

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

**Financial Statements and Required Reports
Under Uniform Guidance as of and for the year ended
June 30, 2018
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

October 4, 2018

The Board of Education of
Hoosick Falls Central 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 Hoosick Falls Central 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 Hoosick Falls Central 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 4 to the financial statements, in 2018 the 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.

Other Matters

Report on 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements as a whole. The supplementary information required by the New York State Education Department is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The supplementary information 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September __, 2018, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 the School District's internal control over financial reporting and compliance.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the Hoosick Falls Central School District's (School District) financial performance for the fiscal year ended June 30, 2018. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison to the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The following are key financial highlights for the year ended June 30, 2018.

- On May 16, 2017, the Hoosick Falls Central School District voting community approved the 2017-2018 budget in the amount of \$23,448,979. This was a .4% budget-to-budget decrease and a 1.10% tax levy increase.
- District expenditures and encumbrances for the 2017-18 fiscal year in the General Fund concluded with a favorable variance from budget of \$2,038,079 or about 8.48% of the revised \$24,030,566 budget.
- The School District has maintained unassigned fund balance in order to strengthen its financial position for the future. The School District was able to continue to offer all programs, without reducing services, while maintaining fund balance within state mandated limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *District-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 School District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services, such as regular and special education, 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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. 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.

Figure A-1 shows how the various sections of this annual report are arranged and related to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1

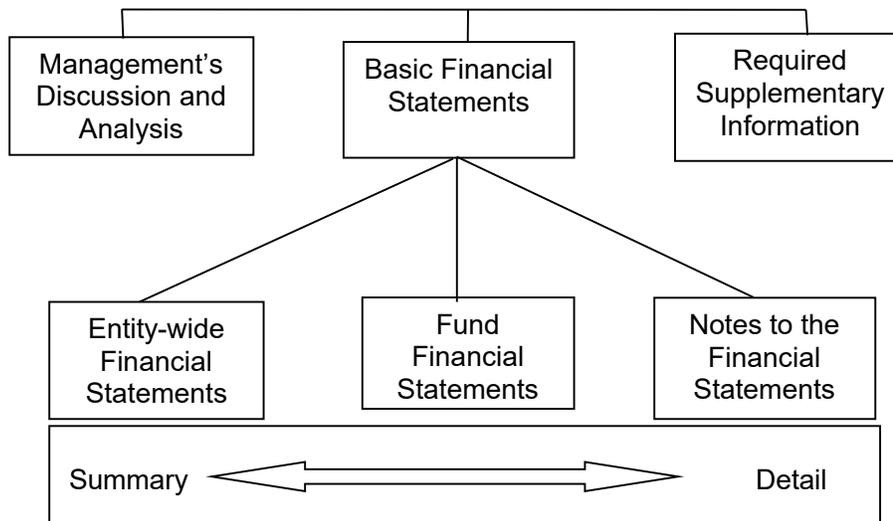


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information they contain. The remainder of this overview section highlights the structure and contents of each statement.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements

	District-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"> Statement of net position Statement of activities and changes in net position 	<ul style="list-style-type: none"> Balance sheet Statement of revenue, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term.	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

District-Wide Statements

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

The two District-wide statements report the School District's net position and how it has changed. Net position – the difference between the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – 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.
- To assess the School District's overall health, you need to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of the school building and other facilities.

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:
 - Investment in capital assets, net of related debt.
 - Restricted net position is those assets with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" 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:

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The 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 that 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 District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund 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 fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund equity.
- **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 District-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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Figure A-3

Condensed Statement of Net Position

	Fiscal Year <u>2018</u>	RESTATED Fiscal Year <u>2017</u>	Percent <u>Change</u>
Current and other assets	\$ 10,400,446	\$ 10,086,517	3.11%
Capital assets and other noncurrent assets	<u>15,587,127</u>	<u>15,723,922</u>	-0.87%
Total assets	25,987,573	25,810,439	0.69%
Deferred outflows of resources	<u>6,566,789</u>	<u>6,420,034</u>	2.29%
Total assets and deferred outflow of resources	<u>\$ 32,554,362</u>	<u>\$ 32,230,473</u>	1.00%
Current liabilities	\$ 2,479,349	\$ 2,971,365	-16.56%
Long-term liabilities	<u>60,164,655</u>	<u>59,177,787</u>	1.67%
Total liabilities	62,644,004	62,149,152	0.80%
Deferred inflows of resources	<u>1,959,128</u>	<u>357,305</u>	448.31%
Total assets and deferred inflow of resources	<u>\$ 64,603,132</u>	<u>\$ 62,506,457</u>	3.35%
Net position:			
Investment in capital assets, net of related debt	\$ 11,218,306	\$ 10,251,199	9.43%
Restricted	4,486,902	4,432,265	1.23%
Unrestricted	<u>(47,753,978)</u>	<u>(44,959,448)</u>	6.22%
Total net position	<u>\$ (32,048,770)</u>	<u>\$ (30,275,984)</u>	5.86%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

In order to enhance comparability, June 30, 2017 balances were restated for the implementation of GASB 75. Long-term liabilities were increased by \$30,496,651 resulting in a restatement of unrestricted net assets from \$(14,462,797) to \$(44,959,448) for June 30, 2017. The changes in deferred inflows of resources are due to the recording of current year long-term pension activity. The decrease in current liabilities this year is mainly the result of the decrease in the current portion of bonds payable due to the expiration of debt (See Figure A-3).

Changes in Net Position

The School District's 2018 revenue was \$23,306,803, an increase of \$461,868 (2.02%) over the previous year (See Figure A-4). Property taxes (including STAR reimbursement) and State Aid accounted for most of the District's revenue by together contributing approximately 92% of all revenues (See Figure A-5).

The total cost of all programs and services totaled \$25,079,589 for fiscal year 2018, an increase of \$1,140,386 (4.76%) from Fiscal 2017. Approximately 85% of all costs went directly to instruct, transport and feed students. 14% of expenditures went to General Support, which includes custodial services, maintenance costs, Board of Education and administrative expenses, and business activities. The remaining percentage of expenditures (1%) went to debt service (See Figure A-6).

Figure A-4

Changes in Net Position from Operating Results

	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Percent</u> <u>Change</u>
Revenue:			
Charges for services	\$ 269,511	\$ 318,754	-15.45%
Operating grants	1,214,265	1,210,693	0.30%
General revenue:			
Real property taxes	8,201,636	8,069,844	1.63%
Other tax items	1,406,519	1,413,779	-0.51%
Use of money and property	94,052	34,818	170.12%
Sale of property and compensation for loss	145,404	181,204	-19.76%
Miscellaneous	148,857	304,465	-51.11%
State sources	11,749,913	11,243,853	4.50%
Medicaid reimbursement	<u>76,646</u>	<u>67,525</u>	13.51%
Total revenue	<u>23,306,803</u>	<u>22,844,935</u>	2.02%
Expenses:			
General support	3,596,019	3,283,185	9.53%
Instruction	18,830,961	18,139,811	3.81%
Pupil transportation	1,824,750	1,695,725	7.61%
Debt service - Interest	146,874	163,930	-10.40%
Cost of sales - Food	<u>680,895</u>	<u>656,552</u>	3.71%
Total expenses	<u>25,079,589</u>	<u>23,939,203</u>	4.76%
Decrease in net position	<u>\$ (1,772,786)</u>	<u>\$ (1,094,268)</u>	62.01%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Figure A-5: Revenue Sources for 2018.

