

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**Financial Statements  
For the Year Ended June 30, 2018  
Together with  
Independent Auditor's Reports**

**Bonadio & Co., LLP**  
Certified Public Accountants

# SPACKENKILL UNION FREE SCHOOL DISTRICT

JUNE 30, 2018

## TABLE OF CONTENTS

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	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)	3 - 12
FINANCIAL STATEMENTS	
Statement of net position .....	13
Statement of activities .....	14
Balance sheet - Governmental funds .....	15
Reconciliation of the balance sheet - Governmental funds to the statement of net position .....	16
Statement of revenue, expenditures, and changes in fund balance - Governmental funds	17
Reconciliation of the statement of revenue, expenditures, and change in fund balance to the statement of activities - Governmental funds .....	18
Statement of net position - Fiduciary funds .....	19
Statement of change in fiduciary net position - Fiduciary funds .....	20
Notes to financial statements .....	21 - 52
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of revenue, expenditures, and change in fund balance - budget and actual - General fund .....	53-54
Schedule of proportionate share of net pension liability (asset).....	55
Schedule of contributions – pension plans.....	56
Schedule of changes in total OPEB liability and related ratios .....	57
SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of change from original budget to revised budget and Section 1318 of Real Property Tax Law Limit calculation - General Fund .....	58
Schedule of project expenditures - Capital projects fund .....	59
Schedule of net investment in capital assets .....	60

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**TABLE OF CONTENTS (Continued)**

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REQUIRED REPORT

Independent auditor’s report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards* ..... 61-62

Schedule of findings and questioned costs..... 63

## INDEPENDENT AUDITOR'S REPORT

October 11, 2018

The Board of Education of  
Spackenkill Union Free School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spackenkill Union Free School District (School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

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

(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Change in Accounting Principle**

As discussed in Note 3 to the financial statements, during 2018 the School District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

### **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 changes in total OPEB liability and related ratios, schedule of proportionate share of net pension liability (asset), and schedule of contributions – pension plans 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information described in the table of contents required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis, and is not a required part of the basic financial statements.

The supplementary information described in the table of contents required by the New York State Education Department has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018 on our consideration of Spackenkill Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Spackenkill Union Free School District's internal control over financial reporting and compliance.

# **SPACKENKILL UNION FREE SCHOOL DISTRICT**

## **MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2018**

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This section of Spackenkill Union Free School District's annual financial report presents its discussion and analysis of financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

- The School District continues to offer a sound educational plan that supports student achievement.
- The School District's fiscal year 2018 government-wide revenue totaled \$45.5 million (see Table A-4), an increase of approximately 3% from the prior year.
- The total cost of all programs and services totaled \$52.4 million for fiscal year 2018, which represented a \$3.5 million increase from the prior year.
- At June 30, 2018, the School District's governmental funds reported combined fund balance of \$13.6 million. The General Fund operated at a \$1.1 million surplus. The Capital Projects Fund reported a deficit of \$870 thousand which was the result two roofing projects started during the year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

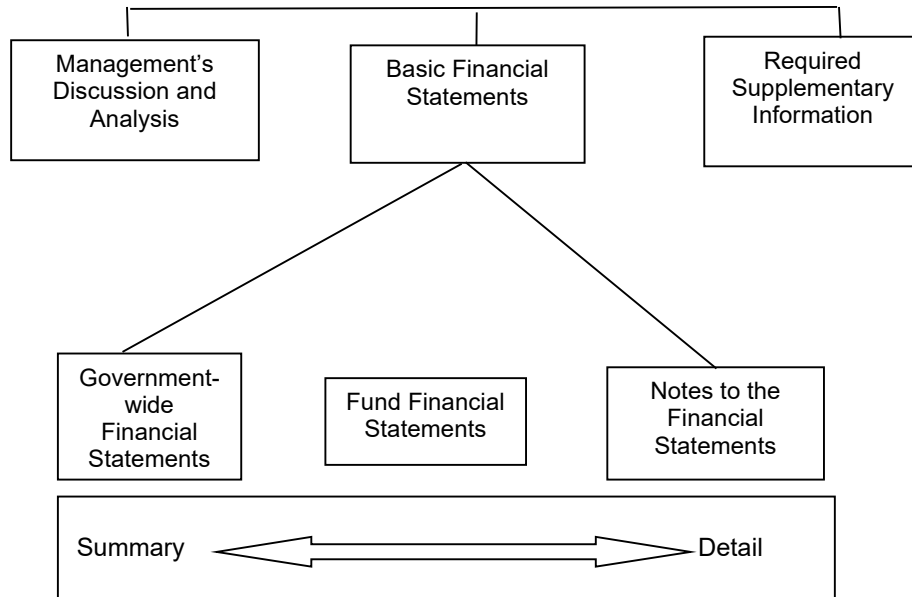
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

**Table A-1** Organization of the School District's Annual Financial Report



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

**Table A-2** Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The daily operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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 and deferred outflow/inflow information	All assets, deferred outflows, liabilities and deferred inflows both financial and capital, short-term and long-term	Assets, deferred outflows/inflows of deferred resources, and liabilities that come due during the year or soon after; 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 revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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

### Government-Wide Statements

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

The two Government-wide statements report the School District's *net position* and how they have changed. Net position - the difference between the School District's assets, deferred inflows and outflows of resources, and liabilities - is one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors, such as changes in the property tax base and the condition of buildings and other facilities, should be considered.



## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Government-Wide Statements (Continued)**

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Net Investment in capital assets
  - Restricted net position are those with constraints placed on use by external sources or imposed by law.
  - Unrestricted net position are net position that do not meet any of the above restrictions.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School District's funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental funds statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Special Aid Fund, School Lunch Fund, Debt Service and the Capital Projects Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School 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 School District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Financial Analysis of the School District as a Whole

The School District's net position as of June 30, 2018, is detailed in Tables A-3 and A-4.

**Table A-3 Condensed** Statements of Net position - Governmental Activities (In Millions) (Rounded)

	Fiscal Year <u>2018</u>	Fiscal Year 2017 <u>(Restated)</u>	Percent <u>Change</u>
Current and other assets	\$ 17.4	\$ 17.5	-1%
Non-Current Assets	<u>19.3</u>	<u>18.0</u>	7%
Total assets	<u>36.7</u>	<u>35.5</u>	3%
Deferred outflows of resources	<u>12.4</u>	<u>12.6</u>	-2%
Current liabilities	5.6	5.6	0%
Long-term liabilities	<u>161.0</u>	<u>155.9</u>	3%
Total liabilities	<u>166.6</u>	<u>161.5</u>	3%
Deferred inflows of resources	<u>3.5</u>	<u>0.6</u>	483%
Net assets:			
Investment in capital assets, net of related debt	6.9	5.1	35%
Restricted	9.2	7.7	19%
Unrestricted	<u>(137.1)</u>	<u>(126.8)</u>	8%
Total net position	<u>\$ (121.0)</u>	<u>\$ (114.0)</u>	6%

Per Table A-3, total deferred outflows of resources decreased slightly and total deferred inflows of resources increased by \$3.0 million in 2018, respectively. Further, non-current assets increased by \$1.3 million. These changes were related to the continued effect of GASB 68 and 71.

