2017	\$ 1,268,000	\$ 503,000
2016	1,358,000	577,000
2015	1,749,000	582,000

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

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

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

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

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

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

Actuarial valuation date	ERS 3/31/2017	TRS 6/30/16
Net pension liability	\$ 1,113,134	\$ 710,836
District's portion of the Plan's total net pension liability	.0118466%	.066369%

For the year ended June 30, 2017, the District's recognized pension expense of \$647,424 for ERS and \$1,176,740 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 27,894	\$ -	\$ 169,036	\$ 230,920
Changes of assumptions	380,287	4,049,377	-	-
Net difference between projected and actual earnings on pension plan investments	222,338	1,598,334	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	55,577	17,982	20,371	10,017
District's contributions subsequent to the measurement date	161,398	1,268,499	-	-
Total	\$ 847,494	\$ 6,934,192	\$ 189,407	\$ 240,937

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

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

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

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

	ERS	TRS
Year ended:		
2018	\$ 381,887	\$ 1,763,850
2019	220,489	495,351
2020	202,183	1,736,661
2021	(146,472)	1,350,453
2022	-	619,870
Thereafter	-	727,070

**4. Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/2017	6/30/16
Actuarial valuation date	4/1/16	6/30/15
Interest rate	7%	7.5%
Salary scale	3.8% average 4/1/10 – 3/31/15	1.9%–4.72% 7/1/09 – 6/30/14
	System's	System's
Decrement tables	Experience	Experience
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 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 Society of Actuaries scale MP2014, applied on a generational basis. Active members' mortality rates are based on plan members' experience.

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

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**4. Actuarial Assumptions (continued)**

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

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

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

**5. Discount Rate**

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

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

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

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

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

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension (asset)/ liability	\$ 3,555,129	\$ 1,113,134	\$ (951,568)
TRS			
Employer's proportionate share of the net pension (asset)/ liability	\$ 9,274,476	\$ 710,836	\$ (6,471,896)

**7. Pension Plan Fiduciary Net Position**

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

	(In thousands)	
	ERS	TRS
Valuation date	3/31/2017	6/30/16
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184
Plan Net Position	\$ 168,004,363	\$ 107,506,142
Employers' net pension liability	\$ 9,396,223	\$ 1,071,042
Ratio of plan net position to be Employers' total pension liability	94.7%	99.0%

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

**V. Liabilities (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, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$161,398.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$1,330,437(employer contributions \$1,268,499 and employee contributions of \$61,938).

**B. Post-Employment Benefits**

The District has no liability related to other post-employment benefits as prescribed by GASB 45 as the District does not provide health insurance to its retirees.

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

**Page 31**

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

**V. Liabilities (continued)**

**C. Indebtedness**

**1. Short-Term Debt**

**a. Bond Anticipation Notes**

The District may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds.

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. The District did not issue any bond anticipation notes during the year and there was no balance outstanding as of June 30, 2017.

**b. Short-Term Debt Interest**

The District had no interest on short-term debt for the year ended June 30, 2017.

**2. Long-Term Debt**

**a. Debt Limit**

At June 30, 2017, the total indebtedness represents approximately 34% of its debt limit.

**b. Serial Bonds**

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

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

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

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

**c. Changes**

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

	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>	<b>Amounts Due Within One Year</b>
Serial bonds	\$ 7,793,562	\$ 10,220,675	\$ 1,625,000
Net pension liability	1,823,970	1,979,418	-
Compensated absences	1,076,000	1,090,000	148,369
	<u>\$ 10,693,532</u>	<u>\$ 13,290,093</u>	<u>\$ 1,773,369</u>

**d. Summary**

1. The following is a summary of maturity of serial bonds indebtedness on June 30, 2017.

<b>Description of Issue</b>	<b>Outstanding June 30, 2017</b>
<u>Serial Bonds:</u>	
Building Construction and Reconstruction Bonds, issued October 31, 2012 with maturity date of June 2019; bonds carry interest at 3.0% - 5.0%. Refunded previous 2002 serial bonds.	\$ 1,385,000
Building Construction and Reconstruction Bonds, issued July 2015 with maturity date of December 15, 2021; bonds carry interest at 2%. Refunded previous 2003 and 2007 serial bonds	2,570,000
Building Construction and Reconstruction Bonds, issued June 16, 2015 with maturity date of June 2027; bonds carry interest at 1.0% - 2.75%.	3,450,000
<u>Serial Bonds:</u>	
Bonds related to BOCES capital project, issued June 15, 2006 with maturity date of June 2019; bonds carry interest at 3.5% - 4.0%.	75,000
Subtotal of serial bonds	7,480,000
Add: unamortized bond premium	313,562
	<u>\$ 7,793,562</u>

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

**Page 32**

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

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

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

**e. Maturity**

1. The following is a summary of maturing debt service requirements for serial bonds and capital leases:

Year	Serial Bonds	
	Principal	Interest
2018	\$ 1,625,000	\$ 191,044
2019	1,685,000	139,231
2020	775,000	85,881
2021	790,000	69,831
2022	800,000	53,531
2023-2027	1,805,000	131,375
Total	\$ 7,480,000	\$ 670,893

**f. Long-Term Debt Interest**

Interest expense on long-term debt amounted to \$278,944 for the year ended June 30, 2017 and consisted of interest paid on bonds held by the district.