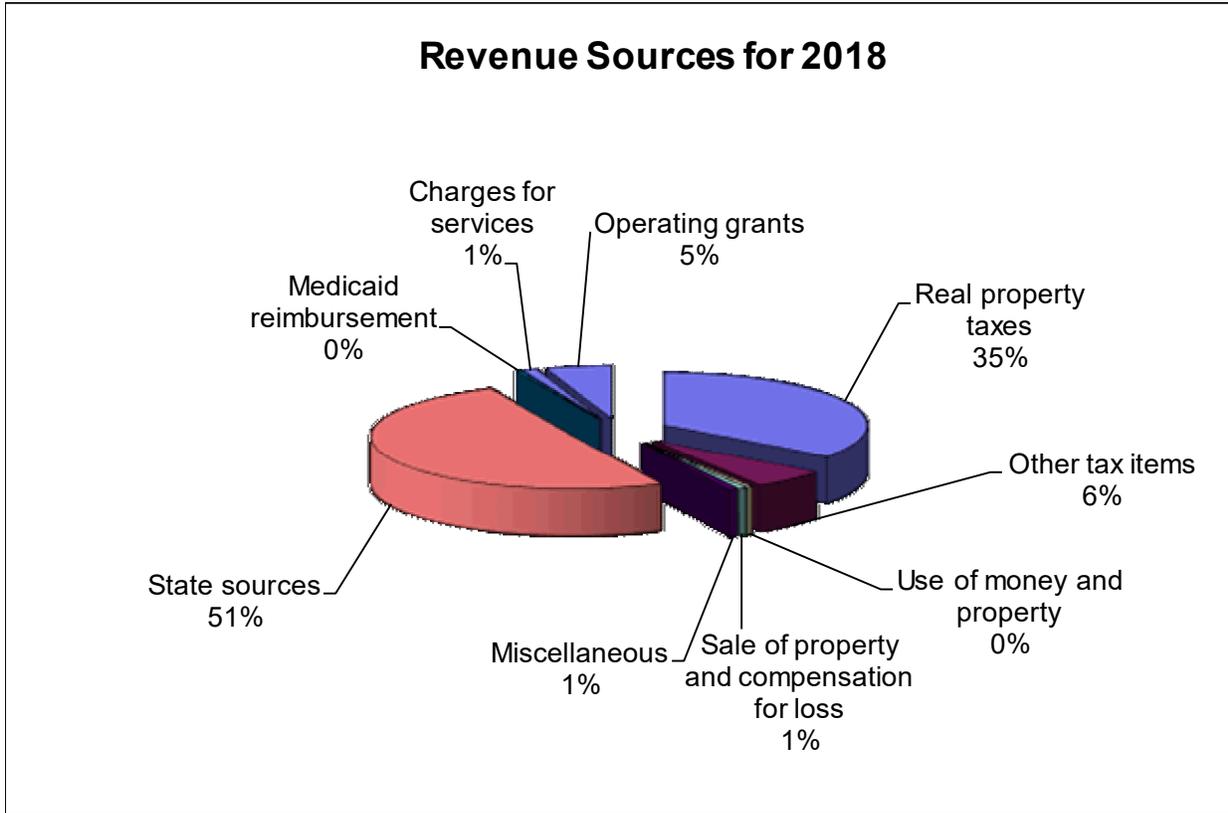
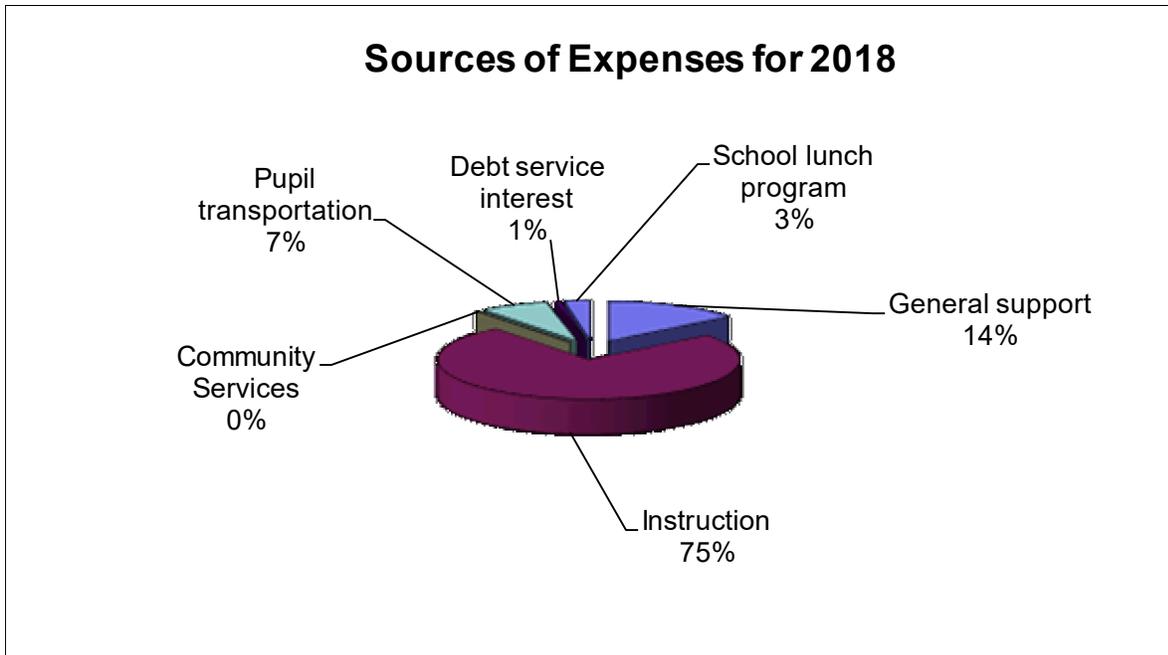


Figure A-6: Sources of Expenses for 2018.



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Revenue for the School District's governmental activities totaled \$23,306,803 while total expenses were \$25,079,589. Accordingly, net position decreased by \$1,772,786. These results can be attributed to several factors:

- Recording other postemployment benefits expense.
- Recording depreciation expense.
- Recording net pension asset, net pension liability, and deferred outflows and inflows related to pensions.

Figure A-7 presents the costs for major School District activities and the net costs of those activities (total costs less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
General support	\$ 3,596,019	\$ 3,596,019	\$ 3,283,185	\$ 3,283,185
Instruction	18,830,961	17,930,382	18,139,811	17,213,331
Community service	90	90	-	-
Pupil transportation	1,824,750	1,824,750	1,695,725	1,695,725
Debt service - Interest	146,874	146,874	163,930	163,930
Cost of sales - Food	680,895	97,698	656,552	53,585
	<u>\$ 25,079,589</u>	<u>\$ 23,595,813</u>	<u>\$ 23,939,203</u>	<u>\$ 22,409,756</u>

The cost of all governmental activities for the year was \$25,079,589.

- The users of the School District's programs financed \$269,511 of the costs.
- The federal and state government financed \$1,214,265 of the costs.
- The majority of costs were financed by the School District's taxpayers and unallocated NYS 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 district-wide financial statements. The 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 fund's 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 payment of debt.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

The School District's governmental fund financial statements have a significant variance from the district-wide financial statements due to transactions in the capital projects fund during fiscal year 2018. During the year, the School District spent funds available in the capital projects fund of \$232,654 on pre-referendum costs for a district-wide improvement project and bus purchases. These costs are reported as expenditures in the governmental funds and reported as capital assets in the statement of net position. In addition, the School District issued a serial bond and other debt. \$225,000 was reported as bond proceeds in the governmental funds and as an increase in bonds payable in the statement of net position.

Another significant variance between the governmental fund financial statements and the district-wide financial statements is the recording of debt service principal payments. In fiscal year 2018, the School District paid \$1,489,000 in debt service principal payments which are recorded as expenditures in the governmental fund financial statements and as a reduction in bonds payable in the statement of net position.

A third significant variance between the governmental fund financial statements and the district-wide financial statements is the recording of the OPEB liability. In fiscal year 2018, \$2,710,273 in additional employee benefits expense was recorded in the district-wide financial statements, but not in the governmental fund financial statements.

A fourth significant variance between the governmental fund financial statements and the district-wide financial statements is the recording of depreciation expense. In fiscal year 2018, the School District expensed \$843,045 in the statement of activities and changes in net position but not in the governmental fund financial statements.

A fifth significant variance between the governmental fund financial statements and the district-wide financial statements is the recording of net pension assets and liabilities and deferred outflows and inflows related to pensions. In fiscal year 2018, \$152,697 net pension expense was recorded in the district-wide financial statements as an increase to employee benefits expense, but not in the governmental fund financial statements.

No other significant variances are reflected in the governmental fund financial statements for 2018.

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.

Significant variances between budgeted revenue and expenditures and actual results will be explained in this narrative (See Figure A-8).

Revenues

- Real property taxes and other tax items had variances as the STAR revenue is budgeted for with real property taxes but recorded in other tax items. Overall there is a negative variance of \$8,159 due to tax refunds during the 2017-2018 school year.
- Use of money and property had a positive variance of \$53,304 due to additional interest earned because of rising interest rates.
- Miscellaneous revenue had a positive variance of \$111,357 due to unexpected prior year revenue.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Revenues

- Interfund transfers had a negative variance of \$372,109 due to the budget surplus covering the necessary transfer from debt service for the current year.