Long-term liabilities increased approximately \$5.1 million due an increase in OPEB liability of \$8.5 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Financial Analysis of the School District as a Whole (Continued)

**Table A-4** Changes in Net position from Operating Results Governmental Activities Only  
(In Millions) (Rounded)

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Total % <u>Change</u>
Revenue:			
Charges for services	\$ 0.6	\$ 0.6	0%
Operating grants	0.9	0.8	13%
General revenue:			
Real property taxes	26.7	26.2	2%
Other tax items	6.7	6.8	-2%
Use of money and property	0.5	0.4	25%
State sources	9.5	8.8	8%
Other	<u>0.6</u>	<u>0.4</u>	50%
Total revenue	<u>45.5</u>	<u>44.0</u>	3%
Expenses:			
General support	8.1	6.1	33%
Instruction	41.3	39.7	4%
Pupil transportation	2.1	2.1	0%
Debt service - interest	0.3	0.4	-25%
Cost of sales - school lunch	<u>0.6</u>	<u>0.6</u>	0%
Total expenses	<u>52.4</u>	<u>48.9</u>	7%
Increase (Decrease) in net position	<u>\$ (6.9)</u>	<u>\$ (4.9)</u>	41%

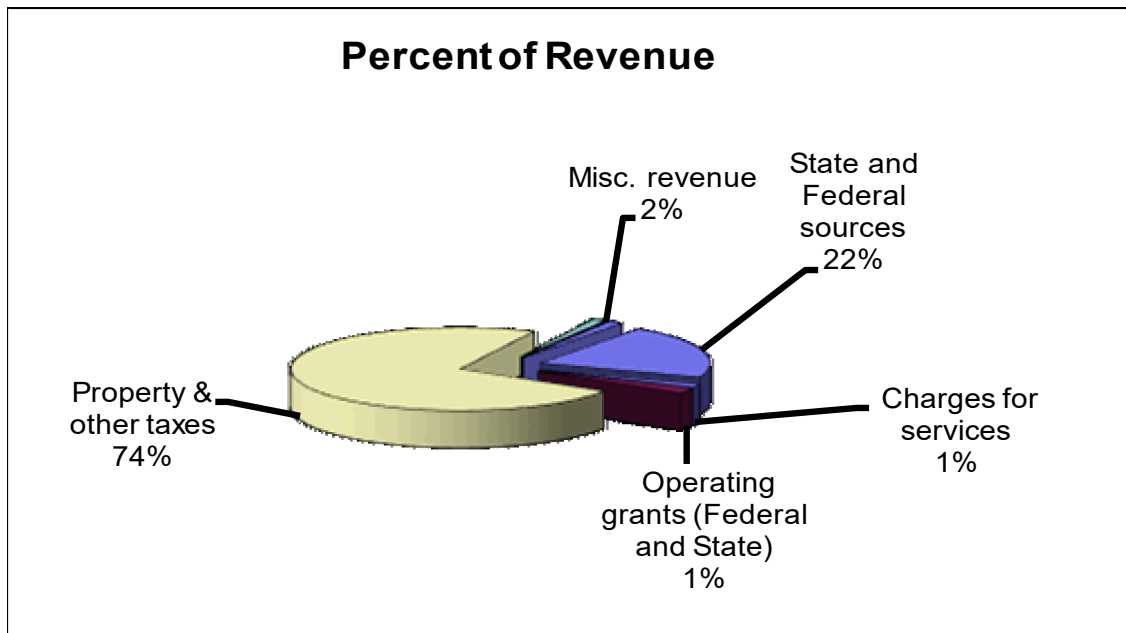
#### Changes in Net Position

The School District's fiscal year 2018 revenue totaled \$45.5 million (see Table A-4), an increase of approximately \$1.5 million compared to the prior year. The increase was primarily attributable to state aid increasing approximately 8% and an increase in real property tax of 2%.

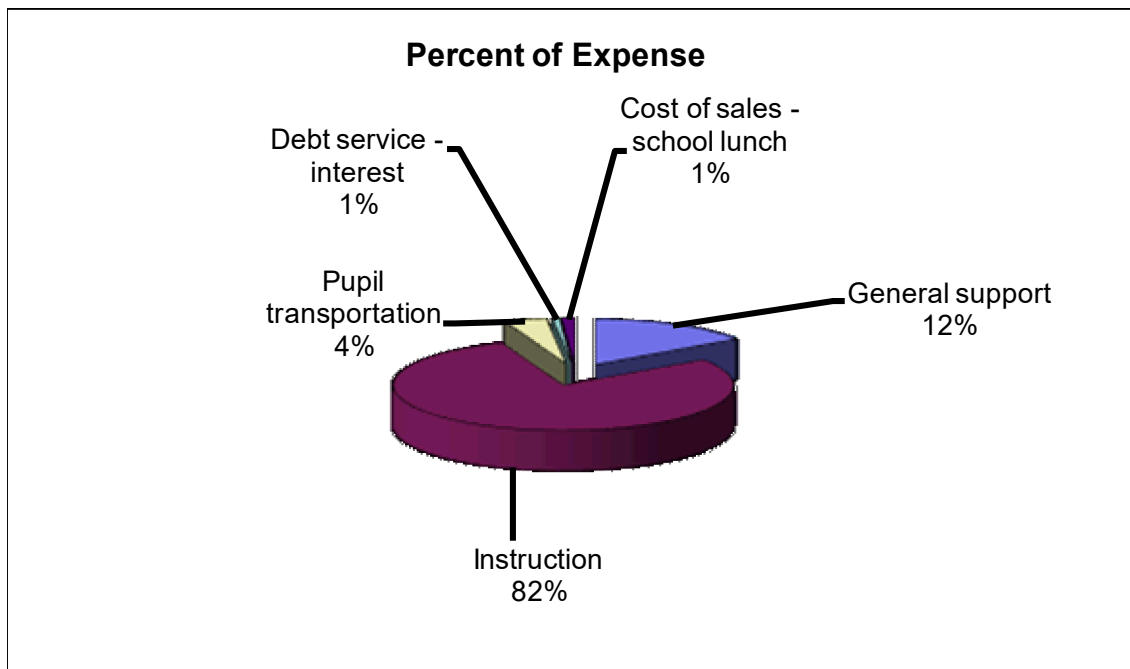
The total cost of all programs and services totaled \$52.4 million for fiscal year 2018. 82% of this was used to support general instruction, (see Table A-6). The School District's board of education, administrative, and business activities accounted for 15% of total costs. The School District's operating expenses increased approximately \$3.4 million which was primarily the result of other postemployment benefits increasing in the current year.

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Table A-5** Sources of Revenue for Fiscal Year 2018



**Table A-6** Expenditures for Fiscal Year 2018



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Governmental Activities

Table A-7 presents the cost of five major District activities: General support (administration), instruction, pupil transportation, debt service and school lunch. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

**Table A-7** Net Cost of Governmental Activities (In Millions)

<u>Category</u>	<u>Total Cost</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net Cost</u>
General support	\$ 8.1	\$ -	\$ -	\$ 8.1
Instruction	41.3	0.2	0.7	40.4
Pupil transportation	2.1	-	-	2.1
Debt service - interest	0.3	-	-	0.3
Cost of sales - school lunch	0.6	0.3	0.2	0.1
Total	<u>\$ 52.4</u>	<u>\$ 0.5</u>	<u>\$ 0.9</u>	<u>\$ 51.0</u>

As shown in Table A-7, the cost of all governmental activities this year was \$52.3 million, of which users and program operating grants from state and federal sources contributed approximately \$1.4 million. The remainder of the costs of \$50.9 million was financed primarily by District taxpayers and general state aid.

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

Variances between years for the governmental fund financial statements are not the same as variances between years for the Government-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

For a district its size, the School District's combined fund balance of \$13.6 million is indicative of a strong financial position. However, with new regulations limiting the increase in tax levies, the School District Administration must continue to monitor its operating results and its financial position.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the General Fund.

The General Fund is the only fund for which a budget is legally adopted. For the purposes of the analysis, the budget columns do not include the appropriated fund balance.

It is noted that instructional expenditures were under budget by \$1.1 million in 2018. Although under budget based on a typical conservative approach, the variance was still significantly less than compared to the prior year budget and actual variance which is partially related to the unpredictable nature of special education expenses on an ongoing basis.

It is also noted that employee benefit expenditures were under budget by approximately \$1.0 million in 2018. This was primarily the result of a conservative budget for health insurance and retirement systems in 2018.