**3. Refunding of Long-Term Debt**

On July 9, 2015, the District issued general obligation bond series 2015 of \$3,225,000 (par value) with an interest rate of 2% to refund general obligation bonds originally issued in 2003 and 2007 with interest rates ranging from 3.5% to 4.125%. The net proceeds of \$3,184,705 (after discounts, bond issuance costs and additional cash of \$90,643 and issue premium of \$50,348) were used to purchase government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments of the bonds.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements.

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

**VI. Fund Equity**

**A. Classification**

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

Category / Fund	Description	Balance June 30, 2017
<b>Nonspendable:</b>		
Food Service	Inventory	\$ 40,043
<b>Restricted:</b>		
General	Reserve for employee benefits	\$ 403,583
	Reserve for retirement system contributions	668,966
	Reserve for unemployment	75,339
	Reserve for capital	3,270,288
	Insurance reserve	112,797
		<u>\$ 4,530,973</u>
Debt Service	Fund Balance	<u>\$ 143,470</u>
Trust and Agency	Reserve for endowment Scholarships	<u>\$ 603,966</u>
<b>Assigned:</b>		
General	Appropriated Fund Balance	\$ 1,486,836
	Encumbrances	437,998
		<u>\$ 1,924,834</u>
Food Service	Fund Balance	<u>\$ 116,731</u>
Capital Projects	Fund Balance	<u>\$ 136,780</u>

**B. Assigned – Appropriated Fund Balance**

General Fund - The amount of \$1,486,836 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2018 as allowed by Section 1318 of the Real Property Tax Law.

**C. District-wide Net Position**

Net position of the District include restricted net position of \$4,674,443 which represents restricted amounts in the general and debt service funds as presented above.

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

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

**VII. Commitments and Contingencies**

**A. Risk Financing and Related Insurance**

**1. General Information**

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

**2. Risk Sharing Pools**

For its employee health and accident coverage, **Gowanda Central School District** is a participant in the NY 44 Health Trust, a public entity risk pool operated for the benefit of Erie and surrounding counties governmental units. 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 Medical Plan obtains independent coverage for insured events in excess of this amount.

The District also participates in Erie #2 Area Schools Self Funded Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Erie #2 Area Schools Self Funded Workers' Compensation Plan is considered a self-sustaining risk pool that will provide coverage for its members up to \$500,000 per insured event and the District has transferred all related risk to the Plan. The excess expenses of any claim above the coverage amount will be paid by the carrier. The Plan has a liability for unbilled and open claims, for which the District has not made a provision for this its share of the liability. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

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

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

**B. Federal and State Grants**

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

**C. Litigation**

The District is involved with various legal proceedings which in the opinion of management will not have a material adverse effect upon the financial position of the District.

**VIII. Native American Tuition and Transportation**

During the fiscal year ended June 30, 2017, the District has claims for reimbursement related to Native American tuition in the amount of \$2,250,053. These amounts were not received as of June 30, 2017 and therefore recorded as a State and Federal Aid receivable. At the date of the audit, the District had no indication as to the date of when such funds would be available to the District. As a result of this uncertainty and based on prior years' experience, the District recorded estimated Native American tuition in the amount of \$2,250,053 as deferred inflows of resources in the fund financial statements. In the district-wide financial statements, the total receivable recognized was recorded as revenue as a result of such reimbursement being earned as of June 30, 2017.

The District received reimbursement for expenditures related to Native American transportation. During the years ended June 30, 2017 and 2016, the District received \$509,205 and \$413,563, respectively which was reported in the special aid fund, along with applicable transportation expenditures.

**VIII. Tax Abatements**

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

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

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**NOTE 4 – CAPITAL PROJECT**

The District also had expenditures in the current year in the amount of \$89,907 related to its capital outlay project and transferred unspent funds in the amount of \$10,093 back to the general fund.

**NOTE 5 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through September 20, 2017, which is the date the financial statements were available to be issued.