Expenditures

- The Original Budget was amended for encumbrances brought forward July 1 and supplemental appropriations of \$135,903 for insurance proceeds.
- The positive variance for Instruction is from conservative budgeting for special education costs.
- The positive variance for Employee Benefits is from conservative budgeting for all salaried benefits including budgeting health coverage for a family plan for those having an individual plan.

Figure A-8 - Results vs. Budget

	Original Budget	Final Budget	Actual	Encumbrances	Variance (Actual/Budget)
Revenue:					
Real property taxes	\$ 9,574,996	\$ 9,574,996	\$ 8,201,636	\$ -	\$ (1,373,360)
Other tax items	25,000	25,000	1,406,519	-	1,381,519
Charges for services	43,000	43,000	35,935	-	(7,065)
Use of money and property	3,350	3,350	56,654	-	53,304
Sale of property and compensation for loss	-	135,903	145,404	-	9,501
Miscellaneous	37,500	37,500	148,857	-	111,357
State sources	11,540,371	11,540,371	11,749,913	-	209,542
Medicaid reimbursement	31,000	31,000	76,646	-	45,646
Interfund transfers	373,386	373,386	1,277	-	(372,109)
Total revenues	<u>21,628,603</u>	<u>21,764,506</u>	<u>21,822,841</u>	<u>-</u>	<u>58,335</u>
Expenses:					
General support	2,283,950	2,808,554	2,528,181	96,365	184,008
Instruction	11,130,657	11,577,347	10,491,275	199,341	886,731
Pupil transportation	1,183,984	1,248,989	1,129,549	14,179	105,261
Community services	600	600	90	-	510
Employee benefits	7,181,304	6,406,452	5,618,849	-	787,603
Debt service - Interest	149,484	136,524	136,523	-	1
Debt service - Principal	1,489,000	834,000	834,000	-	-
Transfers out	30,000	1,018,100	1,002,470	-	15,630
Total expenses	<u>23,448,979</u>	<u>24,030,566</u>	<u>21,740,937</u>	<u>309,885</u>	<u>1,979,744</u>
Net change in fund balance	(1,820,376)	(2,266,060)	81,904		
Fund balance - beginning of year	<u>4,446,878</u>	<u>4,446,878</u>	<u>4,446,878</u>		
Fund balance - end of year	<u>\$ 2,626,502</u>	<u>\$ 2,180,818</u>	<u>\$ 4,528,782</u>		

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2018, the School District had \$15,174,150 invested in a broad range of capital assets, including land, buildings, buses, athletic facilities, computers and furniture and equipment. During 2017-18 the School District incurred pre-referendum expenses for a possible capital project on the main school building and purchased two buses.

Figure A-9

Capital Assets (Net of Depreciation)

Category	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Percent <u>Change</u>
Land	\$ 27,582	\$ 27,582	0.00%
Work in progress	410,613	398,803	2.96%
Land improvements	47,201	71,079	-33.59%
Buildings	13,025,828	13,473,060	-3.32%
Vehicles	848,846	868,246	-2.23%
Furniture and equipment	814,080	885,152	-8.03%
Total	<u>\$ 15,174,150</u>	<u>\$ 15,723,922</u>	-3.50%

Long-Term Debt

As of June 30, 2018, the School District had \$61,264,655 in long-term debt. The June 30, 2017 balances were restated for the implementation of GASB 75. Other long-term debt was increased by \$30,496,651 for the restated other postemployment benefits balance as of June 30, 2017. More detailed information about the School District's long-term debt is included in the notes to the financial statements.

Figure A-10

Outstanding Long-Term Debt

Category	Fiscal Year <u>2018</u>	RESTATED Fiscal Year <u>2017</u>	Percent <u>Change</u>
General obligation bonds	\$ 3,960,000	\$ 5,224,000	-24.20%
Contractual obligations	250,000	250,000	0.00%
Other long-term debt	<u>57,054,655</u>	<u>55,192,787</u>	3.37%
Total	<u>\$ 61,264,655</u>	<u>\$ 60,666,787</u>	0.99%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the School District was aware of several potential issues that could significantly affect its financial position in the future.

- The District has planned a \$23,277,506 budget for the 2018-19 school year. This represents a -.7% budget-to-budget decrease over the 2017-18 school year budget of \$23,448,979, resulting in a -.15% tax levy decrease.

FACTORS BEARING ON THE DISTRICT'S FUTURE (Continued)

- In addition, students' needs must be met and school performance must increase as mandated by ESSA.
- The Town of Hoosick completed a revaluation in 2018. The new assessment values went into effect July 1, 2018 and will be reflected on the 2018-2019 school tax bills. The School District has received 14 petitions to reduce assessments as of the date of this report. While the outcome of these matters is uncertain, the School District intends to vigorously defend its position.

PFOA Issue:

The Village of Hoosick Falls municipal water system has been found to be contaminated by PFOA (perfluorooctanoic acid). Although the School District is not connected to the municipal water supply, because of the health concerns regarding PFOA, the School District has taken the following proactive measures:

Filtration System:

The Hoosick Falls Central School District has taken a proactive, preemptive action to protect the water on the school campus and installed a carbon filtration system at the end of March 2016.

The School campus is not connected to the Village of Hoosick Falls municipal water system and pumps water from a well located on campus. The well is tested monthly and testing continues to indicate that there is no detectable level of PFOA in the school water supply.

The installation of this filter was a preventative measure that the Hoosick Falls Central School District took to protect the safety of our students and staff. The installation of this filter system is in response to PFOA contamination being detected in many private wells throughout the Town of Hoosick.

This filtration system was funded by the State of New York at no cost to the District. The system was designed by Arcadis Design and Consultancy, a design firm for infrastructure, water, and environment. The construction contract was awarded to Rozell Industries, Inc. who installed the filtration system.

These actions insure that the School District will always have clean, healthy, safe drinking water for our students and staff. The School District will continue to test the raw water going into the filter, as well as filtered water heading out of the filter into our school water system. This testing will be on a regular basis and we will be transparent and swift in sharing those results.

Again, this was a preventative measure to keep our water supply safe. Testing continues to indicate that there is no detectable level of PFOA in the school water supply.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Emily M. Sanders, School Business Administrator
Hoosick Falls Central School District
P.O. Box 192
Hoosick Falls, NY 12090
(518) 686-7012

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS

Current Assets:	
Cash - Unrestricted	\$ 5,823,459
Cash - Restricted	3,812,156
Other Receivables	23,371
State and Federal Aid Receivable	690,466
Due From Other Governments	27,107
Due From Fiduciary Funds	15,315
Inventories	<u>8,572</u>
Total Current Assets	<u>10,400,446</u>
Non-Current Assets	
Capital Assets, net	15,174,150
Net Pension Asset	<u>412,977</u>
Total Non-Current Assets	<u>15,587,127</u>
Total Assets	<u>25,987,573</u>

DEFERRED OUTFLOWS OF RESOURCES

Other Post Employment Benefits	196,314
Pensions	<u>6,370,475</u>
Total Deferred Outflows of Resources	<u>6,566,789</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	236,233
Accrued Liabilities	51,476
Compensated Absences	43,501
Bond Interest Accrued	45,527
Due to Other Governments	84
Due to Teachers' Retirement System	911,964
Due to Employees' Retirement System	90,564
Long-Term Liabilities - Due and Payable Within One Year	
Contractual obligations	250,000
Bonds	<u>850,000</u>
Total Current Liabilities	<u>2,479,349</u>
Non-Current Liabilities:	
Bonds	3,110,000
Compensated Absences	1,415,607
Other Postemployment Benefits Payable	55,391,076
Net pension liability	<u>247,972</u>
Total Non-Current Liabilities	<u>60,164,655</u>
Total Liabilities	<u>62,644,004</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>1,959,128</u>
Total Deferred Inflows of Resources	<u>1,959,128</u>

NET POSITION

Net investment in capital assets	11,218,306
Restricted	4,486,902
Unrestricted	<u>(47,753,978)</u>
Total Net Position	<u>\$ (32,048,770)</u>