### Actual vs. Budget (In Thousands of Dollars)

	Original Budget	Final Budget	Actual	Encumbrances	Variance (Actual/Budget)
Revenue:					
Local sources	\$ 34,044	\$ 34,119	\$ 34,777	\$ -	\$ 658
State sources	9,240	9,240	9,464	-	224
Medicaid reimbursements	20	20	18	-	(2)
Total	<u>43,304</u>	<u>43,379</u>	<u>44,258</u>	<u>-</u>	<u>879</u>
Expenses:					
General support	4,086	4,648	4,242	207	199
Instruction	25,622	25,776	24,496	155	1,125
Pupil Transportation	1,727	1,925	1,757	64	104
Employee benefits	11,710	11,399	10,558	-	841
Debt service	1,901	2,044	2,036	-	8
Transfers (in) and out, net	170	170	165	-	5
Total	<u>45,216</u>	<u>45,961</u>	<u>43,254</u>	<u>426</u>	<u>2,281</u>
Revenue over (under) expense	<u>\$ (1,912)</u>	<u>\$ (2,583)</u>	<u>\$ 1,004</u>	<u>\$ (426)</u>	<u>\$ 3,162</u>

### Capital Assets

At the end of 2018, the School District had an investment of \$18.4 million in a broad range of capital assets.

**Table A-8** Capital Assets (net of depreciation) (In Millions)

Category:	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Percent <u>Change</u>
Land and land improvements	\$ 0.1	\$ 0.1	0%
Construction in progress	1.2	-	N/A
Buildings and improvements	16.3	17.2	-5%
Furniture and equipment	0.8	0.6	33%
Total	<u>\$ 18.4</u>	<u>\$ 17.9</u>	3%

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Long-Term Liabilities

During 2018, the School District repaid \$1.5 million of outstanding bonds. Also, the School District's OPEB liability increased to \$150.5 million in the current year which is based on an actuarial valuation. More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements.

**Table A-9** Outstanding Long-Term Debt (In Millions)

Category:	Fiscal Year <u>2018</u>	Fiscal Year 2017 <u>(Restated)</u>	Percent <u>Change</u>
General obligation bonds	\$ 11.5	\$ 13.0	-12%
Energy performance contract	-	0.2	-100%
Compensated absences	0.8	0.7	16%
Net pension liability	0.4	2.3	-83%
Other postemployment benefits obligation	<u>150.5</u>	<u>141.9</u>	6%
Total	<u>\$ 163.2</u>	<u>\$ 158.1</u>	3%

### Factors Bearing on the Future of the School District

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

- Health insurance, retirement costs, and other postemployment costs will continue to increase and could potentially affect the School District's financial health.
- The property tax cap continues to put pressure on school districts to keep increases at very modest levels. This has resulted in less conservative budgeting practices.
- Impact of unstable NYS budget could negatively impact the School District's state aid.
- The School District performs multiyear financial planning and has effectively used reserves and financial gains to off-set some future expenditures, which helps to minimize the financial impact to tax payers.

### Contacting the School 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 School District and to demonstrate the School District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Michele Moloney, School Business Manager  
Spackenkill Union Free School District  
15 Croft Road  
Poughkeepsie, New York 12603

**SPACKENKILL UNION FREE SCHOOL DISTRICT****STATEMENT OF NET POSITION  
JUNE 30, 2018****ASSETS**

## CURRENT ASSETS:

Cash - unrestricted	\$ 6,544,628
Cash - restricted	9,674,430
State and federal aid receivable	1,127,993
Other receivables	53,002
Due from fiduciary fund	1,975
Inventory	<u>20,536</u>
Total current assets	<u>17,422,564</u>

## NON-CURRENT ASSETS:

Capital assets, net	18,440,102
Net pension asset- TRS Pension	<u>848,143</u>
Total non-current assets	<u>19,288,245</u>

Total assets 36,710,809

**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred outflows of resources- TRS Pension	11,202,576
Deferred outflows of resources- ERS Pension	<u>1,235,421</u>
Total deferred outflows of resources	<u>12,437,997</u>

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** 49,148,806

**LIABILITIES**

## CURRENT LIABILITIES:

Accounts payable	712,005
Accrued liabilities	670,971
Compensated absences due within one year	602,587
Due to Teachers' Retirement System	1,817,724
Due to Employees' Retirement System	115,378
Due to other governments	381
Bonds payable due within one year	1,573,347
Unearned revenues	21,738
Accrued interest payable	<u>112,498</u>
Total current liabilities	<u>5,626,629</u>

## LONG-TERM LIABILITIES:

Bonds payable	9,912,004
Other postemployment benefits obligation	150,468,410
Net pension liability- ERS Pension	379,909
Compensated absences liability	<u>207,538</u>
Total long-term liabilities	<u>160,967,861</u>

Total liabilities 166,594,490

**DEFERRED INFLOWS OF RESOURCES:**

Deferred Inflows of resources- TRS Pension	2,360,872
Deferred Inflows of resources- ERS Pension	<u>1,212,332</u>
Total deferred inflows of resources	<u>3,573,204</u>

**TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** 170,167,694

**NET POSITION**

Net Investment in capital assets	6,954,751
Restricted	9,173,821
Unrestricted	<u>(137,147,460)</u>
Total net position	<u>\$ (121,018,888)</u>



**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 8,101,900	\$ -	\$ -	\$ (8,101,900)
Instruction	41,331,810	235,330	732,972	(40,363,508)
Pupil transportation	2,097,651	-	-	(2,097,651)
Debt service - interest	339,504	-	-	(339,504)
Cost of sales - school lunch	<u>627,852</u>	<u>342,501</u>	<u>210,828</u>	<u>(74,523)</u>
Total functions/programs	<u>\$ 52,498,717</u>	<u>\$ 577,831</u>	<u>\$ 943,800</u>	<u>(50,977,086)</u>
GENERAL REVENUE:				
Real property taxes				26,680,242
Other tax items				6,689,921
Use of money and property				536,893
Sale of property and compensation for loss				81,275
Miscellaneous				592,178
State sources				<u>9,472,305</u>
Total general revenue				<u>44,052,814</u>
CHANGE IN NET POSITION				<u>(6,924,272)</u>
TOTAL NET POSITION - beginning of year, as previously reported				4,101,968
PRIOR PERIOD ADJUSTMENT (NOTE 3)				<u>(118,196,584)</u>
NET POSITION - beginning of year, as restated				<u>(114,094,616)</u>
TOTAL NET POSITION - end of year				<u>\$ (121,018,888)</u>

The accompanying notes are an integral part of these statements.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
<b>ASSETS:</b>						
Cash - unrestricted	\$ 4,884,842	\$ 497,824	\$ 272,804	\$ -	\$ 889,158	\$ 6,544,628
Cash - restricted	9,173,821	-	-	500,609	-	9,674,430
State and federal aid receivable	869,960	199,527	36,186	-	22,320	1,127,993
Due from other funds	2,557,484	406,135	-	183,724	282,848	3,430,191
Other receivables	51,157	-	1,845	-	-	53,002
Inventory	-	-	20,536	-	-	20,536
<b>TOTAL ASSETS</b>	<b>\$ 17,537,264</b>	<b>\$ 1,103,486</b>	<b>\$ 331,371</b>	<b>\$ 684,333</b>	<b>\$ 1,194,326</b>	<b>\$ 20,850,780</b>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 93,715	\$ 4,463	\$ -	\$ -	\$ -	\$ 98,178
Accrued liabilities	664,267	-	6,704	-	613,827	1,284,798
Compensated absences	602,587	-	-	-	-	602,587
Due to other funds	723,482	1,091,915	161,098	-	1,451,721	3,428,216
Due to other governments	-	-	381	-	-	381
Due to Teachers' Retirement System	1,817,724	-	-	-	-	1,817,724
Due to Employees' Retirement System	115,378	-	-	-	-	115,378
Unearned revenue	1,275	7,108	13,355	-	-	21,738
<b>TOTAL LIABILITIES</b>	<b>4,018,428</b>	<b>1,103,486</b>	<b>181,538</b>	<b>-</b>	<b>2,065,548</b>	<b>7,369,000</b>
<b>FUND BALANCE:</b>						
Nonspendable:						
Inventory	-	-	20,536	-	-	20,536
<b>Total nonspendable fund balance</b>	<b>-</b>	<b>-</b>	<b>20,536</b>	<b>-</b>	<b>-</b>	<b>20,536</b>
Restricted:						
Unemployment	321,481	-	-	-	-	321,481
Workers' compensation	388,449	-	-	-	-	388,449
Tax certiorari	4,624,202	-	-	-	-	4,624,202
Capital vehicle	217,217	-	-	-	-	217,217
Insurance	400,801	-	-	-	-	400,801
Retirement contributions	800,912	-	-	-	-	800,912
Other reserves	1,640,759	-	-	-	-	1,640,759
Employee benefits	780,000	-	-	-	-	780,000
<b>Total restricted fund balance</b>	<b>9,173,821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,173,821</b>
Assigned:						
Appropriated for subsequent year expenditures	2,076,245	-	-	-	-	2,076,245
Other	426,339	-	129,297	684,333	-	1,239,969
<b>Total assigned fund balance</b>	<b>2,502,584</b>	<b>-</b>	<b>129,297</b>	<b>684,333</b>	<b>-</b>	<b>3,316,214</b>
Unassigned:						
	1,842,431	-	-	-	(871,222)	971,209
<b>Total fund balance</b>	<b>13,518,836</b>	<b>-</b>	<b>149,833</b>	<b>684,333</b>	<b>(871,222)</b>	<b>13,481,780</b>
<b>Total liabilities and fund balance</b>	<b>\$ 17,537,264</b>	<b>\$ 1,103,486</b>	<b>\$ 331,371</b>	<b>\$ 684,333</b>	<b>\$ 1,194,326</b>	<b>\$ 20,850,780</b>

