HERMON-DEKALB CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2018

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BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

BOARD OF EDUCATION
HERMON-DEKALB 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 Hermon-DeKalb Central School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Hermon-DeKalb Central 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.

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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 the Hermon-DeKalb Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 3 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 opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-19), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 76), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 77-78), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) - NYSLRS Pension Plan (page 79), and Schedule of District's Contributions - NYSLRS Pension Plan (page 80) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hermon-DeKalb Central School District's basic financial statements. The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet - Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 81-85) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet - Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 81-85) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet - Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 81-85) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2018 on our consideration of the Hermon-DeKalb Central 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 Hermon-DeKalb Central 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 Hermon-DeKalb Central School District's internal control over financial reporting and compliance.

Bowers & Company

Watertown, New York
October 4, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

INTRODUCTION

The following is a discussion and analysis of Hermon-DeKalb Central School District's financial performance for the fiscal year ended June 30, 2018. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund financial statements. Responsibility for completeness and fairness of the information contained rests with the District.

FINANCIAL HIGHLIGHTS

The District's purpose is to educate all students to high levels of academic performance while fostering positive growth in social/emotional behaviors and attitudes. The Board of Education is the governing body elected by the residents of the District. Their mission is to maintain certain standards in excellence set by the New York State Board of Regents. This has to be accomplished with the least economic impact to the local taxpayer. The following financial highlights are the District's attempt at completing this mission.

- For the year ending June 30, 2018, total revenues of $10,727,733 were $818,989 less than the $11,546,722 in expenses. The deficiency of $818,989 was deducted from the Net Position Deficit at the beginning of the year of $(16,797,665), as restated, for an ending Net Position Deficit of $(17,616,654) at June 30, 2018.
- The District's portion of Assigned General Fund balance designated to reduce real estate taxes in 2017-2018 is $1,093,587 or 69% of the Assigned and Unassigned General Fund balance. At June 30, 2018, the General Fund Unassigned Fund Balance is $492,051 or 4.59% of the 2018-2019 budget.
- The total property assessment for the District in the 2017-2018 school year was $139,764,279, which was a $929,393 or 0.67%, increase over the 2016-2017 school year. The true value tax rate for 2017-2018 was $17.35 per thousand of assessment; a $0.35 decrease (1.98%) from 2016-2017.
- The District employs about 80 full and part time employees. There are two unions; NYSUT (teachers) and CSEA (support Staff.) NYSUT has a collective bargaining agreement in place until June 30, 2021. CSEA also has a collective bargaining agreement in place until June 30, 2020.
- Total ending enrollment for the 2017-2018 school year was 437, an increase of 14 students from the 2016-2017 school year. Our projected enrollment for fall 2018 is 430 students, which is stable for the District from previous years and similar to the current enrollment changes in neighboring school districts in the county.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS

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

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column.
- 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 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 District's budget and actual for the year.

The following summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Table A-1	Major Features of the District-Wide and Fund Financial Statement		
		Fund Financial Statements	
	District-Wide	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. 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 focus
Type of Asset / Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow / Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

District-Wide Statements

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

The two district-wide statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or *position.*

- Over time, increases or decreases in the District's net position are in indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are shown as *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state and federal aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The 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).

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Fund Financial Statements – Continued

The District has two kinds of funds:

- Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (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 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.

- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $17,616,654 at the close of the most recent fiscal year. This represents a $818,989 decrease in the statement of net position for the year, as restated. The overall deficit is largely due to the District's other postemployment benefit (OPEB) liability. As of June 30, 2018, the OPEB liability was $20,510,953 compared to $25,144,906 reported at the close of the prior fiscal year, as restated. The restatement of the OPEB liability was due to the District implementing a change in accounting principle to comply with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, see Note 17 to the financial statements for additional information relating to the restatement. The overall decrease in net position in the current fiscal year is largely due to two factors. First, is the net change in the OPEB liability recognized in the current year which resulted in a positive change of $4,633,953. The second is the net increase in deferred inflows of resources over deferred outflows of resources related to the OPEB liability of $5,426,017. The net impact of these two items, of $792,064, ultimately resulted in the current year decrease. See Note 12 for additional OPEB information.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The largest portion of the District's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedule summarizes the District's Net Position. The complete Statement of Net Position can be found in the District's basic financial statements.

Condensed Statement of Net Position
Comparison 2016-2017 and 2017-2018

	2016-2017 Restated	2017-2018	Change
Assets			
Current and Other Assets	$ 3,922,900	$ 3,641,321	$ (281,579)
Capital Assets, Net	7,299,174	6,957,266	(341,908)
Net Pension Asset - Proportionate Share	-	127,888	127,888
Total Assets	$ 11,222,074	$ 10,726,475	$ (495,599)
Deferred Outflows of Resources			
Deferred Charge on Bond Refunding	$ 188,926	$ 161,937	$ (26,989)
Other Postemployment Benefits	541,093	580,678	39,585
Pensions	1,949,433	1,974,683	25,250
Total Deferred Outflows of Resources	$ 2,679,452	$ 2,717,298	$ 37,846
Liabilities			
Current Liabilities	$ 1,309,018	$ 1,178,939	$ (130,079)
Long-Term Liabilities	29,251,817	23,741,940	(5,509,877)
Total Liabilities	$ 30,560,835	$ 24,920,879	$ (5,639,956)
Deferred Inflows of Resources			
Pensions	$ 138,356	$ 673,946	$ 535,590
Other Postemployment Benefits	-	5,465,602	5,465,602
Total Deferred Inflows of Resources	$ 138,356	$ 6,139,548	$ 6,001,192
Net Position			
Net Investment in Capital Assets, Net of Related Debt	$ 3,532,226	$ 3,599,563	$ 67,337
Restricted	1,383,049	1,513,469	130,420
Unrestricted	(21,712,940)	(22,729,686)	(1,016,746)
Total Net Position	$ (16,797,665)	$ (17,616,654)	$ (818,989)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

In general, current assets are those assets that are available to satisfy current obligations and current liabilities and those liabilities that will be paid within one year. Current assets consist primarily of cash equivalents of $2,729,991 and state, federal and BOCES aid receivable of $871,145.

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Included in deferred outflows of resources in the current year is $1,974,683 related to the District's participation in the NYS TRS and ERS pension systems, $580,678 related to the District's OPEB Plan, and $161,937 related to the deferred charge on bond refunding.

Current liabilities consist principally of accounts payable and accrued expenses totaling $161,932, amounts due to retirement systems totaling $377,203, and the current portion of long-term debt totaling $656,607.

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. Included in deferred inflows of resources in the current year is $673,946 related to the District's participation in the NYS TRS and ERS pension systems and $5,465,602 related to the District's OPEB Plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues including tax revenue, investment earnings and unrestricted state and federal aid must support the net cost of the District's programs.

The following schedule summarizes the District's activities. The complete Statement of Activities can be found in the District's basic financial statements.