***SUPPLEMENTARY INFORMATION***



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

	Original Budget	Revised Budget	Current Year's Revenue	Over (Under) Revised Budget
<b>Revenues</b>				
<b>Local Sources:</b>				
Real property taxes and tax items	\$ 4,981,507	\$ 4,981,507	\$ 4,986,534	\$ 5,027
Non-property tax items	715,365	715,365	753,176	37,811
Charges for services	2,380,214	2,380,214	2,450,677	70,463
Use of money and property	20,500	20,500	26,314	5,814
Sale of property and compensation for loss	900	900	1,789	889
Miscellaneous	177,500	177,500	322,562	145,062
<b>State Sources:</b>				
Basic formula	17,481,900	17,481,900	17,503,162	21,262
BOCES	1,160,312	1,160,312	1,295,145	134,833
Textbooks	72,931	72,931	72,056	(875)
State Emergency Management Aid	-	-	-	-
All other aid	135,834	135,834	154,939	19,105
<b>Federal Sources:</b>				
Medicaid reimbursement	632,118	632,118	1,122,189	490,071
Federal Emergency Management Act	-	-	-	-
<b>Total revenue</b>	<b>27,759,081</b>	<b>27,759,081</b>	<b>28,688,543</b>	<b>929,462</b>
<b>Other Sources:</b>				
Operating transfer in	152,895	152,895	840,093	687,198
<b>Total revenue and other sources</b>	<b>27,911,976</b>	<b>27,911,976</b>	<b>\$ 29,528,636</b>	<b>\$ 1,616,660</b>
Appropriated fund equity	2,026,234	2,887,361		
<b>Total revenue, other sources and appropriated fund equity</b>	<b>\$ 29,938,210</b>	<b>\$ 30,799,337</b>		

See accompanying independent auditor's report.

	Original Budget	Revised Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
<b>Expenditures</b>					
<b>General Support:</b>					
Board of education	\$ 17,548	\$ 27,112	\$ 26,030	\$ -	\$ 1,082
Central administration	248,076	253,555	251,840	-	1,715
Finance	456,855	460,082	413,682	83	46,317
Staff	140,129	265,647	193,743	33,785	38,119
Central services	2,432,020	3,069,906	2,676,382	217,339	176,185
Special items	306,610	307,587	297,323	-	10,264
<b>Instructional:</b>					
Instruction, administration and improvement	861,114	1,026,241	889,419	3,460	133,362
Teaching - regular school	7,921,277	8,155,453	7,832,063	34,466	288,924
Programs for children with handicapping conditions	3,732,364	3,198,287	2,991,471	1,300	205,516
Teaching - special schools	104,772	104,772	79,371	-	25,401
Occupational education	610,117	610,117	587,785	-	22,332
Instructional media	794,322	705,888	617,008	12,200	76,680
Pupil services	1,320,109	1,448,313	1,339,833	14,218	94,262
<b>Pupil Transportation</b>	1,458,568	1,998,399	1,436,309	121,147	440,943
<b>Employee Benefits</b>	6,694,742	6,328,391	6,179,430	-	148,961
<b>Debt Service:</b>					
Debt service principal	19,425	19,425	2,360,000	-	(2,340,575)
Debt service interest	2,619,519	2,619,519	278,944	-	2,340,575
<b>Total expenditures</b>	<b>29,737,567</b>	<b>30,598,694</b>	<b>28,450,633</b>	<b>437,998</b>	<b>1,710,063</b>
<b>Other Uses:</b>					
Transfer to other funds	200,643	200,643	100,000	-	100,643
<b>Total other uses</b>	<b>200,643</b>	<b>200,643</b>	<b>100,000</b>	<b>-</b>	<b>100,643</b>
<b>Total expenditures and other uses</b>	<b>\$ 29,938,210</b>	<b>\$ 30,799,337</b>	<b>28,550,633</b>	<b>\$ 437,998</b>	<b>\$ 1,810,706</b>
<b>Excess of revenue and other sources over expenditures and other uses</b>			<b>\$ 978,003</b>		

**GOWANDA CENTRAL SCHOOL DISTRICT****Schedule SS1A****COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES****IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS****FOR THE YEAR ENDED JUNE 30, 2017****Page 36**

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
<b>Revenue</b>			
State sources	\$ 17,726	\$ 16,531	\$ (1,195)
Federal sources	482,055	449,777	(32,278)
Sales	236,549	219,287	(17,262)
Miscellaneous	150	1,837	1,687
Surplus food	-	22,900	22,900
Use of money and property	180	288	108
Total revenue	736,660	710,620	(26,040)
<b>Expenditures</b>			
General support	284,095	268,681	15,414
Employee benefits	90,380	81,401	8,979
Cost of sales	323,140	311,800	11,340
Other expenses	39,532	23,314	16,218
Total expenditures	737,147	685,196	51,951
<b>Excess (deficiency) of revenue over expenditures</b>	<u>\$ (487)</u>	25,424	<u>\$ 25,911</u>
Fund equity, beginning of year		<u>131,350</u>	
Fund equity, end of year		<u>\$ 156,774</u>	