## SPACKENKILL UNION FREE SCHOOL DISTRICT

### RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2018

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Total governmental fund balances	\$ 13,481,780
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government fund financial statements	18,440,102
GASB 68 related government wide activity	
Deferred outflows of resources	12,437,997
Net pension asset - TRS Pension	848,143
Net pension liability - ERS Pension	(379,909)
Deferred inflows of resources	(3,573,204)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the government fund financial statements	(11,485,351)
Interest payable at June 30, 2018, reported in the government-wide statements under full accrual accounting	(112,498)
Other postemployment benefits obligation at June 30, 2018, in government-wide statements under full accrual accounting	(150,468,410)
Compensated absences at June 30, 2018, in government-wide statements under full accrual accounting	<u>(207,538)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (121,018,888)</u>

The accompanying notes are an integral part of these statements.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Governmental Fund Types					Total Government Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
<b>REVENUE:</b>						
Real property taxes	\$ 26,680,242	\$ -	\$ -	\$ -	\$ -	\$ 26,680,242
Other tax items	6,689,921	-	-	-	-	6,689,921
Charges for services	235,330	-	-	-	-	235,330
Use of money and property	533,816	-	1,611	1,466	-	536,893
Sale of property and compensation for loss	75,359	-	5,916	-	-	81,275
Miscellaneous	561,814	-	12,809	-	-	574,623
State sources	9,464,001	173,330	8,055	-	8,304	9,653,690
Federal sources	-	559,642	202,773	-	-	762,415
Medicaid reimbursement	17,555	-	-	-	-	17,555
Sales - School lunch	-	-	342,501	-	-	342,501
<b>Total revenue</b>	<b>44,258,038</b>	<b>732,972</b>	<b>573,665</b>	<b>1,466</b>	<b>8,304</b>	<b>45,574,445</b>
<b>EXPENDITURES:</b>						
General support	4,242,123	-	-	-	-	4,242,123
Instruction	24,495,567	723,254	-	-	-	25,218,821
Pupil transportation	1,756,676	50,189	-	-	-	1,806,865
Employee benefits	10,558,274	-	72,214	-	-	10,630,488
Debt service - Principal	1,682,684	-	-	-	-	1,682,684
Debt service - Interest	353,340	-	-	-	-	353,340
Cost of sales	-	-	445,375	-	-	445,375
Capital outlay	-	-	-	-	1,243,611	1,243,611
<b>Total expenditures</b>	<b>43,088,664</b>	<b>773,443</b>	<b>517,589</b>	<b>-</b>	<b>1,243,611</b>	<b>45,623,307</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>1,169,374</b>	<b>(40,471)</b>	<b>56,076</b>	<b>1,466</b>	<b>(1,235,307)</b>	<b>(48,862)</b>
<b>OTHER FINANCING SOURCES AND (USES):</b>						
Transfers in	-	40,471	25,000	-	100,000	165,471
Transfers out	(165,471)	-	-	-	-	(165,471)
<b>Total other financing sources (uses)</b>	<b>(165,471)</b>	<b>40,471</b>	<b>25,000</b>	<b>-</b>	<b>100,000</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>1,003,903</b>	<b>-</b>	<b>81,076</b>	<b>1,466</b>	<b>(1,135,307)</b>	<b>(48,862)</b>
<b>FUND BALANCE - beginning of year</b>	<b>12,514,933</b>	<b>-</b>	<b>68,757</b>	<b>682,867</b>	<b>264,085</b>	<b>13,530,642</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 13,518,836</b>	<b>\$ -</b>	<b>\$ 149,833</b>	<b>\$ 684,333</b>	<b>\$ (871,222)</b>	<b>\$ 13,481,780</b>

## SPACKENKILL UNION FREE SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES-GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

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Net changes in fund balance - Total governmental funds	\$ (48,862)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	1,515,012
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(1,071,131)
Pension expense resulting from GASB 68 related pension reporting is not recorded as an expenditure in the government funds, but is recorded in the statement of activities	(370,716)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net assets	1,681,296
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
Other postemployment benefits obligation	(8,560,516)
Accrued interest payable	13,836
Compensated absences	<u>(83,191)</u>
Change in net position - Governmental activities	<u>\$ (6,924,272)</u>

The accompanying notes are an integral part of these statements.

# SPACKENKILL UNION FREE SCHOOL DISTRICT

## STATEMENT OF NET POSITION - FIDUCIARY FUNDS JUNE 30, 2018

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	Private Purpose <u>Trusts</u>	<u>Agency</u>
ASSETS:		
Cash - unrestricted	\$ -	\$ 393,593
Cash - restricted	34,467	90,507
Due from other funds	<u>-</u>	<u>-</u>
Total assets	<u>34,467</u>	<u>484,100</u>
LIABILITIES:		
Extraclassroom activity balances	-	90,507
Due to other funds	-	1,975
Other liabilities	<u>-</u>	<u>391,618</u>
Total liabilities	<u>-</u>	<u>\$ 484,100</u>
NET POSITION:		
Reserved for scholarships	<u>\$ 34,467</u>	

The accompanying notes are an integral part of these statements.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	Private Purpose <u>Trusts</u>
ADDITIONS	
Gifts, contributions, fundraising and interest	\$ <u>          -</u>
DEDUCTIONS	
Scholarships, activity expenditures and awards	<u>          266</u>
CHANGE IN NET POSITION	(266)
NET POSITION - beginning of year	<u>          34,733</u>
NET POSITION - end of year	<u><u>          \$ 34,467</u></u>

The accompanying notes are an integral part of these statements.

# SPACKENKILL UNION FREE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### 1. NATURE OF OPERATIONS

Spackenkill Union Free School District (School District) provides K-12 public education to students living within its geographic borders.

### 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the School District are described below:

#### **Reporting Entity**

The School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board of Education serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by generally accepted accounting principles. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another 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 description of an entity included in the School District's reporting entity:

#### **Extraclassroom Activity Funds**

The extraclassroom activity funds of the 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. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.



## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Joint Venture**

The School District participates in the Dutchess Board of Cooperative Education Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

Financial statements for the BOCES are available from the BOCES administrative office.

### **Basis of Presentation**

The School District's financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund level financial statements which provide more detailed information

#### Government-Wide Statements

The statement of net position and the statement of activities present financial information about the School 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 the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund financial statements provide information about the School 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 accounts of the School District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the School District are as follows:

#### Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the School District's governmental fund types:

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

*Special Revenue Funds:* These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The School District uses two special revenue type funds - special aid and school lunch.