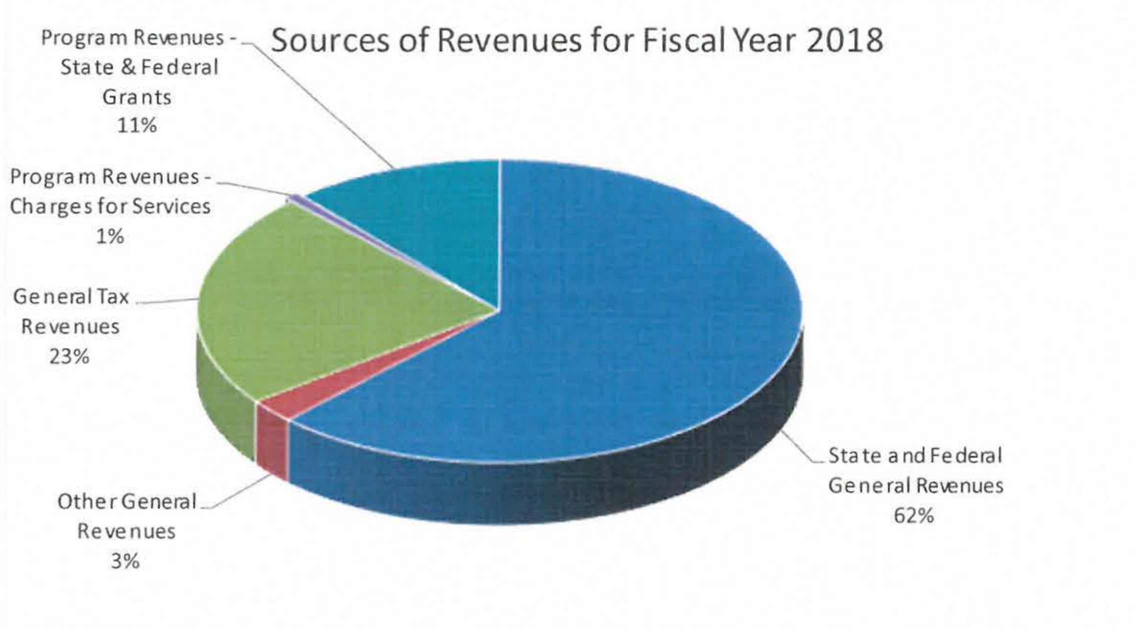
Condensed Statement of Activities
Comparison 2016-2017 and 2017-2018

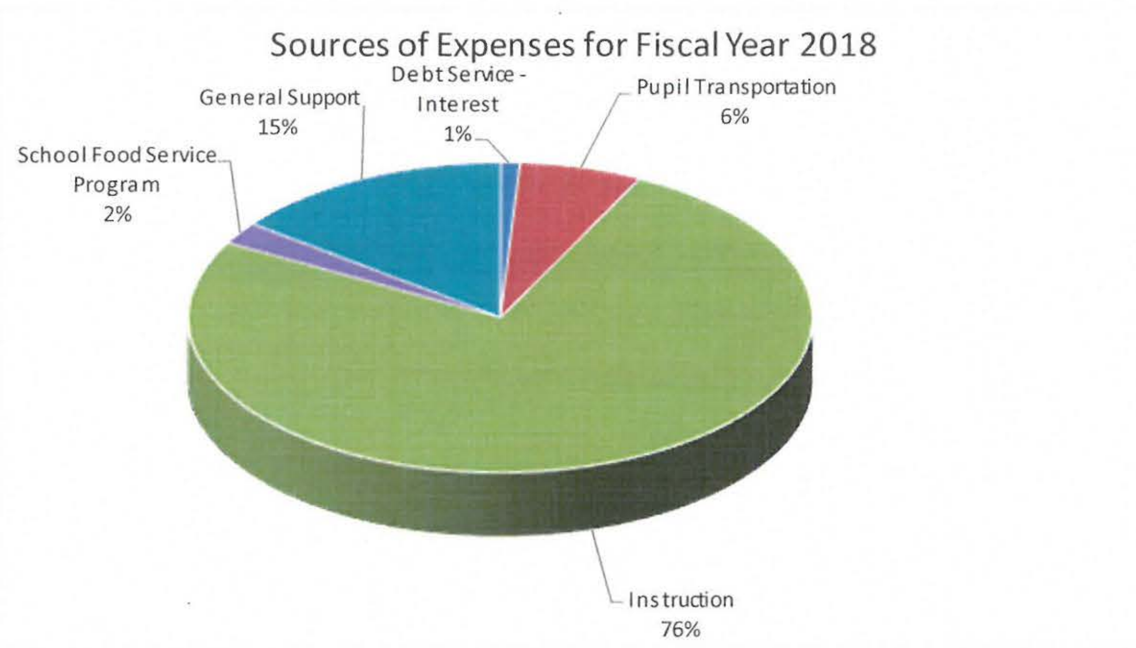
	2016-2017*	2017-2018	% Change
Revenues			
Program Revenues			
Charges for Services	$ 86,850	$ 84,646	-2.5%
Operating Grants	1,145,835	1,216,783	6.2%
General Revenues			
Property and Other Tax Items	2,486,234	2,477,435	-0.4%
Use of Money and Property	23,974	50,633	111.2%
Sale of Property and Compensation for Loss	7,802	4,038	-48.2%
Loss on Sale of Fixed Assets	-	(1,662)	-
Interfund Revenue	4,003	-	-100.0%
Miscellaneous	223,256	220,287	-1.3%
State Sources	6,492,915	6,671,080	2.7%
Federal Sources	8,934	4,493	-49.7%
Total Revenues	$ 10,479,803	$ 10,727,733	2.4%
Expenses			
General Support	1,827,636	1,697,517	-7.1%
Instruction	8,557,380	8,736,037	2.1%
Pupil Transportation	746,888	733,434	-1.8%
Community Service	2,482	-	-100.0%
Debt Service - Interest	114,052	113,637	-0.4%
School Food Service Program	312,212	266,097	-14.8%
Total Expenses	11,560,650	11,546,722	-0.1%
Change in Net Position	$ (1,080,847)	$ (818,989)	-24.2%

*2016-2017 Statement of Activity information has not been restated as the required information from GASB 75 is only available for fiscal year ending June 30, 2018 and forward.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued





MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The School District is heavily dependent on both state and federal aid for its funding. State and Federal Grants and State and Federal General Revenues combined account for 73% of total revenues. General Tax Revenues account for 23% of revenues received for the year. These two sources account for 96% of the total revenues received in the 2017-2018 school year.

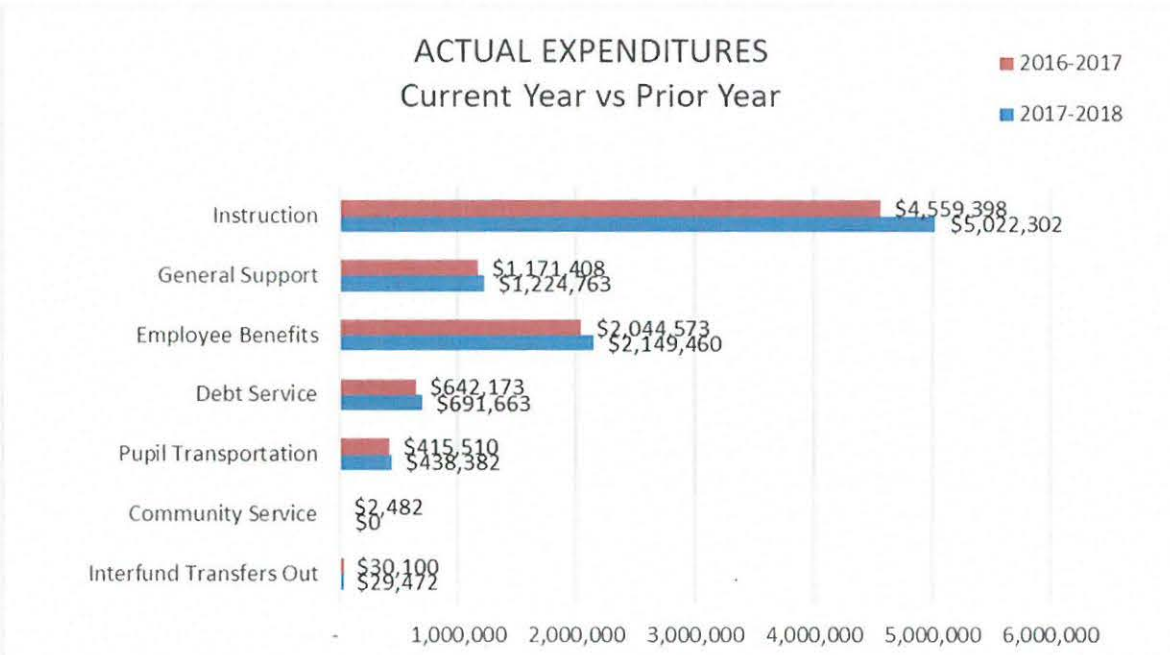
Instruction, transportation, and general support account for 97% of the total expenses of the District, which is comparative to prior year percentages.