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

**Schedule SS2**

**Page 37**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

<b>Adopted budget</b>	\$ 29,938,210
<b>Additions:</b>	
Prior year's encumbrances	748,361
<b>Original budget</b>	30,686,571
<b>Budget revisions:</b>	
Utilization of transportation reserve to purchase vehicles	112,766
<b>Final budget</b>	\$ 30,799,337

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

<b>2017-18 voter-approved expenditure budget</b>	<b>\$ 30,025,326</b>
<b>Maximum allowed (4% of 2017-18 budget)</b>	<b>\$ 1,201,013</b>

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

**Unrestricted fund balance:**

Committed fund balance	\$ -
Assigned fund balance	1,924,834
Unassigned fund balance	1,030,263
Total unrestricted fund balance	2,955,097

**Less:**

Appropriated fund balance	1,486,836
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	437,998
Total adjustments	1,924,834

<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:</b>	<b>\$ 1,030,263</b>
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<b>Actual percentage</b>	<b>3.43%</b>
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\* 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.

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

**Schedule SS3**

**Page 38**

Project Title	Original Appropriation	Revised Appropriation	Expenditures				Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2017
			Prior Years	Current Year	Transfer to general fund	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Reconstruction project 2008	\$ 6,821,593	\$ 6,821,593	\$ 6,821,116	\$ -	\$ -	\$ 6,821,116	\$ 477	\$ 5,163,408	\$ 1,407,264	\$ 287,224	\$ 6,857,896	\$ 36,780
2015 Capital Outlay Project	100,000	100,000	-	89,907	10,093	100,000	-	-	-	100,000	100,000	-
2016 Capital Outlay Project	100,000	100,000	-	-	-	-	100,000			100,000	100,000	100,000
Reconstruction project 2006	7,762,492	7,762,492	7,767,196	-	-	7,767,196	(4,704)	5,075,000	1,641,669	1,050,527	7,767,196	-
	<u>\$ 14,784,085</u>	<u>\$ 14,784,085</u>	<u>\$ 14,588,312</u>	<u>\$ 89,907</u>	<u>\$ 10,093</u>	<u>\$ 14,688,312</u>	<u>\$ 95,773</u>	<u>\$ 10,238,408</u>	<u>\$ 3,048,933</u>	<u>\$ 1,537,751</u>	<u>\$ 14,825,092</u>	<u>136,780</u>
Less: Bond anticipation notes outstanding												-
Ending fund equity as of June 30, 2017												<u>\$ 136,780</u>

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

**GOWANDA 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, 2017****Page 39**

Grant Title	Grantors Project No.	Grant Period	Total Revenue	Total Expenditures
Summer School	N/A	2016-17	\$ 188,069	\$ 188,069
Wellness Grant	N/A	2016-17	11,250	11,250
Native American Transportation	N/A	2016-17	509,205	509,205
Universal Pre-Kindergarten	0409-17-0250	2016-17	143,158	143,158
Livermore Grant	N/A	2016-17	8,000	8,000
School breakfast programs	N/A	2016-17	6,075	6,075
School lunch programs	N/A	2016-17	10,456	10,456
			<u>\$ 876,213</u>	<u>\$ 876,213</u>

**GOWANDA CENTRAL SCHOOL DISTRICT**

**Schedule SS4B**

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

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**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Gowanda 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principle, and Audit Requirements of 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.

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

The accompanying **Gowanda Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2017, the District reported in the Schedule of Federal Awards \$22,900 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.

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

**Schedule SS4C**

**Page 40**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
<b>US Department of Education:</b>					
<b>Direct Award:</b>					
Title VII *	84.060	5060A150330	\$ 136,966	\$ 136,966	\$ 136,966
Title VIII, Impact Aid *	84.041	42-NY-2017-6704	996,684	996,684	996,684
<b>Passed through NYS</b>					
<b>Department of Education:</b>					
Title I	84.010A	0021-17-0250	402,578	380,973	380,973
Title I	84.010A	0021-16-0250	3,126	3,126	3,126
Title I, school improvement	84.010A	0011-17-2574	98,925	81,434	81,434
Title I, school improvement	84.010A	0011-16-2574	42,778	42,778	42,778
Title II, Part A	84.367A	0147-17-0250	83,096	77,515	77,515
Title VI - Part B - Rural Schools	84.358B	0006-17-0250	25,463	25,463	25,463
IDEA, Part B Public Law 94-142 **	84.027A	0032-17-0080	308,164	308,164	308,164
IDEA, Pre-school Public Law 99-457 **	84.173A	0033-17-0080	15,217	15,217	15,217
<b>Passed through Chautauqua Opportunities</b>					
21st Century	84.287	Unknown	38,600	31,524	31,524
<b>US Department of Agriculture:</b>					
<b>Passed through NYS</b>					
<b>Department of Education:</b>					
National School Lunch Program ***					
Cash Assistance	10.555	N/A	330,448	330,448	330,448
National School Breakfast Program ***	10.553	N/A	119,329	119,329	119,329
<b>Passed through NYS</b>					
<b>Office of General Services:</b>					
National School Lunch Program ***					
Non-Cash Assistance (commodities)	10.555	N/A	22,900	22,900	22,900
Total expenditures and revenue				\$ 2,572,521	\$ 2,572,521