- *Special Aid Fund:* This fund accounts for the proceeds of specific federal and state grants revenue sources that are legally restricted to expenditures for specified purposes (e.g. special education) and other activities whose funds are restricted as to use.
- *School Lunch Fund:* This fund accounts for the proceeds of specific federal and state grants revenue sources that are legally restricted to expenditures for school lunch operations.

*Capital Projects Fund:* These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

*Debt Service Fund:* The debt service fund is used to account for and report on the accumulation of resources to be used for redemption of general long-term indebtedness.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds.

*Fiduciary Fund:* This fund is used to account for fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the Government-wide financial statements because their resources do not belong to the School District and are not available to be used.

There are two classes' fiduciary funds:

- *Private purpose trust funds:* These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the School District or representatives of the donors may serve on committees to determine who benefits.
- *Agency funds:* These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

### Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Measurement Focus and Basis of Accounting (Continued)**

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is expected to be collected within sixty days after the end of the fiscal year.

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

### **Cash**

The School District's cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the School 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. 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 districts.

### **Restricted Cash**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end amounted to \$9,674,430 within the governmental funds.

### **Property Taxes**

Real property taxes are levied annually by the board of education no later than September 1, and become a lien on August 31. Taxes were collected during the period September 1 to November 1.

Uncollected real property taxes are subsequently enforced by the County of Dutchess (the County), in which the School District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

The School District received approximately \$4,400,000 during the 2017-2018 fiscal year representing the fourth installment on a 15-year Payment in Lieu of Taxes (PILOT) agreement from IBM; as per the PILOT agreement between IBM and the Town of Poughkeepsie. The second year's payment made up approximately 10% of the voter approved general fund budget.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventory

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

### Interfund Transactions

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenue to provide financing or other services.

In the Government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the School District's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed description of the individual fund balances at year-end is provided subsequently in Note 10.

### Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. 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 Government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Buildings and improvements	\$ 5,000	SL	20 - 50
Furniture and equipment	\$ 5,000	SL	4 - 25

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

The government has the following items that qualify for reporting in this category;

Deferred charges result from pension contributions made subsequent to the measurement date of the plan.

Deferred charges result from differences between expected and actual experience of the plan.

Deferred charges result from net differences between projected and actual earnings on pension plan investments of the plan.

These amounts are deferred and amortized and expensed against pension expense in future periods.

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 and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category;

The net amount of the School District's balances of deferred inflows of resources related to pensions is reported in the government-wide statement of net position as deferred inflows of resources. This represents the effect of the net change in the School District's proportion of the collective net pension asset or liability and the difference during the measurement period between the School District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

### **Vested Employee Benefits**

#### Compensated Absences:

School District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GAAP, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

#### Other Benefits

School District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Other Postemployment Benefits**

In addition to providing pension benefits, the School District provides post-employment health insurance coverage and survivor benefits to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the School District and the retired employee. The School District pays 0-100% of the cost of premiums to an insurance company that provides health care insurance. There are currently 178 retirees receiving benefits under the plan.

### **Unearned Revenue**

Unearned revenue is reported 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 School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

### **Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

### **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Net Position/Fund Balance Classifications

#### Government-wide statements

In the government-wide statements there are three classes of net position:

Net Investment in capital assets - consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted net position consists of the following:

Unemployment	\$ 321,481
Workers' compensation	388,449
Tax certiorari	4,624,202
Capital vehicle	217,217
Insurance	400,801
Retirement	800,912
Other reserves	1,640,759
Employee benefits	780,000
Total restricted net assets	<u>\$ 9,173,821</u>

Unrestricted net position - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the School District.

#### Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school lunch fund.

Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The School District has available the following restricted fund balances:

#### Capital Vehicle

Capital vehicle reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital vehicle reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance.



## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Net Position/Fund Balance Classifications (Continued)

#### Governmental Fund Statements (Continued)

##### Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The board of education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

##### Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. 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 either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

##### Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. 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 either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund under restricted fund balance.

##### Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the debt service fund under the restricted fund category.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Net Position/Fund Balance Classifications (Continued)

#### Governmental Fund Statements (Continued)

##### Insurance

Insurance 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 (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.

##### Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

##### Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

##### Employee Benefits and Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

##### Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Net Position/Fund Balance Classifications (Continued)

#### Governmental Fund Statements (Continued)

##### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted, committed or assigned fund balance based on the constraints on the use of these funds.

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2018.

Assigned fund balance - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. There was an amount designated for subsequent year's expenditures in the general fund of \$2,500,000. As of June 30, 2018, the School District's encumbrances were classified as follows:

General fund encumbrances:

General Support	\$ 207,352
Instruction	155,170
Transportation	63,577
Employee Benefits	<u>240</u>
Total general fund encumbrances	<u>\$ 426,339</u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

##### Order of Fund Balance Spending Policy

The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**3. PRIOR PERIOD ADJUSTMENT - CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

The School District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, beginning net position and other postemployment benefits on the statement of net position were adjusted as noted in the following table:

	<u>District Wide Statement of Net Position</u>	
	Other	
	<u>Postemployment Benefits</u>	<u>Net Position</u>
Balance at June 30, 2017, as previously reported	\$ 23,711,310	\$ 4,101,968
Restatement of beginning balance - Adoption of GASB Statement No. 75		
Increase to liability	<u>118,196,584</u>	<u>(118,196,584)</u>
Balance at June 30, 2017, as restated	<u>\$ 141,907,894</u>	<u>\$ (114,094,616)</u>

**4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-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.

**Total Fund Balances of Governmental Funds vs. Net position of Governmental Activities**

Total fund balances of the School 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 sheets.

#### 4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

##### **Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The categories shown below represent:

##### Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered available, whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

##### 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.

##### Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

#### 5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### **Budgets**

The School District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures, (and encumbrances), that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

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

## 5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

### Budgets (Continued)

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

## 6. CASH

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed in Note 2.

### Custodial Credit Risk - Deposits

The School District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	<u>\$ 17,547,021</u>	<u>\$ 16,737,625</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 16,956,514	
Covered by FDIC insurance	<u>590,507</u>	
Total	<u>\$ 17,547,021</u>	

Collateral is required for time deposits and certificates of deposit at 102% of all deposits not covered by the 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 towns.

**6. CASH (Continued)**

**Restricted Cash**

Restricted cash represents cash and cash equivalents where use is limited by legal requirement. These assets represent amounts required by statute to be reserved for various purposes.

Restricted cash consists of the following at June 30, 2018:

General Fund:

Unemployment	\$ 321,481
Workers' compensation	388,449
Tax certiorari	4,624,202
Capital vehicle	217,217
Insurance	400,801
Retirement contributions	800,912
Other reserves	1,640,759
Employee benefits	<u>780,000</u>
Subtotal	9,173,821

Debt Service Fund:

Debt service	<u>500,609</u>
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Total	<u><u>\$ 9,674,430</u></u>
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**7. PARTICIPATION IN BOCES**

During the year, the School District was billed \$3,485,817 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$1,468,363.

Financial statements for BOCES are available from the BOCES administrative office.