The financial statements also include the Special Aid Fund and School Food Service Fund, which are primarily funded by state and federal aid and food sales.

General Fund Budgetary Highlights

The District's budget of $10,195,037 for 2017-2018 was approved by referendum on May 16, 2017 (155 residents voted). The District's total budget increase for 2017-2018 was $369,344 or a 3.8% increase from the prior year budget. The district had carryover encumbrances from 2016-2017 totaling $37,082.

Actual expenditures for 2017-2018 including transfers of $29,472 to other funds totaled $9,556,042, for a favorable variance of $696,370 (under budgeted amounts). The graph below shows how the actual expenditures are distributed for each budget over the past two budget years:



MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

General Fund Budgetary Highlights - Continued

Fiscal year 2017-2018 expenditures were $690,398 or 7.8% more than the prior year expenditures. Expenditures for Instruction increased $462,904 in fiscal year 2017-2018 over the prior year. The District continues its efforts to continue to meet and exceed state standards, inclusive of Common Core, in all areas. General Support expenditures increased by $53,355. The district continues to be fiscally prudent. Employee benefit expenditures increased by $104,887 in fiscal year 2017-2018 primarily due to increased health insurance costs.

The District appropriated $1,093,587 of the fund balance to reduce taxes for the year ending June 30, 2018. Unspent appropriations provide cash flow at year-end when state aid is uncertain. The district had $37,082 appropriated for 2016-2017 carryover encumbrances.

On May 17, 2016, the voters authorized the establishment of a Capital Reserve Fund, which by Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The reserve was authorized for up to 10 years and in an amount not to exceed $550,000 with funding from budget appropriations or fund balances. At June 30, 2018, the reserve was fully funded at $550,000.

Revenues

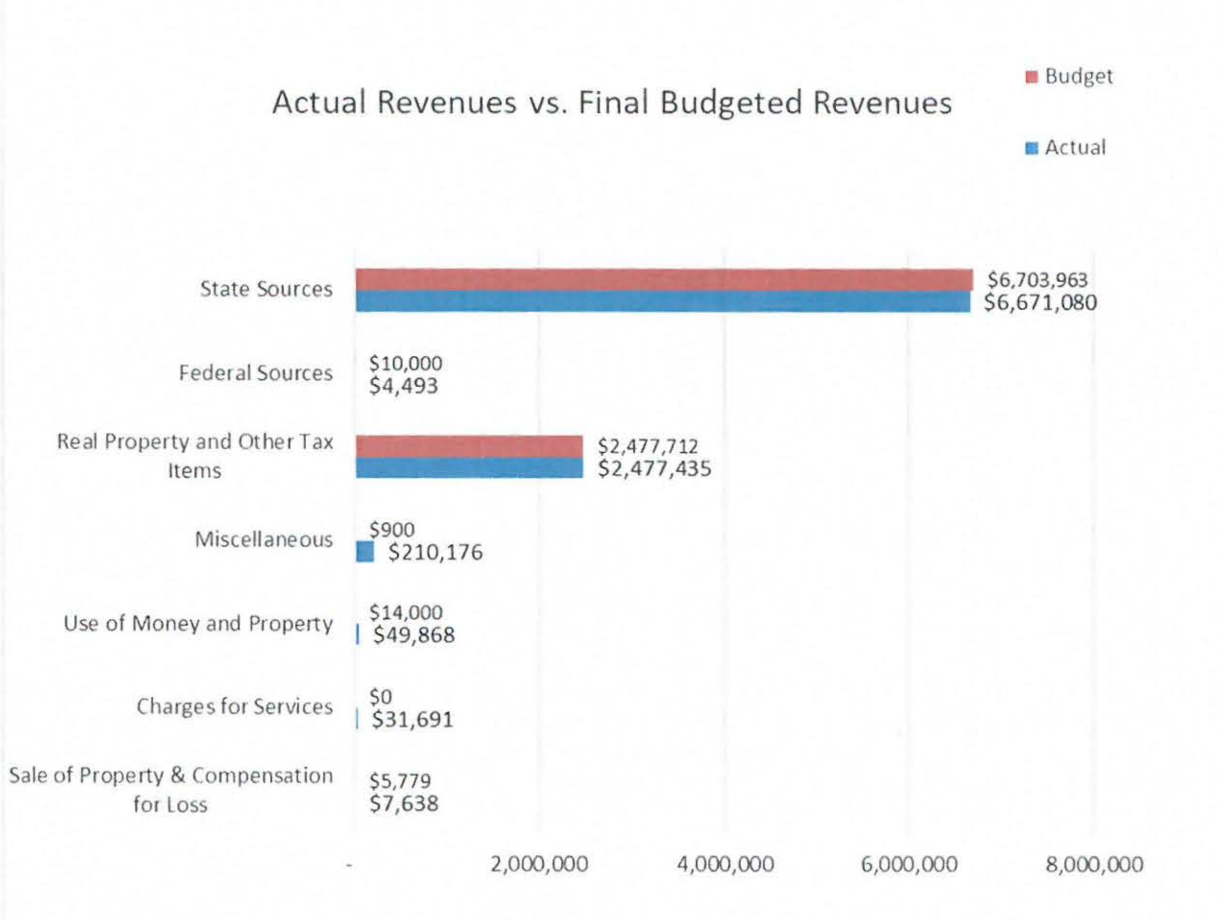
State Aid and real property tax revenues closely match the budgeted revenues. Additional unbudgeted revenue comes from insurance recoveries and additional state aid for the universal pre-kindergarten grant.

As the District plans for future revenues, all districts in NYS were subject to the property tax cap legislation for the first time while developing the 2012-2013 budget. This limits the amount of revenue that can be raised via property taxes without a super majority and while the impact varies by district, it will be a factor for all districts going forward.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues – Continued



Expenditures

As the following graph portrays, expenditures were in line with the 2017-2018 final budget. The total unspent appropriation budget was $696,370 with year-end encumbrances of $424 at June 30, 2018.

The under-spent budgeted appropriations of $696,370 netted with positive revenue variances of $240,027 are used to fund the Assigned and Restricted Fund Balances for the subsequent year. The 2018-2019 Assigned Fund Balance is $1,093,587. The Assigned Fund Balance is 4.59% of the 2018-2019 school budget.

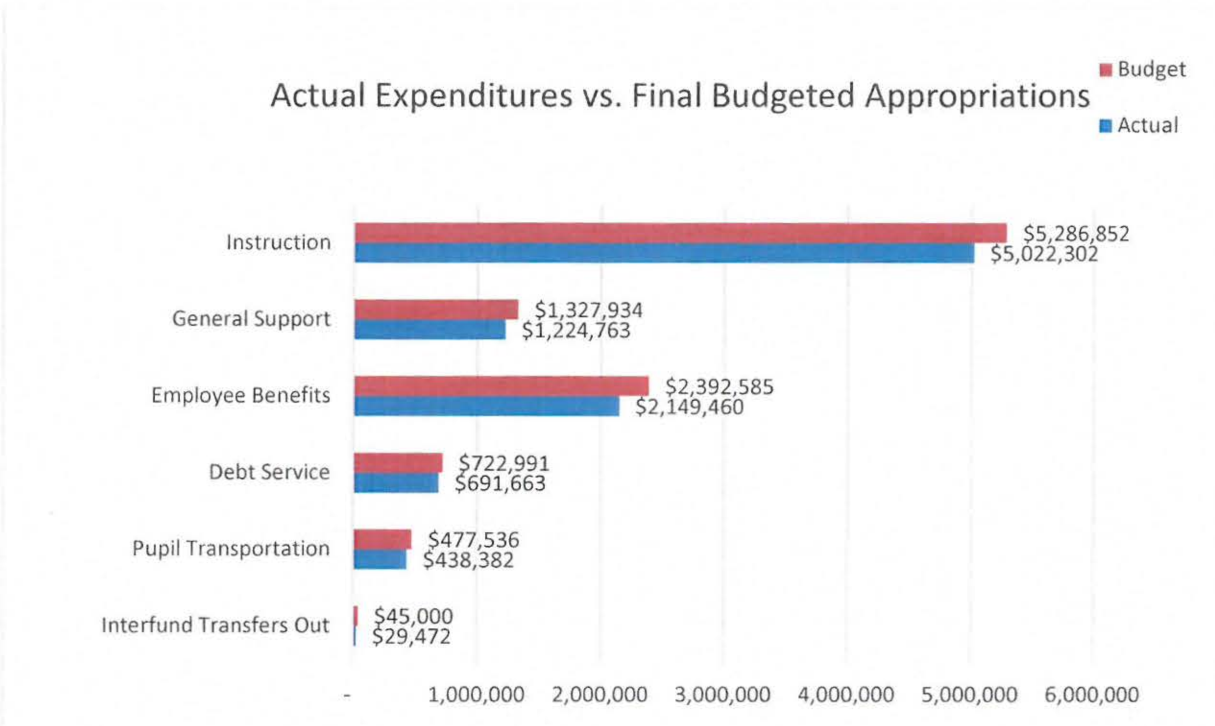
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenditures – Continued