The accompanying notes are an integral part of these statements.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General support	\$ 3,596,019	\$ -	\$ -	\$ (3,596,019)
Instruction	18,830,961	35,935	864,644	(17,930,382)
Community service	90	-	-	(90)
Pupil transportation	1,824,750	-	-	(1,824,750)
Debt service - interest	146,874	-	-	(146,874)
School lunch program	<u>680,895</u>	<u>233,576</u>	<u>349,621</u>	<u>(97,698)</u>
Total Functions and Programs	<u>\$ 25,079,589</u>	<u>\$ 269,511</u>	<u>\$ 1,214,265</u>	<u>(23,595,813)</u>
GENERAL REVENUES				
Real property taxes				8,201,636
Other tax items				1,406,519
Use of money and property				94,052
Sale of property and compensation for loss				145,404
State sources				11,749,913
Federal sources				76,646
Miscellaneous				<u>148,857</u>
Total General Revenues				<u>21,823,027</u>
Change in Net Position				(1,772,786)
Total Net Position - Beginning of Year, as previously reported				220,667
Prior period adjustment (Note 11)				(30,496,651)
Total Net Position - Beginning of Year - Restated				<u>(30,275,984)</u>
Total Net Position - End of Year				<u>\$ (32,048,770)</u>

The accompanying notes are an integral part of these statements.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION
 JUNE 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash - Unrestricted	\$ 4,723,379	\$ 10,570	\$ 367,894	\$ -	\$ 721,616	\$ 5,823,459
Cash - Restricted	1,280,937	-	-	2,531,219	-	3,812,156
Due from other funds	511,198	-	-	674,746	320,000	1,505,944
Due from State and Federal	283,764	406,702	-	-	-	690,466
Due from other governments	27,107	-	-	-	-	27,107
Other receivables	2,958	-	20,413	-	-	23,371
Inventory	-	-	8,572	-	-	8,572
TOTAL ASSETS	\$ 6,829,343	\$ 417,272	\$ 396,879	\$ 3,205,965	\$ 1,041,616	\$ 11,891,075
LIABILITIES AND FUND BALANCE:						
LIABILITIES:						
Accounts payable	\$ 224,101	\$ 11,611	\$ 521	\$ -	\$ -	\$ 236,233
Accrued liabilities	50,844	-	632	-	-	51,476
Compensated absences	34,988	-	8,513	-	-	43,501
Due to other funds	988,100	405,661	88,945	-	7,923	1,490,629
Due to other governments	-	-	84	-	-	84
Due to Teachers' Retirement System	911,964	-	-	-	-	911,964
Due to Employees' Retirement System	90,564	-	-	-	-	90,564
TOTAL LIABILITIES	2,300,561	417,272	98,695	-	7,923	2,824,451
FUND BALANCE:						
Nonspendable						
Inventory	-	-	8,572	-	-	8,572
Total nonspendable fund balance	-	-	8,572	-	-	8,572
Restricted for:						
Capital	652,955	-	-	-	-	652,955
Unemployment	123,012	-	-	-	-	123,012
Tax Certiorari	8,351	-	-	-	-	8,351
Employee Benefit and Accrued Liability	373,504	-	-	-	-	373,504
Repairs	123,115	-	-	-	-	123,115
Debt	-	-	-	3,205,965	-	3,205,965
Total restricted fund balance	1,280,937	-	-	3,205,965	-	4,486,902
Assigned						
Assigned Appropriated Fund Balance	2,011,020	-	-	-	-	2,011,020
Assigned Unappropriated Fund Balance	309,885	-	289,612	-	1,033,693	1,633,190
Total assigned fund balance	2,320,905	-	289,612	-	1,033,693	3,644,210
Unassigned						
Unassigned Fund Balance	926,940	-	-	-	-	926,940
TOTAL FUND BALANCE	4,528,782	-	298,184	3,205,965	1,033,693	9,066,624
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,829,343	\$ 417,272	\$ 396,879	\$ 3,205,965	\$ 1,041,616	\$ 11,891,075

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

Total governmental fund balances per above.	\$ 9,066,624
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,174,150
Long-term liabilities, including bonds payable, net of prepaid interest with fiscal agent and premiums are not due and payable in the current period and, therefore, are not reported in the funds.	(4,210,000)
Other postemployment benefits liability and deferred outflows and inflows for other postemployment benefits at June 30, 2018 are recorded in the government-wide statements under full accrual accounting.	(55,194,762)
Net pension asset and liability and deferred outflows and inflows of resources for pensions at June 30, 2018 are recorded in the government-wide statements under full accrual accounting.	4,576,352
Compensated absences at June 30, 2018, are recorded in the government-wide statements under full accrual accounting.	(1,415,607)
Interest payable at June 30, 2018 is recorded in the government-wide statements under full accrual accounting.	(45,527)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ (32,048,770)

The accompanying notes are an integral part of these statements.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

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

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues						
Real property taxes	\$ 8,201,636	\$ -	\$ -	\$ -	\$ -	\$ 8,201,636
Other tax items	1,406,519	-	-	-	-	1,406,519
Charges for services	35,935	-	-	-	-	35,935
Use of money and property	56,654	-	1,463	35,935	-	94,052
Sale of property and compensation for loss	145,404	-	-	-	-	145,404
State sources	11,749,913	197,642	11,093	-	-	11,958,648
Federal sources	76,646	667,002	301,289	-	-	1,044,937
Surplus food	-	-	37,239	-	-	37,239
Sales - school lunch	-	-	233,576	-	-	233,576
Miscellaneous	<u>148,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,857</u>
Total Revenues	<u>21,821,564</u>	<u>864,644</u>	<u>584,660</u>	<u>35,935</u>	<u>-</u>	<u>23,306,803</u>
Expenditures						
General support	2,528,181	-	-	-	-	2,528,181
Instruction	10,491,275	851,461	-	-	-	11,342,736
Pupil transportation	1,129,549	27,553	-	-	-	1,157,102
Community services	90	-	-	-	-	90
Employee benefits	5,618,849	-	106,640	-	-	5,725,489
Debt service						
Interest	136,523	-	-	13,100	-	149,623
Principal	834,000	-	-	655,000	-	1,489,000
Cost of sales	-	-	482,796	-	-	482,796
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,654</u>	<u>232,654</u>
Total Expenditures	<u>20,738,467</u>	<u>879,014</u>	<u>589,436</u>	<u>668,100</u>	<u>232,654</u>	<u>23,107,671</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,083,097</u>	<u>(14,370)</u>	<u>(4,776)</u>	<u>(632,165)</u>	<u>(232,654)</u>	<u>199,132</u>
Other Financing Sources and (Uses)						
Proceeds from serial bonds	-	-	-	-	225,000	225,000
Operating transfers in	1,277	14,370	-	668,100	320,000	1,003,747
Operating transfers (out)	<u>(1,002,470)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,277)</u>	<u>(1,003,747)</u>
Total Other Sources (Uses)	<u>(1,001,193)</u>	<u>14,370</u>	<u>-</u>	<u>668,100</u>	<u>543,723</u>	<u>225,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	81,904	-	(4,776)	35,935	311,069	424,132
Fund Balance - Beginning of year	<u>4,446,878</u>	<u>-</u>	<u>302,960</u>	<u>3,170,030</u>	<u>722,624</u>	<u>8,642,492</u>
Fund Balance - End of year	<u>\$ 4,528,782</u>	<u>\$ -</u>	<u>\$ 298,184</u>	<u>\$ 3,205,965</u>	<u>\$ 1,033,693</u>	<u>\$ 9,066,624</u>

The accompanying notes are an integral part of these statements.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

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

Net changes in fund balance - total governmental funds	\$ 424,132
Capital outlays, net of disposals are expenditures in governmental funds, but are capitalized in the statement of net position	293,273
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities and changes in net position	(843,045)
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 position	1,489,000
Proceeds from issuance of debt are not recognized as income in the statement of net position	(225,000)
Bond premium is recorded as revenue in the fund financial statements, but is amortized over the life of the bond under full accrual accounting	17,253
Other postemployment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(2,710,273)
Compensated absences do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(50,925)
Pension expenses do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(152,697)
Certain expenses in the statement of activities and changes in net position do not require the expenditures of current resources and are, therefore, not reported as expenditures in the governmental funds	<u>(14,504)</u>
Change in net position - Governmental activities	<u>\$ (1,772,786)</u>