\* Represents direct Federal funding

\*\* Constitutes a cluster of Federal programs named Special Education Cluster which had total revenue in the amount of \$ 323,381

\*\*\* Constitutes a cluster of Federal programs name Child Nutrition Cluster which had total revenue in the amount of \$ 472,677



**GOWANDA CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF MAJOR PROGRAMS TESTED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Schedule SS4D**

**Page 41**

Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 2,572,521</u>
<b>Major Programs Tested (Type B):</b>		
IDEA, Part B Public Law 94-142 **	84.027A	308,164
IDEA, Pre-school Public Law 99-457 **	84.173A	15,217
National School Lunch Program ***	10.555	353,348
National School Breakfast Program ***	10.553	<u>119,329</u>
Total major programs tested		<u>\$ 796,058</u>
% of Federal programs tested		<u>31%</u>

\*\* Constitutes a cluster of Federal programs named Special Education Cluster.

\*\*\* Constitutes a cluster of Federal programs name Child Nutrition Cluster.

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

**Schedule SS5**

**Page 42**

	Account Code	ST-3 Amount	Audited Amount
<b>Revenues</b>			
Property taxes	A-1001	\$ 4,986,534	\$ 4,986,534
Non-property taxes	AT-1199	753,176	753,176
State aid	AT-3999	19,025,302	19,025,302
Federal aid	AT-4999	1,122,189	1,122,189
Total revenue	AT-5999	29,528,636	29,528,636
<b>Expenditures</b>			
General support	AT-1999	3,859,000	3,859,000
Pupil transportation	AT-5599	1,436,309	1,436,309
Debt service - principal	AT-9798.6	2,360,000	2,360,000
Debt service - interest	AT-9798.7	278,944	278,944
Total expenditures	AT-9999	\$ 28,550,633	\$ 28,550,633

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

Schedule SS6

**Page 43**

Capital assets	\$ 34,992,859
Less:	
Serial bonds	(7,793,562)
Plus:	
Equity in capital projects fund	<u>136,780</u>
Net investment in capital assets	<u>\$ 27,336,077</u>

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

**Schedule SS7**

**Page 44**

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

For the year ended June 30,	2017	2016	2015	2014	2013
Contractually required contributions	\$ 1,268,499	\$ 1,358,004	\$ 1,748,786	\$ 1,607,612	\$ 1,140,307
Contributions in relation to the contractually required contribution	(1,268,499)	(1,358,004)	(1,748,786)	(1,607,612)	(1,140,307)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 10,823,370	\$ 10,241,357	\$ 9,975,961	\$ 9,892,997	\$ 9,630,971
Contributions as a percentage of District's covered-employee payroll	11.72%	13.26%	17.53%	16.25%	11.84%

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

For the year ended March 31,	2017	2016	2015	2014	2013
Contractually required contributions	\$ 502,641	\$ 577,021	\$ 582,072	\$ 609,747	\$ 696,630
Contributions in relation to the contractually required contribution	(502,641)	(577,021)	(582,072)	(609,747)	(696,630)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,347,609	\$ 3,230,306	\$ 3,281,798	\$ 3,303,280	\$ 3,263,294
Contributions as a percentage of District's covered-employee payroll	15.01%	17.86%	17.74%	18.46%	21.35%

**GOWANDA CENTRAL SCHOOL DISTRICT****Schedule SS8****SCHEDULE DISTRICTS PROPORTIONATE SHARE DOF THE  
NET PENSION ASSET – NYSTRS AND PROPORTIONATE SHARE OF  
NET PENSION LIABILITY – NYSLERS****FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2017****Page 45*****New York State Teachers' Retirement System - Net Pension (Asset)/Liability***