The Assigned Fund Balance needs to be maintained to help the District with cash flow at the end of the school year. In order to decrease assigned fund balance, without raising the tax levy in the subsequent year, other revenue sources (State Aid) would need to increase.

The following graph compares actual expenditures with final budgeted appropriations. Refer to Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund in the financial statements for more detailed information.



MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Land is valued at acquisition cost and the School District only owns property with structures on or adjacent to it.

Building and improvements have various dates of construction from the initial construction in 1957 to the 1967 elementary and middle school wing with the auditorium project and in 1991 the weight room, gym storage, auxiliary gymnasium and more elementary classrooms were added.

Furniture and equipment are recorded for the entire District and includes vehicles and school buses.

The Board of Education established a fixed asset policy on January 8, 2018 to capitalize fixed assets of at least $5,000.

Industrial Appraisal Company conducted a physical inventory in November 2014. All assets are tagged and recorded, with updates for any purchases or deletions thru May 2018.

Capital Assets net of depreciation totaled $6,957,266 at June 30, 2018.

	Balance June 30, 2017	Additions	Retirements / Reclassifications	Balance June 30, 2018
Land	$ 110,143	$ -	$ -	$ 110,143
Building & Improvements	12,900,325	68,721	(4,551)	12,964,495
Furniture & Equipment	3,858,516	175,908	(48,058)	3,986,366
Less:				
Accumulated Depreciation	9,569,810	581,275	(47,347)	10,103,738
Net Capital Assets	$ 7,299,174	$ (336,646)	$ (5,262)	$ 6,957,266

For more information refer to Note 6 in the notes to financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Short-Term Debt

There was no short-term debt financing during the year ended June 30, 2018.

Long-Term Debt

The District has a bond outstanding on a capital project originally issued in 2009 and refinanced in 2016. This bond will mature on June 15, 2024.

A serial bond was issued September 1, 2017 for the purchase of two school buses in the amount of $182,000.

The District has complied with GASB 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. Regulations require the reporting of other post-employment benefits which was completed by securing the Armory Associates LLC. A complete actuarial valuation was completed during 2016-2017, with an interim valuation completed for 2016-2017.

The long-term debt is broken down by current (within one year) and long term (after one year). The District had the following breakdown of debt June 30, 2018 and 2017:

Category	Fiscal Year 2017 Restated	Fiscal Year 2018	Total Change
General Obligation Bonds	$ 3,650,000	$ 3,252,000	$ (398,000)
Premium on Bonds	305,874	267,640	(38,234)
Compensated Absences	319,414	283,312	(36,102)
Other Postemployment Benefits Payable	25,144,906	20,510,953	(4,633,953)
Net Pension Liability - Proportionate Share	449,857	84,642	(365,215)
Total	$ 29,870,051	$ 24,398,547	$ (5,471,504)

For more information, refer to Note 8 in the notes to financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- The uncertainty of federal and state funding can have a profound impact on the financial health of the District. The future impact of changes in Federal and New York State budgets cannot be predicted but may require the District to consider spending cuts.

- The enactment of a Property Tax Cap may limit the District's ability to raise funds to cover expenditures.

- The impact of health insurance premiums will continue to have a significant effect on the future financial health of the District. Health insurance premiums now account for 16.6% of our 2018-2019 budget. The District has successfully negotiated with its employee unions so that Hermon-Dekalb Central School requires all active and retired employees to contribute towards the cost of their health insurance. Recent negotiations with the Hermon Dekalb Teachers' Association have realized a savings from transferring to a more cost-effective rider.

- The District is in the early planning stages of a building renovation project, with a public vote anticipated in the Fall of 2018. The District enjoys a high building aid rate and has established a Capital Reserve to assist with the financing of this future project.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the 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 information, contact the District Clerk at the following address:

Hermon Dekalb Central School
709 E. Dekalb Road
Dekalb Junction, NY 13630

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
June 30, 2018

ASSETS		
Cash and Cash Equivalents		
Unrestricted	$	1,218,788
Restricted		1,511,203
Receivables		
State and Federal Aid		581,138
Due From Other Governments		290,007
Due From Fiduciary Funds		3,857
Other		19,041
Inventories		12,384
Prepaid Expenses		4,903
Capital Assets, Net		6,957,266
Net Pension Asset - Proportionate Share		127,888
TOTAL ASSETS	$	10,726,475
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	$	580,678
Pensions		1,974,683
Deferred Charge on Bond Refunding		161,937
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	2,717,298
LIABILITIES		
Payables		
Accounts Payable	$	128,014
Accrued Liabilities		33,918
Due to Other Governments		12,243
Accrued Interest on Bonds Payable		10,161
Due to Teachers' Retirement System		299,767
Due to Employees' Retirement System		37,436
Unearned Credits		
Unearned Revenues - Other		793
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable, Net of Unamortized Premium		656,607
Due and Payable After One Year		
Bonds Payable, Net of Unamortized Premium		2,863,033
Compensated Absences Payable		283,312
Other Postemployment Benefits Payable		20,510,953
Net Pension Liability - Proportionate Share		84,642
TOTAL LIABILITIES	$	24,920,879
DEFERRED INFLOWS OF RESOURCES		
Pensions	$	673,946
Other Postemployment Benefits		5,465,602
TOTAL DEFERRED INFLOWS OF RESOURCES	$	6,139,548
NET POSITION		
Net Investment in Capital Assets	$	3,599,563
Restricted		1,513,469
Unrestricted (Deficit)		(22,729,686)
TOTAL NET POSITION	$	(17,616,654)

See notes to audited basic financial statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expenses) Revenues and Changes in Net Position
FUNCTIONS/PROGRAMS				
General Support	$ 1,697,517	$ 2,666	$ 50,000	$ (1,644,851)
Instruction	8,736,037	29,025	980,374	(7,726,638)
Pupil Transportation	733,434	-	-	(733,434)
Debt Service - Interest	113,637	-	-	(113,637)
School Food Service Program	266,097	52,955	186,409	(26,733)
Total Functions and Programs	$ 11,546,722	$ 84,646	$ 1,216,783	(10,245,293)
GENERAL REVENUES				
Real Property Taxes				2,017,124
Other Tax Items				460,311
Use of Money and Property				50,633
Sale of Property and Compensation for Loss				4,038
Loss on Disposition of Assets				(1,662)
State Sources				6,671,080
Medicaid Reimbursement				4,493
Miscellaneous				220,287
Total General Revenues				9,426,304
Change in Net Position				(818,989)
Net Position - Beginning of Year, as Restated				(16,797,665)
Net Position - End of Year				$ (17,616,654)