The accompanying notes are an integral part of these statements.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS		
Cash - unrestricted	\$ 57,778	\$ -
Cash - restricted	52,747	25,511
Due from other funds	<u>401</u>	<u>-</u>
Total Assets	<u>\$ 110,926</u>	<u>\$ 25,511</u>
LIABILITIES		
Extraclassroom activity balances	\$ 52,747	\$ -
Due to other funds	15,315	401
Other liabilities	<u>42,864</u>	<u>-</u>
Total Liabilities	<u>\$ 110,926</u>	<u>401</u>
NET POSITION		
Reserved for scholarships		<u>\$ 25,110</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Private Purpose Trusts</u>
ADDITIONS	
Gifts and contributions	\$ 6,000
Interest earnings	<u>257</u>
Total Additions	<u>6,257</u>
DEDUCTIONS	
Scholarships and awards	<u>4,559</u>
Change in Net Assets	1,698
Net Position - Beginning of Year	<u>23,412</u>
Net Position - End of Year	<u>\$ 25,110</u>

The accompanying notes are an integral part of these statements.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. NATURE OF OPERATIONS

Hoosick Falls Central School District provides K-12 public education to students living within its geographic borders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hoosick Falls Central School District (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. 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. The Board of Education has the 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 as prescribed by the Governmental Accounting Standards Board (GASB). 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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The School District is a non-component district that participates with the Rensselaer-Columbia-Greene Board of Cooperative Educational Services. A Board of Cooperative Educational Services (BOCES) is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that 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.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component 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 districts pay tuition or a service fee for programs in which its students participate.

During the year, the School District was billed \$425,251 for BOCES administrative and program costs. Because the School District is not a component district of the BOCES, it does not receive any BOCES aid.

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

Basis of Presentation

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

School District-Wide Statements

The statement of net position and the statement of activities and changes in net position 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 net position presents the financial position of the School District at fiscal year-end. The statement of activities and changes in net position presents a comparison between direct expenses and revenues 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue include charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. SUMMARY OF 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 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 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, revenues, 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:

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 (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Special Aid Funds: Used to account for proceeds received from State and federal grants that are restricted for specific educational programs.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

The School District reports the following fiduciary funds:

Fiduciary Funds: 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 District-wide financial statements, because their resources do not belong to the School District, and are not available to be used. There are two classes of 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Fund (Continued)

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 requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/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

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenue is 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 and demand deposits.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash (Continued)

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.

Accounts Receivable

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventories and Prepaid Items

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 that approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

Other assets/restricted assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

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 revenues to provide financing or other services.

In the District-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.

See Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Land and construction in process are not depreciated. 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 School District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 500	N/A	N/A
Land improvements	500	SL	40
Buildings and improvements	500	SL	40
Furniture and equipment	500	SL	5-20
Buses	500	SL	20

Short-Term Debt

The School District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue any RANs or TANs during the year ended June 30, 2018.

The School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued. The School District did not issue any budget notes during the 2018 fiscal year.

The School District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

Vested Employee Benefits

Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation time.

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

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.

The liability for compensated absences has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vested Employee Benefits (Continued)

Compensated Absences (Continued)

In the funds statements only the amount of matured liabilities is accrued based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Other Benefits

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

School District employees may choose to participate in the School District's elective deferred compensation plans established under Internal Revenue Code Section 403(b).

In addition to providing the pension benefits, the School District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

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 School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Property Taxes

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

Uncollected real property taxes are subsequently enforced by the Counties in which the School District is located. The Counties of Rensselaer and Washington pay an amount representing uncollected real property taxes transmitted to the Counties for enforcement to the School District no later than the following April 1.

Unearned Revenue

The School District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the School District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the District-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 funds 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 (current) or due within more than one year (non-current) in the Statement of Net Position.

2. SUMMARY OF 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 consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the School District's proportion of the collective net pension asset or liability and difference during the measurement period between the School District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the School District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The fourth item relates to OPEB reporting in the district-wide statement of net position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position or Balance Sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has four items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the School District's proportion of the collective net pension liability (TRS and ERS Systems) and difference during the measurement periods between the School District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item relates to OPEB reporting in the district-wide statement of net position. This represents the effect of the net changes in assumptions or other inputs.

Bonds and Related Premiums and Issuance Costs

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Prepaid interest with fiscal agent is reported as deferred charges and amortized over the life of the related debt.

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.

Equity Classifications

District-Wide Statements

In the District-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, construction, or improvements of those assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

District-Wide Statements (Continued)

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

Restricted fund balance includes the following:

Capital	\$	652,955
Unemployment		123,012
Tax certiorari		8,351
Employee benefits and accrued liabilities		373,504
Repairs		123,115
Debt Service Fund		<u>3,205,965</u>
Total	\$	<u>4,486,902</u>

Unrestricted net position - reports the balance of 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. Non-spendable fund balance includes inventory recorded in the School Lunch Fund of \$8,572, as well as prepaid items or long-term portion of loans receivable recorded in the General 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

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Repair

According to General Municipal Law §6-d, must be 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.

Workers' Compensation

According to General Municipal Law §6-j, must be 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.

Unemployment Insurance

According to General Municipal Law §6-m, must be 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. This reserve is accounted for in the General Fund.

Debt Service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established 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.

Insurance

According to General Municipal Law §6-n, must be 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Liability Claims and Property Loss

According to Education Law §1709(8) (c), must be 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 with a population under 125,000. These reserves are accounted for in the General Fund.

Tax Certiorari

According to Education Law §3651.1-a, must be 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.

Employee Benefits and Accrued Liability

According to General Municipal Law §6-p, must be used 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.

Retirement Contribution

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. This reserve is accounted for in the General Fund.

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. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrance not classified as restricted at the end of the fiscal year. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$309,885. As of June 30, 2018, the School District's encumbrances were classified as follows:

General support	\$	96,365
Instruction		199,341
Transportation		<u>14,179</u>
Total encumbrances	\$	<u>309,885</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

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 and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from the overspending for specific purposes for which amounts had been restricted or assigned.

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 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 assigned 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.

New Accounting Standards

The School District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 81, *Split Interest Agreements*

Statement No. 85, *Omnibus*

Statement No. 86, *Certain Debt Extinguishment Issues*

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the School District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the district-wide statements 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 long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL DISTRICT-WIDE STATEMENTS (Continued)

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of four broad categories.

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 changes in net position, 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 and changes in net position.

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 and changes in net position as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

Pension Differences

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

4. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2018, the School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires the School District to report other postemployment benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources, and deferred inflow of resources related to OPEB. The following prior period adjustment was made to restate the OPEB liability for the implementation of GASB 75:

OPEB liability as of June 30, 2017	\$21,987,838
OPEB liability as of June 30, 2017 – Restated	<u>\$52,484,489</u>
Prior period adjustment to Net Position – Beginning	
Of the year	<u>\$30,496,651</u>

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 by 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. The following supplemental appropriations occurred during the year:

General Support – Central Services \$135,903

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. The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2018.

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.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations.

Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

6. CUSTODIAL CREDIT, CONCENTRATION OF 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 previously in these Notes.

6. CUSTODIAL CREDIT, CONCENTRATION OF CREDIT RISK (Continued)

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	\$ 9,912,843	\$ 9,771,651
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 9,717,766	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 10,217,766</u>	

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

Restricted cash consists of the following:

General fund:	
Cash on deposit for capital reserves	\$ 652,955
Cash on deposit for unemployment insurance	123,012
Cash on deposit for employee benefit and accrued liability reserve	373,504
Cash on deposit for repairs reserve	123,115
Cash on deposit for tax certiorari	<u>8,351</u>
Total general fund	<u>\$ 1,280,937</u>
Debt Service fund:	
Cash on deposit for debt service reserves	<u>\$ 2,531,219</u>
Trust and agency fund:	
Cash on deposit for extraclassroom activity funds	<u>\$ 52,747</u>
Private purpose trusts fund:	
Cash on deposit for scholarship reserve	<u>\$ 25,511</u>

7. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 27,582	\$ -	\$ -	\$ 27,582
Work in progress	<u>398,803</u>	<u>11,810</u>	<u>-</u>	<u>410,613</u>
Total non-depreciable cost	<u>426,385</u>	<u>11,810</u>	<u>-</u>	<u>438,195</u>
Capital assets that are depreciated:				
Buildings	22,339,505	-	-	22,339,505
Land improvements	496,729	-	-	496,729
Vehicles	2,141,160	220,844	159,224	2,202,780
Furniture and equipment	<u>2,192,497</u>	<u>62,549</u>	<u>8,766</u>	<u>2,246,280</u>
Total depreciable historical cost	<u>27,169,891</u>	<u>283,393</u>	<u>167,990</u>	<u>27,285,294</u>
Less accumulated depreciation:				
Buildings	8,866,445	447,232	-	9,313,677
Land improvements	425,650	23,878	-	449,528
Vehicles	1,272,914	240,244	159,224	1,353,934
Furniture and equipment	<u>1,307,345</u>	<u>131,691</u>	<u>6,836</u>	<u>1,432,200</u>
Total accumulated depreciation	<u>11,872,354</u>	<u>843,045</u>	<u>166,060</u>	<u>12,549,339</u>
Total depreciable cost, net	<u>\$ 15,723,922</u>	<u>\$ (547,842)</u>	<u>\$ 1,930</u>	<u>\$ 15,174,150</u>

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

General support	\$ 137,412
Instruction	616,501
Pupil transportation	62,891
School lunch program	<u>26,241</u>
Total	<u>\$ 843,045</u>

8. LONG-TERM DEBT

Interest on long-term debt for the year was composed of:

Interest paid	\$ 149,623
Less amortization of prepaid interest and bond premium	(9,936)
Less interest accrued in the prior year	(38,340)
Plus interest accrued in the current year	<u>45,527</u>
Total expense	<u>\$ 146,874</u>

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

	RESTATED Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year	Long-Term Portion
Government activities:						
Bonds and notes payable						
General obligation debt:						
Serial bonds	\$ 5,224,000	\$ 225,000	\$ 1,489,000	\$ 3,960,000	\$ 850,000	\$ 3,110,000
Contractual obligations	250,000	-	-	250,000	250,000	-
Other long-term debt:						
Compensated absences	1,364,682	50,925 (A)	-	1,415,607	-	1,415,607
Other postemployment benefits	52,484,489	4,263,598	1,357,011	55,391,076	-	55,391,076
Net pension liability	<u>1,343,616</u>	<u>247,972</u>	<u>1,343,616</u>	<u>247,972</u>	-	<u>247,972</u>
Total long-term liabilities	<u>\$ 60,666,787</u>	<u>\$ 4,787,495</u>	<u>\$ 4,189,627</u>	<u>\$ 61,264,655</u>	<u>\$ 1,100,000</u>	<u>\$ 60,164,655</u>

(A) Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately.

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

Bond Issue	Issued	Maturity	Interest Rate	June 30, 2018 Balance
Buses	2013	2018	1.50%-2.00%	\$ 60,000
Buses	2014	2019	1.00%-2.25%	120,000
Buses	2015	2020	1.50%-3.30%	75,000
Buses	2016	2021	1.75%-1.875%	180,000
Buses	2017	2022	2.125%	225,000
Renovations	2010	2023	1.75%-3.50%	<u>3,300,000</u>
				<u>\$ 3,960,000</u>

8. LONG-TERM DEBT (Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 850,000	\$ 116,621	\$ 966,621
2020	815,000	93,913	908,913
2021	775,000	71,469	846,469
2022	770,000	48,631	818,631
2023	<u>750,000</u>	<u>25,153</u>	<u>775,153</u>
Totals	<u>\$ 3,960,000</u>	<u>\$ 355,787</u>	<u>\$ 4,315,787</u>

The School District entered into an energy service program agreement on January 8, 2015. The estimated costs of the project are \$298,269 with an estimated monthly charge of \$2,206. The interest is variable based on New York Power Authority tax exempt energy efficiency project rates and are estimated to range from .51% to 4%. The School District has incurred \$250,000 in contractual obligation debt as of June 30, 2016. Litigation for the project has been resolved as of June 30, 2018 and payment of \$250,000 plus accrued interest of \$13,813.55 is due September 4, 2018.

9. INTERFUND BALANCE ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 511,198	\$ 988,100	\$ 1,277	\$ 1,002,470
Special aid funds	-	405,661	14,370	-
School lunch fund	-	88,945	-	-
Debt service fund	674,746	-	668,100	-
Capital Projects fund	<u>320,000</u>	<u>7,923</u>	<u>320,000</u>	<u>1,277</u>
Total Governmental Funds	1,505,944	1,490,629	<u>\$ 1,003,747</u>	<u>\$ 1,003,747</u>
Fiduciary funds	401	15,716		
Total	<u>\$ 1,506,345</u>	<u>\$ 1,506,345</u>		

The School District typically transfers from the general fund to the special aid fund for cash flow purposes, the general fund to the debt service fund for payment of debt, school lunch to the general fund for benefits, and general fund to the capital projects fund for capital projects expenditures.

10. PENSION PLANS

General information

The School District participates in the New York State Local Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing multiple employer public employee retirement systems. The systems offer 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.

10. PENSION PLANS (Continued)

Provisions and administration

A 10-member Board of Trustees of 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. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in NYSTRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. 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 or by referring to the NYSTRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

NYSERS provides retirement benefits, as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The system is included in the State's financial report as a pension trust fund. The system issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the NYSERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

Funding policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under NYSERS tier VI vary based on a sliding salary scale. For NYSTRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For NYSERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the NYSERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the NYSTRS and NYSERS for the current year and each of the two preceding years. The District chose to prepay the required contributions by December 15, 2017 and received an overall discount of \$2,943.

The School District's share of the required contributions, based on covered payroll paid for the School District for the current year and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2018	\$ 843,381	\$ 351,316
2017	1,028,196	338,267
2016	1,144,948	364,529

10. PENSION PLANS (Continued)

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 the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2017 for NYSTRS and March 31, 2018 for NYSERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The School District's proportion of the net pension asset/(liability) was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSTRS and NYSERS Systems in reports provided to the School District.

	<u>NYSTRS</u>	<u>NYSERS</u>
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	\$ 412,977	\$ (247,972)
District's portion of the Plan's total net pension asset/(liability)	0.0543320%	0.007683%
Change in proportion since the prior measurement date	0.0011730%	0.000146%

For the year ended June 30, 2018, the School District recognized pension expense of \$321,579 for ERS and pension expense of \$1,060,124 for TRS.

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

As of June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Total</u>
	<u>NYSERS</u>	<u>NYSTRS</u>	
Differences between expected and actual experience	\$ 88,444	\$ 339,779	\$ 428,223
Changes of assumptions	164,426	4,202,122	4,366,548
Net differences between projected and actual earnings on pension plan investments	360,160	-	360,160
Changes in proportion and differences between District contributions and proportionate share of contributions	70,075	136,397	206,472
District contributions subsequent to measurement date	-	1,009,072	1,009,072
Total	<u>\$ 683,105</u>	<u>\$ 5,687,370</u>	<u>\$ 6,370,475</u>

	<u>Deferred Inflows of Resources</u>		<u>Total</u>
	<u>NYSERS</u>	<u>NYSTRS</u>	
Differences between expected and actual experience	\$ 73,087	\$ 161,015	\$ 234,102
Changes of assumptions	-	-	-
Net differences between projected and actual earnings on pension plan investments	710,920	972,680	1,683,600
Changes in proportion and differences between District contributions and proportionate share of contributions	12,738	28,688	41,426
District contributions subsequent to measurement date	-	-	-
Total	<u>\$ 796,745</u>	<u>\$ 1,162,383</u>	<u>\$ 1,959,128</u>

10. PENSION PLANS (Continued)

School District contributions of \$1,009,072 subsequent to the measurement date will be recognized as a reduction of the net pension liability for 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 revenue and expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2018	\$ 117,418	\$ -
2019	1,133,603	74,877
2020	817,438	59,421
2021	219,355	(169,923)
2022	815,124	(78,015)
Thereafter	<u>412,977</u>	<u>-</u>
	<u>\$ 3,515,915</u>	<u>\$ (113,640)</u>

Actuarial Assumptions

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

The actuarial valuations used the following actuarial assumptions:

	<u>NYSERS</u>	<u>NYSTRS</u>										
Measurement date	March 31, 2018	June 30, 2017										
Actuarial valuation date	April 1, 2017	June 30, 2016										
Interest rate	7.0%	7.25%										
Salary scale	3.8% indexed by service	<table> <thead> <tr> <th><u>Service</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>5</td> <td>4.72%</td> </tr> <tr> <td>15</td> <td>3.46%</td> </tr> <tr> <td>25</td> <td>2.37%</td> </tr> <tr> <td>35</td> <td>1.90%</td> </tr> </tbody> </table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>											
5	4.72%											
15	3.46%											
25	2.37%											
35	1.90%											
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014										
	System's Experience	System's Experience										
COLA	1.300%	1.500%										
Inflation rate	2.5%	2.5%										

10. PENSION PLANS (Continued)

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

Actuarial Assumptions (Continued)

For NYSERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2016 NYSERS valuation are based on the results of actuarial experience study for the period April 1, 2010 – March 31, 2015.

For NYSTRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale AA. The actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the target asset allocation are summarized below.

Measurement date	<u>Long Term Expected Real Rate</u>	
	March 31, 2018	June 30, 2017
<u>Asset Type</u>	<u>NYSERS</u>	<u>NYSTRS</u>
Domestic equity	4.55%	5.90%
International equity	6.35%	7.40%
Private equity	7.50%	9.00%
Real estate	5.55%	4.30%
Absolute return	3.75%	N/A
Opportunistic portfolio	5.68%	N/A
Real asset	5.29%	N/A
Bonds & mortgages	1.31%	2.80%
Cash	-0.25%	0.60%
Inflation indexed bonds	1.25%	N/A
Domestic fixed income securities	N/A	1.6%
Global fixed income securities	N/A	1.3%
High-yield fixed income securities	N/A	3.9%

10. PENSION PLANS (Continued)

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

Actuarial Assumptions (Continued)

The discount rate used to calculate the total pension asset or liability was 7.0% for NYSERS and 7.25% for NYSTRS. 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 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 or asset.

Sensitivity of the Proportionate Share of the Net Pension Asset or Liability to the Discount Rate Assumption

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

<u>NYSERS</u>	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability (asset)	\$ 1,876,225	\$ 247,972	\$ (1,129,464)

<u>NYSTRS</u>	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability (asset)	\$ 7,114,371	\$ (412,977)	\$ (6,716,758)

Pension Plan Fiduciary Net Position

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

	<u>NYSERS</u>	<u>NYSTRS</u>	<u>Total</u>
Employers' total pension liability (asset)	\$ 183,400,590	\$ 114,708,261,032	\$ 114,891,661,622
Plan net position	<u>(180,173,145)</u>	<u>(115,468,360,316)</u>	<u>(115,648,533,461)</u>
Employers' net pension liability (asset)	<u>\$ 3,227,445</u>	<u>\$ (760,099,284)</u>	<u>\$ (756,871,839)</u>
Ratio of plan net position to the employer's total pension liability (asset)	98.24%	100.66%	100.66%

Payables to the Pension Plan

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid NYSTRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$911,964.

10. PENSION PLANS (Continued)

Payables to the Pension Plan (Continued)

For NYSERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid NYSERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$90,564 of employer contributions. Employee contributions are remitted monthly.

11. OTHER POSTEMPLOYMENT BENEFITS

General Information About the Other Postemployment Benefits (OPEB) Plan

Plan Description – The School District's defined benefit OPEB plan, provides OPEB for all permanent full-time general employees of the School District. 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 of Education. No assets are accumulated in the trust that meets the criteria in paragraph 4 of Statement 75.

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 July 1, 2017, the following employees were covered by the benefit terms:

Inactive employee or beneficiaries currently receiving benefit payments	120
Inactive employees entitled to but not yet receiving benefit payment	0
Active employees	<u>185</u>
Total members	<u>305</u>

Total OPEB Liability

The School District's total OPEB liability of \$55,391,076 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	2.6%
Discount Rate	3.0%
Healthcare Cost Trend Rates	7.5% for 2017, decreasing .5% per year to an ultimate rate of 4.5% for 2023 and later years

The discount rate was based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the Society of Actuaries Scale MP-2017 pension mortality study, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2017 valuation were based on standard actuarial tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the School District. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

11. OTHER POSTEMPLOYMENT BENEFITS

Total OPEB Liability (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 52,484,489</u>
Changes for the Year -	
Service cost	2,415,326
Interest	1,626,790
Changes in benefit terms	-
Differences between expected and actual experience	221,482
Changes in assumptions or other inputs	-
Benefit payments	<u>(1,357,011)</u>
Net Changes	<u>2,906,587</u>
Balance at June 30, 2018	<u>\$ 55,391,076</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4% in 2017 to 3% in 2018.

The actuarial cost method has been updated from Projected Unit Credit to Entry Age Normal.

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%) or 1 percentage point higher (4%) than the current discount rate:

	1% Decrease (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
Total OPEB Liability	\$ 66,649,170	\$ 55,391,076	\$ 46,595,347

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 (6.5%) or 1 percentage point higher (8.5%) than the current healthcare cost trend rate:

	1% Decrease (6.5% Decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% Decreasing to 4.5%)	1% Increase (8.5% Decreasing to 5.5%)
Total OPEB Liability	\$ 45,000,583	\$ 55,391,076	\$ 69,640,398

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2018, the School District recognized negative OPEB expense of \$4,067,284. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 196,314	\$ -
Changes of assumptions or other inputs	-	-
Contributions subsequent to measurement date	-	-
Total	<u>\$ 196,314</u>	<u>\$ -</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 25,168
2020	25,168
2021	25,168
2022	25,168
2023	25,168
Thereafter	70,474
	<u>\$ 196,314</u>

12. 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 have not exceeded commercial insurance coverage for the past two years.

13. CONTINGENCIES AND COMMITMENTS

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 years' experience, the School District's administration believes disallowances, if any, will be immaterial. The School District has tax certiorari pending with certain property owners. While the outcome of these matters is uncertain, the School District intends to vigorously defend its position.

14. TAX ABATEMENTS

The County of Rensselaer entered into a property tax abatement program for the purpose of economic development. The School District property tax revenue was reduced by \$6,593 for the year ended June 30, 2018. The School District received a Payment In Lieu of Tax (PILOT) totaling \$10,167.

15. SUBSEQUENT EVENTS

On August 15, 2018 the School District issued a serial bond in the amount of \$335,000, bearing interest at a rate ranging from 2.37% to 2.75%, maturing August 15, 2023.

16. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

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 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 District is required to adopt the provisions of this Statement for the year ending June 30, 2021.

The School District has not yet assessed the impact of these statements on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

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

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Over (Under) Revised Budget</u>
Revenues				
Local Sources				
Real property taxes	\$ 9,574,996	\$ 9,574,996	\$ 8,201,636	\$ (1,373,360)
Other tax items	25,000	25,000	1,406,519	1,381,519
Charges for services	43,000	43,000	35,935	(7,065)
Use of money and property	3,350	3,350	56,654	53,304
Sale of property and compensation for loss	-	135,903	145,404	9,501
Miscellaneous	<u>37,500</u>	<u>37,500</u>	<u>148,857</u>	<u>111,357</u>
Total Local Sources	9,683,846	9,819,749	9,995,005	175,256
State sources	11,540,371	11,540,371	11,749,913	209,542
Federal sources	<u>31,000</u>	<u>31,000</u>	<u>76,646</u>	<u>45,646</u>
Total Revenues	21,255,217	21,391,120	21,821,564	430,444
Other Financing Sources				
Transfers from other funds	<u>373,386</u>	<u>373,386</u>	<u>1,277</u>	<u>(372,109)</u>
Total Revenues and Other Sources	<u>\$ 21,628,603</u>	<u>\$ 21,764,506</u>	<u>\$ 21,822,841</u>	<u>\$ 58,335</u>

The accompanying notes are an integral part of these schedules.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