## 8. CAPITAL ASSETS, NET

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

	July 1, 2017 <u>Balance</u>	Additions or <u>Transfers in</u>	Disposals or <u>Transfers out</u>	June 30, 2018 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 121,545	\$ -	\$ -	\$ 121,545
Construction in process	<u>-</u>	<u>1,235,307</u>	<u>-</u>	<u>1,235,307</u>
Total non-depreciable cost	<u>121,545</u>	<u>1,235,307</u>	<u>-</u>	<u>1,356,852</u>
Capital assets that are depreciated:				
Buildings and improvements	32,231,664	-	-	32,231,664
Furniture and equipment	<u>2,600,922</u>	<u>279,705</u>	<u>-</u>	<u>2,880,627</u>
Total depreciable historical cost	<u>34,832,586</u>	<u>279,705</u>	<u>-</u>	<u>35,112,291</u>
Less accumulated depreciation:				
Buildings and improvements	15,008,645	962,439	-	15,971,084
Furniture and equipment	<u>1,949,265</u>	<u>108,692</u>	<u>-</u>	<u>2,057,957</u>
Total accumulated depreciation	<u>16,957,910</u>	<u>1,071,131</u>	<u>-</u>	<u>18,029,041</u>
Total capital assets, net	<u>\$ 17,996,221</u>	<u>\$ 443,881</u>	<u>\$ -</u>	<u>\$ 18,440,102</u>

Depreciation expense for the year ended June 30, 2018, was allocated to specific functions as follows:

General support	\$ 134,097
Instruction	867,692
Pupil transportation	47,344
School Lunch	<u>21,998</u>
Total depreciation	<u>\$ 1,071,131</u>



## 9. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid - Long-term debt	\$ 353,340
Less: Interest accrued in the prior year	(126,334)
Plus: Interest accrued in the current year	<u>112,498</u>
Total expense	<u>\$ 339,504</u>

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and notes payable:					
Serial bonds	\$ 10,594,813	\$ -	\$ 1,350,000	\$ 9,244,813	\$ 1,405,000
Ameresco Energy bond	<u>2,404,389</u>	<u>-</u>	<u>163,851</u>	<u>2,240,538</u>	<u>168,347</u>
Total Bonds and notes payable	12,999,202	-	1,513,851	11,485,351	1,573,347
Energy performance contract	167,445	-	167,445	-	-
Other postemployment benefits	141,907,894	8,560,516	-	150,468,410	-
Net pension liability	2,272,412	-	1,892,503	379,909	-
Compensated absences	<u>745,523</u>	<u>64,602</u>	<u>-</u>	<u>810,125</u>	<u>602,587</u>
Total long-term liabilities	<u>\$ 158,092,476</u>	<u>\$ 8,625,118</u>	<u>\$ 3,573,799</u>	<u>\$163,143,795</u>	<u>\$ 2,175,934</u>

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Serial Bond	7/15/2007	2023	4.25%	\$ 900,000
Serial Bond	11/17/2010	2021	4.00%	505,000
Serial Bond	9/23/2010	2026	2.00-3.00%	6,315,000
Serial Bond	3/19/2013	2026	2.00%	1,524,813
Ameresco Energy Bond	8/1/2014	2030	2.73%	<u>2,240,538</u>
Total				<u>\$ 11,485,351</u>

**9. LONG-TERM DEBT (Continued)**

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year Ending June</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,573,347	\$ 351,933	\$ 1,925,280
2020	1,327,967	309,635	1,637,602
2021	1,372,715	264,834	1,637,549
2022	1,337,592	228,348	1,565,940
2023	1,377,604	187,796	1,565,400
2024-2028	4,162,951	391,318	4,554,269
2029-thereafter	<u>333,176</u>	<u>22,616</u>	<u>355,792</u>
Totals	<u>\$ 11,485,352</u>	<u>\$ 1,756,480</u>	<u>\$ 13,241,832</u>

**Energy Performance Payable**

During 2004, the School District entered into an Energy Performance Contract financing arrangement with a bank for the acquisition of energy efficient equipment to assist the School District in reducing its ongoing energy costs. This financing arrangement was paid in full during the 2017-2018 fiscal year.

**10. INTERFUND BALANCES AND ACTIVITY**

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position. The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year. The following is a summary of interfund activity:

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Payable</u>	<u>Receivable</u>	<u>In</u>	<u>Out</u>
General fund	\$ 723,482	\$ 2,557,484	\$ -	\$ 165,471
Special aid fund	1,091,915	406,135	40,471	-
School lunch fund	161,098	-	25,000	-
Debt service fund	-	183,724	-	-
Capital fund	1,451,721	282,848	100,000	-
Trust and agency fund	<u>1,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total government activities	<u>\$ 3,430,191</u>	<u>\$ 3,430,191</u>	<u>\$ 165,471</u>	<u>\$ 165,471</u>

## 11. PENSION PLANS

### New York State Employees' Retirement System

The School District participates in the New York State and Local Employees' Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (NYRSSL). Once an employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School 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.

#### *Contributions*

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27<sup>th</sup> 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, (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYRSSL, 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. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>NYSERS</u>	
2018	\$	552,267
2017	\$	521,837
2016	\$	602,888

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

## 11. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

- Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:
- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. The School District had no unpaid liability at the end of the fiscal year.

- Chapter 105 of the Laws of 2010 of the State of New York authorizes local governments to make available a retirement benefit incentive program. The costs of the program will be billed and paid over five years beginning February 1, 2012. The School District had no retirement incentive liability at year end.

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

At June 30, 2018, the School District reported a liability of \$379,909 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2017. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the School District's proportion was 0.0117712%, which was an increase from its proportion measured June 30, 2017 of .0113852%.

**11. PENSION PLANS (Continued)**

New York State Employees' Retirement System (Continued)

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

For the year ended June 30, 2018, the School District recognized pension expense of \$521,562. At June 30, 2018, the School District 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
Differences between expected and actual experience	\$ 135,501	\$ 111,973
Changes in assumptions	251,910	-
Net difference between projected and actual earnings on pension plan investments	551,786	1,089,169
Changes in proportion and differences between the District's contributions and proportionate share of contributions	180,846	11,190
Contributions subsequent to the measurement date	115,378	-
Total	<u>\$ 1,235,421</u>	<u>\$ 1,212,332</u>

\$115,378 reported as deferred outflows related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:		
2019	\$	148,200
2020		110,492
2021		(243,932)
2022		(107,050)
2023		-
Thereafter		-
		<u>\$ (92,290)</u>

**Actuarial Assumptions**

The total pension liability at March 31, 2018, was determined by using an actuarial valuation as of April 1, 2017, with updated procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decremets	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

## 11. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

#### **Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

#### **Long Term Expected Rate of Return**

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.75%
Real Estate	10.0%	5.80%
Absolute Return Strategies	2.0%	4.00%
Opportunistic Portfolio	3.0%	5.89%
Real Assets	3.0%	5.54%
Bonds and Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation-indexed Bonds	<u>4.0%</u>	1.50%
	<u>100.0%</u>	

#### **Discount Rate**

The discount rate used to calculate the total pension liability was 7.0%. 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 Plan's 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.

## 11. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) or 1 percent higher (8.0%) than the current rate:

	1% Decrease <u>6.00%</u>	Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Proportionate Share of Net Pension liability (asset)	<u>\$ 2,874,483</u>	<u>\$ 379,908</u>	<u>\$ (1,730,404)</u>

#### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2018 were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 183,400,590,000	\$ 21,588,450	0.011771%
Net position	<u>(180,173,145,000)</u>	<u>(21,208,541)</u>	0.011771%
Net pension liability (asset)	<u>\$ 3,227,445,000</u>	<u>\$ 379,909</u>	0.011771%
Fiduciary net position as a percentage of total pension liability	98.24%	98.2%	

### New York State Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

## 11. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

#### *Contributions*

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The School District is required to contribute at an actuarially determined rate. The School District contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

<u>NYSTRS</u>	
2018	\$ 2,072,619
2017	\$ 2,297,552
2016	\$ 2,939,355

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

At June 30, 2018, the School District reported an asset of \$848,143 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2016. The School District's proportion of the net pension asset was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the School District's proportion was 0.111583%, which was a decrease from its proportion measured June 30, 2017 of 0.112287%.

For the year ended June 30, 2018, the School District recognized pension expense of \$2,199,505. At June 30, 2018, the School District 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
Differences between expected and actual experience	\$ 697,814	\$ 330,681
Changes in assumptions	8,630,023	-
Net difference between projected and actual earnings on pension plan investments	-	1,997,623
Changes in proportion and differences between the District's contributions and proportionate share of contributions	104,974	32,568
Contributions subsequent to the measurement date	1,769,765	-
Total	\$ 11,202,576	\$ 2,360,872



## 11. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

\$1,769,765 reported as deferred outflows related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2018	\$	211,898
2019		2,298,867
2020		1,649,551
2021		421,248
2022		1,644,797
Thereafter		<u>845,577</u>
	\$	<u><u>7,071,938</u></u>

#### **Actuarial Assumptions**

The total pension asset at the June 30, 2017, measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. Total pension liability at the June 30, 2016, measurement date, was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.5% compounded annually
Investment Rate of Return	7.25% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale MP-2014.