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2018

	General	Special Aid	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents				
Unrestricted	$ 1,152,604	$ 11,562	$ 54,622	$ 1,218,788
Restricted	1,457,632	-	53,571	1,511,203
Receivables				
Due From Other Funds	393,592	-	2,348	395,940
Due From Fiduciary Funds	3,857	-	-	3,857
State and Federal Aid	131,801	438,251	11,086	581,138
Due From Other Governments	290,007	-	-	290,007
Other	19,041	-	-	19,041
Inventories	-	-	12,384	12,384
Prepaid Expenditures	4,903	-	-	4,903
TOTAL ASSETS	$ 3,453,437	$ 449,813	$ 134,011	$ 4,037,261
LIABILITIES				
Payables				
Accounts Payable	$ 34,654	$ 92,330	$ 1,030	$ 128,014
Accrued Liabilities	32,887	1,031	-	33,918
Due to Other Funds	-	344,339	51,601	395,940
Due to Other Governments	36	12,087	120	12,243
Due to Teachers' Retirement System	299,767	-	-	299,767
Due to Employees' Retirement System	37,436	-	-	37,436
Unearned Credits				
Unearned Revenues	-	26	767	793
Total Liabilities	404,780	449,813	53,518	908,111
FUND BALANCES				
Nonspendable	4,903	-	12,384	17,287
Restricted	1,457,632	-	55,837	1,513,469
Assigned	1,094,071	-	12,272	1,106,343
Unassigned	492,051	-	-	492,051
Total Fund Balances	3,048,657	-	80,493	3,129,150
TOTAL LIABILITIES AND FUND BALANCES	$ 3,453,437	$ 449,813	$ 134,011	$ 4,037,261

See notes to audited basic financial statements.

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2018

Total Fund Balance - Governmental Funds		$ 3,129,150
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.		
Net Pension Asset - Proportionate Share - TRS		127,888
Net Pension Liability - Proportionate Share - ERS		(84,642)
Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:		
Pensions	$ 673,946	
Other Postemployment Benefits	5,465,602	(6,139,548)
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:		
Pensions	$ 1,974,683	
Other Postemployment Benefits	580,678	
Deferred Charge on Bond Refunding	161,937	2,717,298
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:		
The Cost of Capital Assets is	$ 17,061,004	
Accumulated Depreciation is	(10,103,738)	6,957,266
Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities, at year end, consist of:		
Bonds Payable	$ 3,252,000	
Premium on Bonds Payable	267,640	
Accrued Interest on Bonds Payable	10,161	
Compensated Absences Payable	283,312	
Other Postemployment Benefits Payable	20,510,953	(24,324,066)
Total Net Position - Governmental Activities		$ (17,616,654)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	General	Special Aid	Non-Major Funds	Total Governmental Funds
REVENUES				
Real Property Taxes	$ 2,017,124	$ -	$ -	$ 2,017,124
Other Tax Items	460,311	-	-	460,311
Charges for Services	31,691	-	-	31,691
Use of Money and Property	49,868	-	765	50,633
Sale of Property and Compensation for Loss	7,638	-	-	7,638
State Sources	6,671,080	475,762	56,108	7,202,950
Federal Sources	4,493	504,612	180,301	689,406
Sales - School Food Service	-	-	52,955	52,955
Miscellaneous	210,176	-	10,111	220,287
Total Revenues	9,452,381	980,374	300,240	10,732,995
EXPENDITURES				
General Support	1,224,763	-	84,901	1,309,664
Instruction	5,022,302	848,670	-	5,870,972
Pupil Transportation	438,382	14,126	-	452,508
Employee Benefits	2,149,460	123,876	53,496	2,326,832
Debt Service				
Principal	567,510	-	12,490	580,000
Interest	124,153	-	732	124,885
Cost of Sales	-	-	111,675	111,675
Capital Outlay	-	-	251,589	251,589
Total Expenditures	9,526,570	986,672	514,883	11,028,125
Deficiency of Revenues Over Expenditures	(74,189)	(6,298)	(214,643)	(295,130)
OTHER FINANCING SOURCES AND (USES)				
Proceeds from Debt	-	-	182,000	182,000
Operating Transfers In	-	6,298	25,440	31,738
Operating Transfers (Out)	(29,472)	-	(2,266)	(31,738)
Total Other Financing Sources (Uses)	(29,472)	6,298	205,174	182,000
Net Change in Fund Balance	(103,661)	-	(9,469)	(113,130)
Fund Balances - Beginning of Year, as Restated	3,152,318	-	89,962	3,242,280
Fund Balances - End of Year	$ 3,048,657	$ -	$ 80,493	$ 3,129,150

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds			$ (113,130)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position assets with an initial, individual cost of more than $5,000 are capitalized and in the Statement of Activities, the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, net of related losses on disposal of capital assets.			
	Capital Outlays	$ 244,629	
	Loss on Disposals	(1,662)	
	Depreciation Expense	(581,275)	(338,308)
In the governmental funds, the proceeds from disposal of assets is reported as revenue. The change in net position differs from the change in fund balance by the proceeds recorded.			(3,600)
Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period.			580,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest reported in the Statement of Activities is decreased by the reduction in accrued interest on bonds and amortization of premium on bond issue.			11,248
In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay) and special termination benefits (early retirement) --are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).			36,102

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – CONTINUED

Year Ended June 30, 2018

Proceeds of long-term debt, including premium on issuance, are recorded as another financing source for governmental funds but it is not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt received in the current year.			(182,000)
On the Statement of Activities, the actual and projected long-term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the governmental funds only the actual expenditures are recorded for postemployment benefits.			(792,064)
(Increases) decreases in proportionate share of net pension asset (liability) and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.			
Teachers' Retirement System	$	(33,734)	
Employees' Retirement System		16,497	(17,237)
Change in Net Position of Governmental Activities			$ (818,989)

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Private Purpose Trusts	Agency
ASSETS		
Restricted Cash	$ 120,977	$ 77,192
Total Assets	$ 120,977	$ 77,192
LIABILITIES		
Accounts Payable	$ -	$ 29,984
Due to Other Funds	-	3,857
Extra Classroom Activity Balances	-	43,351
Total Liabilities	-	$ 77,192
NET POSITION		
Restricted for Scholarships	$ 120,977	

See notes to audited basic financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2018

	Private Purpose Trusts
ADDITIONS	
Gifts and Contributions	$ 4,008
Interest Earnings	1,412
Total Additions	5,420
DEDUCTIONS	
Scholarships and Awards	4,162
Change in Net Position	1,258
Net Position - Beginning of Year	119,719
Net Position - End of Year	$ 120,977

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hermon-DeKalb Central School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 used by the District are described below:

Reporting Entity

The Hermon-DeKalb Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of nine members. The President of the Board 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 District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. 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 District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the 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 certain entities included in the District's reporting entity.

Extra Classroom Activity Funds

The Extra Classroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extra Classroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

The District is one of 18 component school districts in the St. Lawrence-Lewis Counties Board of Cooperative Educational Services (BOCES). A 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 District was billed $2,219,072 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $770,325. This represents state aid distributions of $644,461 and 2017 fund balance returned to schools of $125,864.

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

Basis of Presentation

District-Wide Statements

The *Statement of Net Position* and the *Statement of Activities* present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State and Federal aid, intergovernmental revenues, 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

The *Statement of Net Position* presents the financial position of the District at fiscal year-end. The *Statement of Activities* presents a comparison between direct program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

> Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.
>
> School Food Service Fund: Used to account for child nutrition activities whose funds are restricted as to use.

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 supplementary schedules either separately or in the aggregate.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

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 District reports the following fiduciary funds:

Fiduciary Funds: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. The

District uses two classes of fiduciary funds:

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

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. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collectible within 60 days after the end of the fiscal year.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting – Continued

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.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, 2017, and became a lien on August 14, 2017. Taxes are collected during the period September 1, 2017 to October 31, 2017.

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

Restricted Resources

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

Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The 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 expenditure 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 District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses 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.