As of the measurement date of June 30,	2017	2016	2015	2014	2013
District's proportion of the net pension asset	n/a	0.066369%	0.066412%	0.066973%	0.064760%
District's proportionate share of the net pension (asset)/liability	n/a	\$ 710,836	\$ (6,896,076)	\$ (7,460,404)	\$ (426,283)
District's covered-employee payroll	n/a	\$ 10,241,357	\$ 9,975,961	\$ 9,892,997	\$ 9,630,971
District's proportionate share of the net pension asset as a percentage of its covered employee payroll	n/a	6.94%	69.13%	75.41%	4.43%
Plan fiduciary net position as a percentage of the total pension liability	n/a	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,	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.0118466%	0.0122326%	0.0121287%	n/a	n/a
District's proportionate share of the net pension liability	\$ 1,113,134	\$ 1,979,418	\$ 409,738	\$ 548,080	n/a
District's covered-employee payroll	\$ 3,347,609	\$ 3,230,306	\$ 3,281,798	\$ 3,303,280	n/a
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	33.25%	61.28%	12.49%	16.59%	n/a
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%	n/a	n/a

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



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

**To the President and  
Members of the Board of Education  
*Gowanda Central School District*  
Gowanda, 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 *Gowanda Central School District* as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise *Gowanda Central School District's* basic financial statements and have issued our report thereon dated September 20, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered *Gowanda 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 *Gowanda Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Gowanda Central School District* 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 those 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 certain deficiency in internal control that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item II.A.2017-001.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether *Gowanda 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.

***Gowanda Central School District's Response to Findings***

*Gowanda Central School District's* response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. *Gowanda Central School District's* response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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

*Buffamante Whipple Buttafaro PC*

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

**Olean, New York  
September 20, 2017**



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

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

***Report on Compliance for Each Major Federal Program***

We have audited *Gowanda Central School District's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of *Gowanda Central School District's* major federal programs for the year ended June 30, 2017. *Gowanda Central School District's* major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

***Report on Internal Control Over Compliance***

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



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

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

We noted other matters that we have reported to management of [Gowanda Central School District](#) in a separate letter dated September 20, 2017.

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

*Buffamante Whipple Buttafaro PC*

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

**Olean, New York  
September 20, 2017**

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

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**I. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of **Gowanda 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". This significant deficiency is described in the accompanying schedule of findings and questioned costs as item II.A.2017-001.
3. There were no instances of noncompliance material to the financial statements of **Gowanda 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".
4. No significant deficiencies relating to the audit of the major federal assistance programs of the **Gowanda Central School District** are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Uniform Guidance.
5. The auditor's report on compliance for the major federal assistance programs for the **Gowanda Central School District** expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The programs tested as major programs include:

Name	CFDA#	Program Type	Expenditures Amounts
IDEA, Part B Public Law 94-142**	84.027	Type B	\$ 308,164
IDEA, Pre-school Public Law 99-457**	84.173	Type B	15,217
National School Lunch Program*	10.555	Type B	353,348
National School Breakfast Program	10.553	Type B	119,329
Total tested			<u>\$ 796,058</u>
Percentage of total programs tested			<u>31%</u>

\*\* Represents a cluster of Federal programs named Special Education Cluster

\*\*\* Represents a cluster of Federal programs named Child Nutrition Cluster

8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. **Gowanda Central School District** does qualify as a low-risk auditee.

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

**Page 51**

**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

**Year ended June 30, 2017**

*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 converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors.

*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 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 on these financial statements. Lastly, the District considers such assistance provided by the auditors to be the most cost effective in preparing such information.

**Year ended June 30, 2016**

Similar finding was reported on during the fiscal year ended June 30, 2016 reported as item 2016-001.

**B. COMPLIANCE AND OTHER MATTERS**

**Year ended June 30, 2017**

No findings related to compliance are being reported upon during the fiscal year ended June 30, 2017.

**Year ended June 30, 2016**

No findings related to compliance were reported upon during the fiscal year ended June 30, 2016.

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

**Page 52**

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

**A. COMPLIANCE**

**Year ended June 30, 2017**

No findings related to compliance were reported upon during the fiscal year ended June 30, 2017.

**Year ended June 30, 2016**

No findings related to compliance were reported upon during the fiscal year ended June 30, 2016.

**B. INTERNAL CONTROL OVER COMPLIANCE**

**Year ended June 30, 2017**

No findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2017.

**Year ended June 30, 2016**

No findings related to internal control over compliance were reported on during the fiscal year ended June 30, 2016.