The actuarial assumptions used in the June 30, 2015 valuation was based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2014.

## 11. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

#### **Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

#### **Long Term Expected Rate of Return**

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Domestic Equities	35.0%	6.1%
International Equities	18.0%	7.3%
Real Estate	11.0%	5.4%
Private Equities	8.0%	9.2%
Domestic fixed Income Securities	16.0%	1.0%
Global Fixed Income Securities	2.0%	0.8%
High-yield Fixed Income Securities	1.0%	3.9%
Mortgages	8.0%	3.1%
Short-term	<u>1.0%</u>	0.1%
	<u>100.0%</u>	

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's 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.

## 11. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

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

The following presents the net pension liability (asset) of the School Districts calculated using the discount rate of 7.25 percent, as well as what the School Districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

#### **Share of the net Pension Liability to the Discount Rate Assumption**

	1% Decrease <u>6.25%</u>	Current Discount <u>7.25%</u>	1% Increase <u>8.25%</u>
Proportionate Share of Net Pension liability (asset)	<u>\$14,610,996</u>	<u>\$ (848,143)</u>	<u>\$ (13,794,405)</u>

#### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension (asset) of the employers as June 30, 2018, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 114,708,261,032	\$ 127,994,919	0.111583%
Net position	<u>(115,468,360,316)</u>	<u>(128,843,061)</u>	0.111583%
Net pension liability (asset)	<u>\$ (760,099,284)</u>	<u>\$ (848,143)</u>	0.111583%
Fiduciary net position as a percentage of total pension liability	100.66%	100.66%	

## 12. POSTEMPLOYMENT BENEFITS

### **Plan Description**

The School District provides for postretirement medical benefits to retiring employees after 10 years of service. When a retiree reaches age 65, Medicare will provide primary coverage, except as otherwise provided by law. Dental and life insurance benefits are available with select individuals and classes of employees. The Plan can be amended by action of the School District through agreements with different bargaining units. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The plan is a single-employer defined benefit OPEB plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

## 12. POSTEMPLOYMENT BENEFITS (Continued)

### Benefits Provided

The School District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

### Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	178
Inactive employees or beneficiaries entitled to but not yet receiving benefits	-
Active employees	<u>302</u>
Total participants	<u><u>480</u></u>

### Total OPEB Liability

The School District's total OPEB liability of \$150,468,410 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

### Actuarial Assumptions and Other Inputs

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

Inflation	9.00%
Payroll Growth	2.00%
Discount Rate	3.50% as of June 30, 2018
Healthcare Cost Trend Rates	9.0% for 2018, decreasing annually to an ultimate rate of 5.0% by 2022.
Share of Benefit-Related Costs	Medical coverage, including prescription drugs as part of the medical plan, is offered to retirees on a fully insured basis through NHA (DEHC). Furthermore, valuation reflects the reimbursement of Medicare Part B premium to retirees and spouses over age 65 that are eligible for the benefit. Coverage is not provided for dental, vision, life insurance or Medicare Part D premium reimbursement. Contribution rates are based on a percentage of premium by class of employees based on the prior year's valuation report.

The discount rate was based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of June 30, 2018.

**12. POSTEMPLOYMENT BENEFITS (Continued)**

**Changes in the Total OPEB Liability**

Changes of assumptions and other inputs reflect a change in the discount rate from 5.00% in 2017 to 3.50% in 2018.

Balance at June 30, 2017, as restated	\$141,907,894
Changes for the Year:	
Service cost	6,020,339
Interest cost	4,925,041
Assumption changes	-
Benefit payments	<u>(2,384,864)</u>
Balance at June 30, 2018	<u>\$150,468,410</u>

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

	1% Decrease <u>(2.50%)</u>	Current Discount <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB Liability	<u>\$189,937,977</u>	<u>\$150,468,410</u>	<u>\$121,461,632</u>

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

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

	1% Decrease	Current Rate <u>(9.00%)</u>	1% Increase
Total OPEB Liability	<u>\$115,641,157</u>	<u>\$150,468,410</u>	<u>\$197,279,328</u>

**13. TAX ABATEMENTS**

All real property in New York State is subject to taxation unless specific legal provision grants it exempt status. Real property exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner’s ability to pay taxes, the desire of the state and local governments to encourage certain economic or social activities, and other considerations. Most exemptions are granted under Article 4 of the Real Property Tax Law, but others are authorized by a wide variety of statutes ranging from Article 18-A of the Real Property Tax Law, the Agriculture and Markets Law and the Transportation Law. Certain exemptions provide full relief from taxation (wholly exempt property) and others reduce the taxes which would otherwise be payable by varying degrees (partially exempt property). Some exemptions apply to taxes levied for county, city/town, and school purposes, whereas others pertain only to certain of these purposes. Some tax exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria.

The School District has three (4) real property tax abatement agreements that are entered into. These agreements provide for abatement of real property taxes in exchange for payment in lieu of taxes (PILOT). PILOTs are granted in accordance with various activities such as new affordable housing construction, purchase of an existing facility, or the improvement or expansion of an existing facility. There are also policies for recapture of PILOTs should the applicant not meet certain criteria.

<u>Agreement with</u>	<u>Purpose</u>	<u>Total Assessment</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Amount of Tax Abated</u>
Dutchess County IDA	Industrial Development	\$ 2,549,000	58.328631	\$ 148,680	\$ 37,170	\$ 111,510
Dutchess County IDA	Industrial Development	\$ 485,000	58.328631	28,289	2,829	25,460
		\$ 565,000	58.328631	32,956	32,956	(0)
Dutchess County IDA	Industrial Development	\$ 1,982,500	58.328631	115,637	11,564	104,073
Dutchess County IDA	Industrial Development	\$ 109,779,000	6%	<u>6,586,740</u>	<u>4,356,900</u>	<u>2,229,840</u>
		Total		<u>\$ 6,912,301</u>	<u>\$ 4,441,419</u>	<u>\$ 2,470,882</u>

**14. CONTINGENCIES**

**Litigation**

The School District has been named as defendant in several tax certiorari cases. A review by management and the School District’s attorneys indicate that the total projected settlement within the next five fiscal years could be approximately \$4.4 million.

**Other Contingencies**

The School District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District’s administration believes disallowances, if any, will be immaterial.

## 15. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks are expected to exceed commercial insurance coverage.

### **Health Insurance**

The School District participates in a Health Consortium, a non-risk retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 27 individual governmental units located within the pool's geographic area, as is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the School District has essentially transferred all related risk to the pool. The School District also offers to its employees and eligible retirees community rated insurance programs through commercial carriers.

### **Workers Compensation**

Spackenkill Union Free School District participates in a risk-sharing pool, New York State Public Schools Statewide Workers' Compensation Trust, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risk related to workers' compensation claims.

## 16. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations (GASB 83). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The School District is required to adopt the provisions of these Statements for the year ending June 30, 2019.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The School District is required to adopt the provisions of this Statement for the year ending June 30, 2020, with early adoption encouraged.