Cash and Cash Equivalents

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

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. 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 Food Service Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Inventories and Prepaid Items – Continued

Prepaid items represent payments made by the 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 purchase, and an expense/expenditure is reported in the year the goods or services are consumed.

A prepaid item was recorded in the General Fund in the amount of $4,903, which represents the District's contribution to the School and Municipal Energy Cooperative of WNY (SMEC). Contributions made by member districts are recorded by SMEC as a current liability, and members are allocated a share of the organization's net assets based on each participant share of premiums paid for the year.

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

In the district-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

Capital Assets

Capital assets are reported at actual cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and Improvements	$ 5,000	SL	40-50 Years
Site Improvements	5,000	SL	20 Years
Furniture and Equipment	5,000	SL	5-15 Years
Vehicles	5,000	SL	8 Years

The District does not possess any infrastructure.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the district-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 District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date.

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 District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs and the net change in the actual and expected experience.

Unearned Revenue

The 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 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 District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 or resignation, employees may contractually receive a payment based on unused accumulated sick leave.

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.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability 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.

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

Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides post-employment health insurance coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Short-Term Debt

The 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 RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The 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 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.

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted Net Position – reports net position when constraints placed on the assets 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.

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 District.

Fund Statements

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

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of $12,384 and a $4,903 deposit to School and Municipal Energy Cooperative of WNY in the General Fund.

Restricted – 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. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that 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. This reserve is accounted for in the Debt Service Fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

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. Expenditure 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 ballet are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

Retirement Contributions

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.

Employee Benefit 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. This 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 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

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. This reserve is accounted for in the General Fund.

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.

Restricted fund balance includes the following at June 30, 2018:

General Fund		
Unemployment Insurance	$	86,034
Retirement Contributions		602,269
Insurance		26,861
Employee Benefit Accrued Liability		115,398
Capital		550,000
Repair		77,070
Debt Service Fund		55,837
Total Restricted Funds	$	1,513,469

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

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

Assigned - Includes amounts that are constrained by the 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 also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned - 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 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 overspending for specific purposes for which amounts had been restricted or assigned.

Unassigned Fund Balance

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

Order of Use of Fund Balance

The District's policy is to apply expenditures against nonspendable 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, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2018, the District implemented the following new statement issued by GASB:

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018.

Future Changes in Accounting Standards

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS – Continued

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

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term liabilities, including pensions.

Statement of Revenues, Expenditures, and Changes in Fund Balances vs. Statement of Activities

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

1. Long-Term Revenue Differences:

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

2. Capital Related Differences:

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

3. Long-Term Debt Transaction Differences:

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

4. Pension Differences:

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Postemployment Benefits (OPEB) liabilities, OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB. See Note 17 for the financial statement impact of the implementation of the statement.

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

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

The voters of the 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: additional grant monies received from Patty Ritchie in the amount of $15,000 and insurance recoveries made in the current year for the amount of $5,779.

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

Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

Budgets – Continued

Special Revenue Funds have not been included in the comparison because they do not have a legally authorized (appropriated) budget.

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.

Other

The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include a current appropriated fund balance for subsequent year expenditures for the year ending June 30, 2018 in the amount of $1,093,587. This appropriation will bring the balance of unreserved undesignated fund balance closer to 4%.

NOTE 5 - CASH (AND CASH EQUIVALENTS) - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS

Cash

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - CASH (AND CASH EQUIVALENTS) - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS – Continued

Cash – Continued

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

Uncollateralized	$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	$ 499,083

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes $1,511,203 within the governmental funds.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

Investment Pool

The District participated in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article5-G, §whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. At June 30, 2018, the School District held $2,415,431 in the General Fund, $53,571 in the Debt Service Fund, and $117,956 in the Fiduciary Funds through the cooperative classified as unrestricted and restricted cash.

The above amounts represent the cost of the investment pool shares and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of NY Class.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	$ 110,143	$ -	$ -	$ 110,143
Total Nondepreciable Assets	110,143	-	-	110,143
Capital Assets That Are Depreciated:				
Buildings and Improvements	12,900,325	68,721	(4,551)	12,964,495
Furniture and Equipment	3,858,516	175,908	(48,058)	3,986,366
Total Depreciable Assets	16,758,841	244,629	(52,609)	16,950,861
Less - Accumulated Depreciation:				
Buildings and Improvements	6,713,523	426,563	(4,095)	7,135,991
Furniture and Equipment	2,856,287	154,712	(43,252)	2,967,747
Total Accumulated Depreciation	9,569,810	581,275	(47,347)	10,103,738
Total Depreciated Assets, Net	7,189,031	(336,646)	(5,262)	6,847,123
Capital Assets, Net	$ 7,299,174	$ (336,646)	$ (5,262)	$ 6,957,266

Depreciation expense was charged to governmental functions as follows:

General Support	$ 103,802
Instruction	441,535
Pupil Transportation	35,938
	$ 581,275

NOTE 7 - SHORT-TERM DEBT OBLIGATIONS

There were no short-term debt financing transactions during the year ended June 30, 2018.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

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

Government Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Debt:					
Serial Bonds	$ 3,650,000	$ 182,000	$ 580,000	$ 3,252,000	$ 612,000
Premium on Bonds	305,874	-	38,234	267,640	44,607
Total Bonds and Notes Payable	3,955,874	182,000	618,234	3,519,640	656,607
Other Liabilities:					
Compensated Absences Payable	319,414	-	36,102	283,312	-
Other Postemployment Benefits Liability, as Restated	25,144,906	-	4,633,953	20,510,953	-
Net Pension Liability - Proportionate Share	449,857	-	365,215	84,642	-
Total Other Liabilities	25,914,177	-	5,035,270	20,878,907	-
Total Governmental Activities	$29,870,051	$ 182,000	$ 5,653,504	$24,398,547	$ 656,607

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and postemployment benefits.

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Serial Bonds - Refunding	9/21/16	6/15/24	2.00-4.00%	$ 2,720,000
Bus Purchase	9/1/17	9/1/22	2.25-2.375%	182,000
Bus Purchase	9/1/16	9/1/21	1.625-1.75%	200,000
Bus Purchase	9/3/15	9/1/20	1.30-2.75%	75,000
Bus Purchase	9/4/14	9/1/19	1.875-2.125%	50,000
Bus Purchase	9/4/13	9/1/18	2.75-3.00%	25,000
Total Serial Bonds				$ 3,252,000

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued

The following is a summary of debt service requirements at year-end June 30:

	Principal	Interest	Total
2019	$ 612,000	$ 108,292	$ 720,292
2020	605,000	89,555	694,555
2021	595,000	72,901	667,901
2022	595,000	51,437	646,437
2023	565,000	29,875	594,875
2024	280,000	8,400	288,400
Totals	$ 3,252,000	$ 360,460	$ 3,612,460

Advance Refunding

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, the amount of outstanding defeased bonds totaled approximately $2,780,000.

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

Interest Paid	$ 124,885
Plus: Amortization of Deferred Charge on Bond Refunding	26,989
Less: Amortization of Bond Premium	(38,234)
Less: Interest Accrued in the Prior Year	(10,164)
Plus: Interest Accrued in the Current Year	10,161
Total Expense	$ 113,637

The District had no capital lease obligations at June 30, 2018.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS

General Information

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

Teachers' Retirement System (TRS) Plan Description

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

Employees' Retirement System (ERS) Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

TRS Benefits Provided – Continued

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

TRS Benefits Provided – Continued

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

TRS Benefits Provided – Continued

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2017 is 1.2% compared to 1.0% paid beginning September 2016. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

ERS Benefits Provided

Benefits

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

ERS Benefits Provided – Continued

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

ERS Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the 5 highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 4 years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first $50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

ERS Benefits Provided – Continued

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one- half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

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 ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS 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 $1,085).

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

	NYSTRS	NYSERS
2017-2018	$ 312,483	$ 127,807
2016-2017	340,643	127,871
2015-2016	429,632	136,237

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

Funding Policies – Continued

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised.