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

	Original Budget	Revised Budget	Actual	Year-end Encumbrances	Revised Budget Variance With Actual And Encumbrance
Expenditures					
General Support					
Board of education	\$ 11,425	\$ 27,809	\$ 17,559	\$ 9,099	\$ 1,151
Central administration	250,857	268,486	260,976	-	7,510
Finance	453,538	504,513	477,003	11,525	15,985
Staff	77,652	156,437	105,059	140	51,238
Central services	1,387,051	1,747,877	1,587,943	75,601	84,333
Special items	103,427	103,432	79,641	-	23,791
Total General Support	2,283,950	2,808,554	2,528,181	96,365	184,008
Instruction					
Instruction, administration and improvement	752,490	824,856	722,346	16,812	85,698
Teaching - regular school	6,363,254	6,356,337	5,961,897	75,296	319,144
Programs for students with disabilities	2,053,817	2,165,580	1,804,346	37,482	323,752
Occupational education	309,227	324,427	283,372	-	41,055
Teaching - special school	123,115	125,345	96,947	479	27,919
Instructional media	406,879	445,814	400,081	28,449	17,284
Pupil services	1,121,875	1,334,988	1,222,286	40,823	71,879
Total Instruction	11,130,657	11,577,347	10,491,275	199,341	886,731
Other					
Pupil Transportation	1,183,984	1,248,989	1,129,549	14,179	105,261
Community Services	600	600	90	-	510
Employee Benefits	7,181,304	6,406,452	5,618,849	-	787,603
Debt Service - Interest	149,484	136,524	136,523	-	1
Debt Service - Principal	1,489,000	834,000	834,000	-	-
Total Other	10,004,372	8,626,565	7,719,011	14,179	893,375
Total Expenditures	23,418,979	23,012,466	20,738,467	309,885	1,964,114
Other Financing Uses					
Transfers to other funds	30,000	1,018,100	1,002,470	-	15,630
Total Expenditures and Other Uses	23,448,979	24,030,566	21,740,937	309,885	1,979,744
NET CHANGE IN FUND BALANCES	(1,820,376)	(2,266,060)	81,904	(309,885)	2,038,079
FUND BALANCE - beginning of year	4,446,878	4,446,878	4,446,878	-	-
FUND BALANCE - end of year	\$ 2,626,502	\$ 2,180,818	\$ 4,528,782	\$ (309,885)	\$ 2,038,079

The accompanying notes are an integral part of these schedules.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

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

	<u>2018</u>
Measurement date	July 1, 2017
Total other postemployment benefits (OPEB) liability	
Service cost	\$ 2,415,326
Interest	1,626,790
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	221,482
Changes of assumptions or other inputs	-
Benefit payments	<u>(1,357,011)</u>
Net change in in total OPEB liability	2,906,587
Total OPEB liability - beginning	<u>52,484,489</u>
Total OPEB liability - ending	<u>\$ 55,391,076</u>
Covered payroll	<u>\$ 10,732,352</u>
Total OPEB liability as a percentage of covered payroll	516.11%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS (UNAUDITED)
LAST 4 FISCAL YEARS**

Teachers' Retirement System

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contributions	1,009,072	1,135,720	1,495,081	1,333,930
Contributions in relation to the contractually required contribution	<u>1,009,072</u>	<u>1,135,720</u>	<u>1,495,081</u>	<u>1,333,930</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	8,799,416	8,565,008	8,667,008	8,362,901
Contribution as a percentage of covered-employee payroll	11%	13%	17%	16%

Employees' Retirement System

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contributions	346,514	334,181	377,139	376,497
Contributions in relation to the contractually required contribution	<u>346,514</u>	<u>334,181</u>	<u>377,139</u>	<u>376,498</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>
District's covered-employee payroll	2,663,801	2,425,975	2,305,062	2,131,404
Contribution as a percentage of covered-employee payroll	13%	14%	16%	18%

The accompanying notes are an integral part of these schedules.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
LAST 4 FISCAL YEARS**

Teachers' Retirement System

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
District's proportion of the net pension liability (asset)	0.054332%	0.055505%	0.056777%	0.055572%
District's proportionate share of the net pension liability (asset)	\$ (412,977)	\$ 594,484	\$ (5,897,338)	\$ (6,190,335)
District's covered-employee payroll	\$ 8,799,416	\$ 8,565,008	\$ 8,667,008	\$ 8,362,901
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-5%	7%	68%	74%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
District's proportion of the net pension liability (asset)	0.0076832%	0.0079727%	0.0078289%	0.0074794%
District's proportionate share of the net pension liability (asset)	\$ 247,972	\$ 749,132	\$ 1,256,565	\$ 252,673
District's covered-employee payroll	\$ 2,663,801	\$ 2,425,975	\$ 2,305,062	\$ 2,131,404
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9%	31%	55%	12%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.90%

The accompanying notes are an integral part of these schedules.

SUPPLEMENTARY INFORMATION

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

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

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted Budget	\$ 23,448,979
Add: Prior year's encumbrances	<u>445,684</u>
Original Budget	23,894,663
Budget revisions	<u>135,903</u>
Final Budget	<u>\$ 24,030,566</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	\$ 23,277,506
Maximum allowed	931,100
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	2,320,905
Unassigned fund balance	<u>926,940</u>
Total unrestricted fund balance	<u>3,247,845</u>
Less:	
Appropriated fund balance	2,011,020
Encumbrances included in assigned fund balance	<u>309,885</u>
Total adjustments	<u>2,320,905</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 926,940</u>
Actual percentage	3.98%

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

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

PROJECT TITLE / NUMBER	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing - Actual			Fund Equity June 30, 2018	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
District-wide renovations	\$ -	\$ -	\$ 161,782	\$ 11,810	\$ 173,592	\$ (173,592)	\$ -	\$ -	\$ 1,190,150	\$ 1,190,150	\$ 1,016,558
Pellet Boiler	250,000	250,000	237,021	-	237,021	12,979	250,000	-	-	250,000	12,979
Buses - 2017-2018	225,000	225,000	-	220,844	220,844	4,156	225,000	-	-	225,000	4,156
Totals	\$ 475,000	\$ 475,000	\$ 398,803	\$ 232,654	\$ 631,457	\$ (156,457)	\$ 475,000	\$ -	\$ 1,190,150	\$ 1,665,150	\$ 1,033,693

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

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

Capital Assets, Net		\$ 15,174,150
Deduct:		
Short-term portion of bonds payable	850,000	
Long-term portion of bonds payable	3,110,000	
Less: unspent bond proceeds	<u>(4,156)</u>	
Total Deductions		<u>3,955,844</u>
Net Investment in Capital Assets		<u>\$ 11,218,306</u>

The accompanying notes are an integral part of these schedules.

REQUIRED REPORTS UNDER UNIFORM GUIDANCE

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 4, 2018

The Board of Education of
Hoosick Falls Central 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 Hoosick Falls Central 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 4, 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 financial statements are free from 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.

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

October 4, 2018

To the Board of Education of the
Hoosick Falls Central School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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(Continued)

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE (Continued)

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
National School Lunch program - Food Distribution	10.555	n/a	\$ 37,239 ^
<u>Passed through New York State Dept. of Education</u>			
National School Lunch program	10.555	n/a	241,253 ^
School Breakfast program	10.553	n/a	<u>60,036 ^</u>
Total U.S. Department of Agriculture			<u>338,528</u>
<u>U.S. Department of Education</u>			
<u>Passed through New York State Dept. of Education</u>			
IDEA - Part B, Section 611	84.027	0032-18-0750	325,042
IDEA - Part B, Section 619	84.173	0033-18-0750	<u>17,694</u>
Special education cluster (IDEA)			342,736
Title I grants to local educational agencies	84.010	0021-18-2490	274,990
Title I grants to local educational agencies	84.010	0021-17-2490	<u>922</u>
Title I, Part A			275,912
ESEA Title II Part A, Improving Teacher Quality grant	84.367	0147-18-2490	<u>48,354</u>
ESEA Title II, Part A			48,354
Total U.S. Department of Education			<u>667,002</u>
Total expenditures of federal awards			<u>\$ 1,005,530</u>

^ Child Nutrition Cluster

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

1. GENERAL

The preceding schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Hoosick Falls Central School District. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or the respective changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the School District's general ledger.

The School District did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal awards. Any equipment purchased with federal funds has only a nominal value and is covered by the School District's insurance policies.

There were no loans or loan guarantees outstanding at year-end.

4. FOOD DONATIONS

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. For the year ended June 30, 2018, the School District accepted food commodities totaling \$37,239.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I—Summary of Auditors' Results

Financial Statements

Type of independent auditor's report issued on whether the
Financial statements are prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not
considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted?
 Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not
considered to be material weaknesses? Yes None reported

Type of independent auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in
accordance with Uniform Guidance?
 Yes No

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	School Lunch Cluster

Dollar threshold used to distinguish between Type A and Type B
programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2018

Section II—Financial Statement Findings

None.

Section III—Federal Award Findings and Questioned Costs

None.

Section IV - Status of Prior Year Comments

There were no findings required to be reported for the year ended June 30, 2017.

HOOSICK FALLS CENTRAL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

For the year ended June 30, 2018, there were no findings required to be reported under *Government Auditing Standards* or Uniform Guidance. Accordingly, a corrective action plan is unnecessary.