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

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2017 of the District's financial statements and have issued our reports thereon dated September 20, 2017. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

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

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, 2013 through June 30, 2017. 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. *Gowanda Central School District* has provided responses to the additional comments, however, we did not audit these responses and, accordingly, we express no opinion on them.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C**

**Olean, New York  
September 20, 2017**

**GOWANDA CENTRAL SCHOOL DISTRICT**  
**REVENUE AND EXPENDITURES COMPARISON AND**  
**ANALYSIS OF FUND EQUITY (AMOUNTS IN \$1,000)**

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	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
<b>Revenue and other sources</b>					
Property taxes	\$ 4,987	\$ 4,980	\$ 4,902	\$ 4,829	\$ 4,714
Non-property taxes	753	761	765	748	735
State aid	19,025	18,417	18,009	17,378	16,237
All other	4,764	3,834	3,074	3,207	4,590
	<u>29,529</u>	<u>27,992</u>	<u>26,750</u>	<u>26,162</u>	<u>26,276</u>
<b>Expenditures and other uses</b>					
General support	3,859	3,459	3,389	3,164	3,107
Instruction	14,338	13,748	13,228	13,239	12,859
Transportation	1,436	1,286	1,054	1,325	1,012
Benefits	6,179	5,746	6,059	6,018	5,488
Debt	2,639	2,640	2,683	2,645	2,724
Transfers	100	147	122	139	65
	<u>28,551</u>	<u>27,026</u>	<u>26,535</u>	<u>26,530</u>	<u>25,255</u>
<b>Excess (deficiency) of revenue over expenditures</b>	978	966	215	(368)	1,021
<b>Fund equity</b>					
Beginning of year	6,508	5,542	5,327	5,695	4,674
End of year	<u>\$ 7,486</u>	<u>\$ 6,508</u>	<u>\$ 5,542</u>	<u>\$ 5,327</u>	<u>\$ 5,695</u>
<b>Analysis of fund equity</b>					
Restricted					
Reserve for repairs	\$ -	\$ -	\$ -	\$ 30	\$ 30
Reserve for employee benefits	404	603	282	348	415
Reserve for capital/transportation	3,270	1,205	831	698	856
Reserve for unemployment insurance	75	85	61	76	105
Reserve for insurance	113	113	112	112	112
Reserve for retirement system	669	1,001	749	1,008	955
Assigned					
Reserve for encumbrances	438	748	583	188	365
Next year's budget	1,487	1,563	1,809	1,809	1,809
Unassigned	1,030	1,190	1,115	1,058	1,048
	<u>\$ 7,486</u>	<u>\$ 6,508</u>	<u>\$ 5,542</u>	<u>\$ 5,327</u>	<u>\$ 5,695</u>

**GOWANDA CENTRAL SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Page 55**

**Budgeting and Forecasting**

During the fiscal years ended June 30, 2017, 2016 and 2015, the District's actual revenue and expenditures, including encumbrances was different from the budget by approximately \$3,955,000, \$3,623,000 and \$2,644,000, respectively. The District should continue to prepare projections of future revenue and expenditures and should consider incorporating into a three year forecast of revenue and expenditures in the general fund. We realize that such a forecast will require the use of estimates and assumptions of information such as the amount of expected State Aid, expected rate increase in health insurance, potential increase in salaries, etc. However, we believe a forecast is a very useful tool that the District can utilize when negotiating employee contracts, setting future tax rates, and purchasing future equipment. The forecast would also be beneficial in the budgeting process, whereby the District would have an indication as to whether current year operations are running at an overall surplus or deficit.

***District response: The District understands the importance of utilizing revenue and expenditure projections to maintain good fiscal health.***

**Uniform Guidance**

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

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

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

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

The new accounting standard will require governmental entities to report its actuarial accrued liability related to OPEB in the statement of net position within the government-wide financial statements. The District currently does not have post-employment benefits, however, the District participates in a consortium health insurance plan where medical claim costs are pooled and risk is shared by the consortium, which includes retirees from other districts. We recommend that the District have an actuarial study performed by an actuary familiar with the plan to determine whether there is an implicit cost which would have to be quantified and included as a liability.

***District response: The District understands the importance of complying with Statement No. 75 and plans to have an actuarial study during the 17-18 fiscal year.***

**GOWANDA CENTRAL SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

In addition, the District will be required to communicate information about its fund balance reserves to its taxpayers which includes the types of reserves, level of reserves and plan for use of reserve in the upcoming year. The District should begin to plan for this new level of reporting.

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

**Native American Transportation Aid**

The District receives reimbursement for certain transportation costs through New York State Native American Transportation aid. The reimbursements to the District are complex because payments are often received by the District subsequent to the year of when expenditures are incurred. Payments are based on a budgeted amount and also include an amount for the reconciliation or true up of a previous year fiscal year's budget versus actual amounts. It appears that there was a discrepancy related to the reconciliation of the 2013-14 fiscal year, as actual expenditures incurred were \$471,991 versus that record by the NYS Education Department (NYSED) of \$377,308. As a result of the formula, it appears that this difference continues to impact the overall amount reimbursed by the District. We recommend that the District bring this difference to the attention of NYSED in an effort to correct the discrepancy.