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

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

	ERS	TRS
Measurement Date	March 31, 2018	June 30, 2017
District's Proportionate Share of the Net Pension Asset (Liability)	$ (84,642)	$ 127,888
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0026226%	0.016825%
Change in Proportion (%) Since the Prior Measurement Date	-0.0002674%	0.000177%

For the year ended June 30, 2018, the District's recognized pension expense (credit) of $(16,497) for ERS and $33,734 for TRS. At June 30, 2018, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	$ 30,189	$ 105,221	$ 24,947	$ 49,862
Changes of Assumptions	56,124	1,301,287	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	122,935	-	242,662	301,214
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	33,309	5,266	14,420	40,841
District's Contributions Subsequent to the Measurement Date	36,976	283,376	-	-
Total	$ 279,533	$ 1,695,150	$ 282,029	$ 391,917

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset (liability) in the year ended June 30, 2019, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	ERS	TRS
2019	$ 25,367	$ 24,151
2020	18,880	338,836
2021	(57,140)	240,928
2022	(26,579)	55,718
2023	-	240,212
Thereafter	-	120,012

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2018	June 30, 2017
Actuarial Valuation Date	April 1, 2017	June 30, 2016
Interest Rate	7.00%	7.25%
Salary Scale	3.8%	1.9% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation Rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

Actuarial Assumptions – Continued

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 the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS	**TRS**
Measurement Date	March 31, 2018	June 30, 2017
Asset Type		
Domestic Equity	4.55%	5.90%
International Equity	6.35%	7.40%
Private Equity	7.50%	
Real Estate	5.55%	4.30%
Absolute Return Strategies	3.75%	
Opportunistic Portfolio	5.68%	
Real Assets	5.29%	
Bonds and Mortgages	1.31%	
Cash	-0.25%	
Inflation - Indexed Bonds	1.25%	
Alternative Investments		9.00%
Domestic Fixed Income Securities		1.60%
Global Fixed Income Securities		1.30%
Short-Term		0.60%
Mortgages		2.80%
High-Yield Fixed Income Securities		3.90%

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 7.00% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.00% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00% for ERS and 6.25% for TRS) or 1-percentage point higher (8.00% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease (6.00%)	Current Assumption (7.00%)	1% Increase (8.00%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	$ (640,422)	$ (84,642)	$ 385,526

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	$ (2,203,134)	$ 127,888	$ 2,080,003

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - PENSION PLANS – Continued

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:

(In Thousands)

	ERS	TRS	Total
Measurement Date	March 31, 2018	June 30, 2017	
Employer's Total Pension Asset (Liability)	$ (183,400,590)	$ (114,708,261)	$ (298,108,851)
Plan Net Position	180,173,145	115,468,360	295,641,505
Employer's Net Pension Asset (Liability)	$ (3,227,445)	$ 760,099	$ (2,467,346)
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	98.24%	100.66%	

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $37,436.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to $299,767.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2018 are as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenues	Interfund Expenditures
General	$ 397,449	$ -	$ -	$ 29,472
Special Aid	-	344,339	6,298	-
Debt Service	2,266	-	2,265	-
School Food Service	82	42,509	5,000	-
Capital Projects	-	9,092	18,175	2,266
Total Government Activities	399,797	395,940	31,738	31,738
Fiduciary	-	3,857	-	-
Total	$ 399,797	$ 399,797	$ 31,738	$ 31,738

The District typically transfers resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advanced funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the Debt Service Fund upon completion.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2018.

FUND BALANCES	General	Non-Major	Total Governmental Funds
Nonspendable			
School Food Service Inventory	$ -	$ 12,384	$ 12,384
Prepaid Expenditures	4,903	-	4,903
Restricted			
Debt Service	-	55,837	55,837
Unemployment Insurance	86,034	-	86,034
Retirement Contributions	602,269	-	602,269
Insurance	26,861	-	26,861
Employee Benefit Accrued Liability	115,398	-	115,398
Capital	550,000	-	550,000
Repair	77,070	-	77,070
Assigned			
Instruction	484	-	484
Designated for Next Fiscal Year	1,093,587	-	1,093,587
School Food Service Fund	-	12,272	12,272
Unassigned			
General Fund	492,051	-	492,051
Total Governmental Fund Balance	$ 3,048,657	$ 80,493	$ 3,129,150

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS – Continued

General Information about the OPEB Plan - Continued

Benefits Provided – The 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 District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	52
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	61
Total Covered Employees	113

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2018, the District recognized approximately $1,194,000 for its share of insurance premiums for currently enrolled retirees.

The District participates in the St. Lawrence-Lewis Health Insurance Consortium (the Plan). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

The District provides postemployment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the District's contractual agreements. Under both instructional and non-instructional contracts, the District's employees will continue to pay a portion of the total cost of health insurance coverage after retirement. The District remains responsible for the remaining cost with the exception of one employee where the District assumes the full cost of health insurance coverage after retirement.

Eligible teachers are those who are at least age 55 with 5 years of service. Employees must also be eligible to retire under the TRS. Current and future retirees in the teacher employee group contribute 20% of the premium for both individual and spousal coverage. Surviving spouses do not receive health care coverage.

Eligible employees are those who are members of the CSEA employee group are at least age 55 and have 10 years of service. Employees must also be eligible under the ERS for this group. Current and future retirees contribute 30% of the plan premium for individual coverage and 50% for spousal coverage. Surviving spouses do not receive health care coverage under this plan.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS – Continued

Total OPEB Liability

The District has obtained an actuarial valuation report as of June 30, 2018 which indicates that the total liability for other postemployment benefits is $20,510,953 which is reflected in the Statement of Net Position. The OPEB liability was measured as of July 1, 2017 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:

Actuarial Methods and Assumptions	
Measurement Date	07/01/17
Rate of Compensation Increase	3.00%
Inflation Rate	2.20%
Discount Rate	3.60%
Assumed Medical and Prescription Trend Rates at June 30	
Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.92%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.84%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2078
Additional Information	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (in Years)	5.44
Method used to determine Actuarial Value of Assets	N/A

The discount rate was based on the Bond Buyer Weekly 20-Bond GO Index as of July 1, 2017.

Mortality rates were based on the sex-distinct RPH-2014 Mortality Tables for employees and healthy annuitants, adjusted backwards to 2006 with scale MP-2014, and projected forward with scale MP-2017.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS – Continued

Changes in the Total OPEB Liability

Balance at June 30, 2017, as Restated	$ 25,144,906
Changes for the Year	
Service Cost	775,116
Interest	746,432
Differences Between Expected and Actual Experience	(2,398,972)
Changes of Assumptions or Other Inputs	(4,297,622)
Benefit Payments	541,093
Net Changes	(4,633,953)
Balance at June 30, 2018	$ 20,510,953

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent on July 1, 2016 to 3.60 percent on July 1, 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.60 percent) or 1 percentage point higher (4.60 percent) than the current discount rate:

	1% Decrease (2.60%)	Discount Rate (3.60%)	1% Increase (4.60%)
Total OPEB Liability	$ 24,154,129	$ 20,510,953	$ 17,593,543

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS – Continued

Changes in the Total OPEB Liability – Continued

Sensitivity of the Total OPEB to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (2.84 percent) or 1 percentage point higher (4.84 percent) than the current healthcare cost trend rate:

	1% Decrease (Trend Less 1% Decreasing to 2.84%)	Healthcare Cost Trend Rates (Trend Decreasing to 3.84%)	1% Increase (Trend Plus 1% Decreasing to 4.84%)
Total OPEB Liability	$ 17,329,593	$ 20,510,953	$ 24,951,356

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

For the year ended June 30, 2018, the District recognized OPEB expense of $792,064. At June 30, 2018, the 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	$ -	$ (1,957,984)
Changes of Assumptions or Other Inputs	-	(3,507,618)
Benefit Payments Subsequent to the Measurement Date	580,678	-
	$ 580,678	$ (5,465,602)

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS – Continued

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

District benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2019	$ (1,230,992)
2020	(1,230,992)
2021	(1,230,992)
2022	(1,230,992)
2023	(541,634)
	$ (5,465,602)

NOTE 13 - RISK MANAGEMENT

General

The 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.