In June 2017, GASB issue Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The School District is required to adopt the provisions of this Statement for the year ending June 30, 2021.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**



**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUE</b>					
LOCAL SOURCES:					
Real property taxes	\$ 26,505,648	\$ 26,505,648	\$ 26,680,242	\$ -	\$ 174,594
Other tax items	6,855,000	6,855,000	6,689,921	-	(165,079)
Charges for services	52,300	52,300	235,330	-	183,030
Use of money and property	405,700	405,700	533,816	-	128,116
Sale of property and compensation for loss	-	74,710	75,359	-	649
Miscellaneous	<u>225,500</u>	<u>225,500</u>	<u>561,814</u>	<u>-</u>	<u>336,314</u>
Total local sources	34,044,148	34,118,858	34,776,482	-	657,624
State sources	9,239,772	9,239,772	9,464,001	-	224,229
Medicaid reimbursement	<u>20,000</u>	<u>20,000</u>	<u>17,555</u>	<u>-</u>	<u>(2,445)</u>
Total revenue	<u>43,303,920</u>	<u>43,378,630</u>	<u>44,258,038</u>	<u>-</u>	<u>879,408</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDING JUNE 30, 2018 (CONTINUED)**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of education	49,956	52,990	47,948	1,010	4,032
Central administration	246,020	243,549	242,674	-	875
Finance	544,565	624,715	560,872	60,693	3,150
Staff	181,200	177,690	173,650	1,870	2,170
Central services	2,623,046	3,070,315	2,785,231	141,984	143,100
Special items	441,404	478,497	431,748	1,795	44,954
Total general support	4,086,191	4,647,756	4,242,123	207,352	198,281
INSTRUCTION:					
Instruction, administration, and improvement	1,489,867	1,473,289	1,376,186	31,540	65,563
Teaching - regular school	14,832,901	14,817,381	14,519,421	48,930	249,030
Programs for children with handicapping conditions	4,514,641	4,380,382	3,975,037	41,778	363,567
Occupational education	414,182	414,182	412,000	2,182	-
Teaching - special school	115,653	229,006	132,159	-	96,847
Instructional media	1,664,444	1,783,618	1,669,508	11,964	102,146
Pupil services	2,590,158	2,677,741	2,411,256	18,776	247,709
Total instruction	25,621,846	25,775,599	24,495,567	155,170	1,124,862
Pupil transportation	1,726,939	1,925,022	1,756,676	63,577	104,769
Employee benefits	11,710,200	11,399,059	10,558,274	240	840,545
Debt service	1,900,743	2,043,849	2,036,024	-	7,825
Total expenditures	45,045,919	45,791,285	43,088,664	426,339	2,276,282
Excess (deficiency) of revenue over expenditures	(1,741,999)	(2,412,655)	1,169,374	(426,339)	3,155,690
OTHER FINANCING SOURCES (USES):					
Transfers in (out),net	(170,000)	(170,000)	(165,471)	-	4,529
Total other financing sources	(170,000)	(170,000)	(165,471)	-	4,529
NET CHANGE IN FUND BALANCE	(1,911,999)	(2,582,655)	1,003,903	(426,339)	3,160,219
FUND BALANCE - beginning of year	12,514,933	12,514,933	12,514,933	-	-
FUND BALANCE - ending	\$ 10,602,934	\$ 9,932,278	\$ 13,518,836	\$ (426,339)	\$ 3,160,219

See independent auditors report.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset)	0.0117712%	0.0113852%	0.0117296%	0.0119886%						
Proportionate share of the net pension liability (asset)	\$380	\$1,070	\$1,883	\$405						
Covered-employee payroll	\$3,424	\$3,622	\$3,369	\$3,302						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.10%	29.53%	55.87%	12.27%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.68%	97.95%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE TEACHER RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset)	0.111583%	0.112287%	0.111625%	0.112882%						
Proportionate share of the net pension liability (asset)	\$ (848)	\$ 1,203	\$ 11,594	\$ 12,574						
Covered-employee payroll	\$ 17,681	\$ 17,327	\$ 16,768	\$ 16,674						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.80%	6.94%	69.15%	75.41%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.66%	99.01%	110.46%	111.48%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 552	\$ 522	\$ 603	\$ 673						
Contributions in relation to the contractually required contribution	552	522	603	673						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$3,424	\$3,622	\$3,369	\$3,302						
Contributions as a percentage of covered-employee payroll	16.13%	14.41%	17.89%	20.38%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 2,073	\$ 2,298	\$ 2,939	\$ 2,710						
Contributions in relation to the contractually required contribution	2,073	2,298	2,939	2,710						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 17,681	\$ 17,327	\$ 16,768	\$ 16,674						
Contributions as a percentage of covered-employee payroll	11.72%	13.26%	17.53%	16.25%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total OPEB Liability</b>										
Service cost	\$ 6,020,339									
Interest	4,925,041									
Changes in benefit terms	-									
Differences between expected and actual experience	-									
Changes of assumptions	-									
Benefit payments	(2,384,864)									
<b>Total change in total OPEB liability</b>	<b>8,560,516</b>									
<b>Total OPEB liability - beginning</b>	<b>141,907,894</b>									
<b>Total OPEB liability - ending</b>	<b>\$ 150,468,410</b>									
<b>Covered-employee payroll</b>	<b>\$ 21,811,182</b>									
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>689.9%</b>									

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

**Notes to schedule:**

**Changes of assumptions.** Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:  
Discount rate

**Plan Assets.** No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:  
 - Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.  
 - Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.  
 - Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan admin

**SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET  
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 45,215,919
Add: Prior year's encumbrances	<u>481,344</u>
Original budget	45,697,263
Budget revision	<u>264,022</u>
Final budget	<u>\$ 45,961,285</u>

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

2018-19 voter-approved expenditure budget	\$ 46,060,768
Maximum allowed (4% of 2018-19 budget)	1,842,431
General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law*	
Unrestricted fund balance:	
Assigned fund balance	\$ 2,502,584
Unassigned fund balance	<u>1,842,431</u>
Total unrestricted fund balance	\$ 4,345,015
Less:	
Appropriated fund balance	2,076,245
Encumbrances included in committed and assigned fund balance	<u>426,339</u>
Total adjustments	<u>\$ 2,502,584</u>
	<u>\$ 1,842,431</u>
Actual percentage	4.00%

\* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [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.

**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

	Authorization		Expenditures and Transfers to Date			Methods of Financing				Fund Balance at 2018	
	Original Appropriation	Revised Appropriation	Prior Years' Expenditures	Current Year's Expenditures	Total Expenditures	Available Balance	Proceeds of Obligations	Local Sources	Transfers In (Out)		Total
Capital Improvement - Martha Lawrence	\$ 109,986	\$ 109,986	\$ 90,015	\$ -	\$ 90,015	\$ 19,971	\$ -	\$ 102,481	\$ -	\$ 102,481	\$ 12,466
Capital Improvement - Smart Schools Equipment	199,500	199,500	169,513	8,304	177,817	21,683	-	177,817	-	177,817	-
Capital Improvement - Various Projects	487,120	603,184	405,455	-	405,455	197,729	-	250	656,824	657,074	251,619
Capital Improvement - Hagan Roof	1,650,000	1,650,000	-	374,461	374,461	1,275,539	-	-	50,000	50,000	(324,461)
Capital Improvement - Nassau Roof	1,450,000	1,450,000	-	860,846	860,846	589,154	-	-	50,000	50,000	(810,846)
<b>Total</b>	<b>\$ 3,896,606</b>	<b>\$ 4,012,670</b>	<b>\$ 664,983</b>	<b>\$ 1,243,611</b>	<b>\$ 1,908,594</b>	<b>\$ 2,104,076</b>	<b>\$ -</b>	<b>\$ 280,548</b>	<b>\$ 756,824</b>	<b>\$ 1,037,372</b>	<b>\$ (871,222)</b>

The accompanying notes are an integral part of this schedule.



**SPACKENKILL UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)  
JUNE 30, 2018**

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Capital assets, net	\$ 18,440,102
Deduct:	
Short-term portion of capital lease	-
Long-term portion of capital lease	-
Short-term portion of bonds payable	1,573,347
Long-term portion of bonds payable	9,912,004
Less: Unspent bond proceeds	<u>-</u>
	<u>11,485,351</u>
Net Investment in capital assets	<u>\$ 6,954,751</u>

The accompanying notes are an integral part of these schedules.

**REQUIRED 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**

October 11, 2018

The Board of Education of  
Spackenkill Union Free School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spackenkill Union Free School District (School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's financial statements, and have issued our report thereon dated October 11, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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(Continued)

**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**

(Continued)

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

# **SPACKENKILL UNION FREE SCHOOL DISTRICT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2018**

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### **Section I—Financial Statement Findings**

There were no instances of significant deficiencies, material weaknesses, or noncompliance that are required to be reported under *Government Auditing Standards*.

### **Section II—Status of Prior Year Findings**

There were no prior year findings.