***District response: The District will attempt to work with NYS in addressing this discrepancy.***



**GOWANDA CENTRAL SCHOOL DISTRICT**

**EXTRACLASSROOM ACTIVITY FUND  
FINANCIAL STATEMENT**

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

**WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**



## **INDEPENDENT AUDITOR'S REPORT**

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

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

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Gowanda Central School District** for the year ended June 30, 2017 on the basis of accounting described in Note 1.

*Buffamante Whipple Buttafaro PC*

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

**Olean, New York  
September 20, 2017**

**GOWANDA CENTRAL SCHOOL DISTRICT****ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND****JULY 1, 2016 THROUGH JUNE 30, 2017****Page 58**

	Beginning Balance June 30, 2016	2016-17 Receipts	Balance	2016-17 Disbursements	2016-17 Reallocations/ Adjustments	Ending Balance June 30, 2017
<b>High School Activity Funds</b>						
Class of 2016	\$ 7,078	\$ 99	\$ 7,177	\$ 7,177	\$ -	\$ -
Class of 2017	6,438	4,506	10,944	5,262	(343)	5,339
Class of 2018	5,749	15,164	20,913	14,832	273	6,354
Class of 2019	3,561	3,566	7,127	1,078	-	6,049
Class of 2020	-	5,857	5,857	1,675	-	4,182
Fall Pep Band	495	48	543	481	(30)	32
Baseball Club	705	5,205	5,910	4,824	(50)	1,036
Volleyball Club	8,074	13,010	21,084	12,798	300	8,586
Boys' Basketball Club	66	2,953	3,019	3,126	118	11
Cheerleaders' Club	23	8,109	8,132	7,135	-	997
Ecology Club	789	-	789	-	-	789
Football Club	1,947	5,798	7,745	7,511	-	234
Girls' Basketball Club	306	-	306	47	-	259
Cross Country Club	57	3,603	3,660	3,442	(90)	128
Track Club	-	279	279	-	-	279
Lacrosse Club	324	1,615	1,939	270	(1,318)	351
National Honor Society Club	3,199	3,741	6,940	3,402	(50)	3,488
Native American Youth Organization Club	641	176	817	66	-	751
School Store	1,730	1,473	3,203	25	53	3,231
Softball Club	2,337	4,604	6,941	3,691	-	3,250
Spanish Club	8,546	13,869	22,415	20,754	(923)	738
Student Council	6,030	4,823	10,853	4,685	218	6,386
Student Music Boosters Club	326	554	880	573	-	307
Students Against Drunk Driving Club	1,397	1,615	3,012	815	-	2,197
Tennis Club	168	-	168	168	-	-
Thespians Club	5,686	10,342	16,028	11,451	-	4,577
Valley Bugle Club	4,775	9,710	14,485	11,900	1	2,586
Wrestlers Club	1,519	7,818	9,337	5,583	600	4,354
Sales Tax Account	3,070	4,187	7,257	865	(4,038)	2,354
Total high school	75,036	132,724	207,760	133,636	(5,279)	68,845
<b>Middle School Activity Funds</b>						
Class of 2020	2,876	-	2,876	2,876	-	-
Class of 2021	1,514	10,606	12,120	9,879	-	2,241
Class of 2022	-	12,322	12,322	10,175	-	2,147
Happy Tones	12,563	10,443	23,006	10,259	(1)	12,746
Middle School Student Council	6,535	4,390	10,925	4,128	1	6,798
Total middle school	23,488	37,761	61,249	37,317	-	23,932
Total activity funds	\$ 98,524	\$ 170,485	\$ 269,009	\$ 170,953	\$ (5,279)	\$ 92,777

**See accompanying independent auditor's report and notes to financial statement on extraclassroom activity fund.**

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

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

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of **Gowanda Central School District**. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$92,777 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

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

**NOTE 2 – REALLOCATIONS/ADJUSTMENTS**

Included in the annual financial statement on extraclassroom fund is a column for reallocations/adjustments. This column represents transactions that include wire transfers, adjustments to receipts and disbursements and reclassification of transactions between activity funds.

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

**Page 60**

**Internal Profit Margin Analysis**

During our testing of cash receipts, we noted significant improvements in the documentation that demonstrated internal profit margin analyses were being performed on fundraisers. Margin analysis is an excellent tool for analyzing the profitability of a fundraiser, and also identifying any potential errors in record keeping or potential fraud. We recommend that the District continues to emphasize the importance of these analyses and provides the proper training and oversight for those individuals responsible for completing them.

***District response: The District understands the importance of completing a profit margin analysis as an effort to safeguard against record keeping errors or potential fraud. District internal procedures require this analysis to be performed at the conclusion of each fund raising activity and will reiterate the District's expectations with personnel responsible for completing the internal profit margin analysis and as such the personnel responsible for completing the internal profit margin analysis has continued to comply with this expectation.***