Pooled Non-Risk-Retained

The District incurs costs related to an employee health insurance plan (Plan) sponsored by St. Lawrence-Lewis BOCES and its component districts. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain members for a minimum of one (1) year; a member may withdraw from the Plan after that time by advance written notification to the Plan's Board of Directors. Plan members include eighteen (18) districts and the BOCES with the Hermon-Dekalb Central School District bearing a 2.45% share of the Plan's assets and claims liabilities.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 - RISK MANAGEMENT – Continued

Pooled Non-Risk-Retained – Continued

Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the plan's liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing: St. Lawrence-Lewis Counties School District Employee Medical Plan, Post Office Box 697, Canton, New York 13617.

The District participates in the St. Lawrence-Lewis Counties School District Employees Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The District share of the liability for unbilled and open claims is $0.

NOTE 14 - CONTINGENCIES AND COMMITMENTS

The 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 District's administration believes disallowances, if any, will be immaterial.

NOTE 15 – DONOR RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of Scholarships.

Donor-restricted endowments are reported at fair value.

The District authorizes expenditures form donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 – RESTATEMENT OF FUND BALANCE

The District's General Fund fund balance has been restated to eliminate the long-term portion of compensated absences payable from the fund statements. Long-term compensated absences payable should be recorded on the governmental-wide statements. The adjustment of fund balance is as follows:

Fund Balance Beginning of Year, as Previously Stated	$	2,832,904
Decrease in Compensated Absences Payable		319,414
Fund Balance Beginning of Year, as Restated	$	3,152,318

NOTE 17 – RESTATEMENT OF NET POSITION

Long-term compensated absences payable was recorded in the fund balance for the fiscal year ending June 30, 2017. A one-time prior-period adjustment is necessary to remove long-term compensated absences payable from the fund statements and add it back to the government-wide statements. The adjustment has no impact on overall net position.

Due to the District's implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, a one-time prior-period adjustment of $14,238,866 must be made to the beginning net position to reflect the transition from GASB 45 to GASB 75 as of July 1, 2017. The impact of this change does not flow through the annual OPEB expense calculation. The following details the change in the District's beginning of year net position due to the GASB 75 implementation:

Net Position Beginning of Year, as Previously Stated	$	(2,558,799)
Decrease in Compensated Absences Payable (General Fund)		319,414
Increase in Compensated Absences Payable (Government Wide)		(319,414)
GASB Statement No. 75 Adjustments		
Net Increase in Total OPEB Liability - GASB 75 Implementation		(14,779,959)
Deferred Outflows at July 1, 2017 - Benefit Payments Subsequent to Measurement Date		541,093
Net Position Beginning of Year, as Restated	$	(16,797,665)

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 18 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 4, 2018, which is the date of the issuance of the financial statements.

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SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30, 2018

Total OPEB Liability	
Service Cost	$ 775,116
Interest	746,432
Difference between Expected and Actual Experience	(2,398,972)
Changes in Assumptions or Other Inputs	(4,297,622)
Benefit Payments	541,093
Net Change in Total OPEB Liability	(4,633,953)
Total OPEB Liability - Beginning, as Restated	25,144,906
Total OPEB Liability - Ending	$ 20,510,953
Covered Payroll	$ 3,521,240
Total OPEB Liability as a Percentage of Covered Payroll	582.49%

10 years of historical information was not 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.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND

Year Ended June 30, 2018

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	$ 2,467,612	$ 2,017,661
Other Tax Items	10,100	460,051
Charges for Services	-	-
Use of Money and Property	14,000	14,000
Sale of Property and Compensation for Loss	-	5,779
Miscellaneous	900	900
Total Local Sources	2,492,612	2,498,391
State Sources	6,688,963	6,703,963
Medicaid Reimbursement	10,000	10,000
Total Revenues	9,191,575	9,212,354
EXPENDITURES		
General Support		
Board of Education	10,395	10,395
Central Administration	139,340	138,228
Finance	255,245	260,138
Staff	51,464	53,201
Central Services	602,346	602,346
Special Items	263,626	263,626
Total General Support	1,322,416	1,327,934
Instruction		
Instruction, Administration and Improvement	259,879	284,332
Teaching - Regular School	2,345,992	2,294,004
Programs for Children with Handicapping Conditions	1,492,907	1,492,909
Occupational Education	305,617	305,617
Teaching - Special School	96,884	96,884
Instructional Media	402,049	407,828
Pupil Services	391,077	405,278
Total Instruction	5,294,405	5,286,852
Pupil Transportation	454,722	477,536
Employee Benefits	2,392,585	2,392,585
Debt Service	722,991	722,991
Total Expenditures	10,187,119	10,207,898
OTHER FINANCING USES		
Operating Transfers to Other Funds	45,000	45,000
Total Expenditures and Other Financing Uses	10,232,119	10,252,898
Net Change in Fund Balance	(1,040,544)	(1,040,544)
Fund Balances - Beginning of Year, as Restated	3,152,318	3,152,318
Fund Balances - End of Year	$ 2,111,774	$ 2,111,774

Actual		Final Budget Variance With Actual
$ 2,017,124		$ (537)
460,311		260
31,691		31,691
44,089		30,089
13,417		7,638
210,176		209,276
2,776,808		278,417
6,671,080		(32,883)
4,493		(5,507)
9,452,381		$ 240,027

Actual	Year-End Encumbrances	Final Budget Variance With Actual And Encumbrances
7,998	$ -	$ 2,397
132,796	-	5,432
258,629	-	1,509
38,298	-	14,903
526,907	-	75,439
260,137	-	3,489
1,224,763	-	103,169
283,213	-	1,119
2,124,838	484	168,682
1,439,902	-	53,007
305,617	-	-
96,644	-	240
399,482	-	8,346
372,606	-	32,672
5,022,302	484	264,066
438,382	-	39,154
2,149,460	-	243,125
691,663	-	31,328
9,526,570	484	680,842
29,472	-	15,528
9,556,042	$ 484	$ 696,370
(103,661)		
3,152,318		
$ 3,048,657		

Note to Required Supplementary Information Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) - NYSLRS PENSION PLAN
LAST FOUR FISCAL YEARS

June 30, 2018

	2018	2017	2016	2015
Teachers' Retirement System (TRS)				
District's Proportion of the Net Pension Asset (Liability)	0.016825%	0.016648%	0.016316%	0.015740%
District's Proportionate Share of the Net Pension Asset (Liability)	$ 127,888	$ (178,307)	$ 1,694,679	$ 1,753,390
District's Covered Payroll	$ 2,675,195	$ 2,568,772	$ 2,470,842	$ 2,336,353
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	4.78%	6.94%	68.59%	75.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	100.66%	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)				
District's Proportion of the Net Pension Asset (Liability)	0.0026226%	0.0028900%	0.0029169%	0.0031027%
District's Proportionate Share of the Net Pension Asset (Liability)	$ (84,642)	$ (271,550)	$ (468,171)	$ (104,816)
District's Covered Payroll	$ 865,863	$ 854,222	$ 810,716	$ 838,142
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	9.78%	31.79%	57.75%	12.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	98.24%	94.70%	90.68%	97.95%

10 years of historical information was not 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.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN
LAST FOUR FISCAL YEARS
Ended June 30, 2018

	2018	2017	2016	2015
Teachers' Retirement System (TRS)				
Contractually Required Contribution	$ 312,483	$ 340,643	$ 429,632	$ 419,750
Contributions in Relation to the Contractually Required Contribution	312,483	340,643	429,632	419,750
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 2,675,195	$ 2,568,772	$ 2,470,842	$ 2,336,353
Contributions as a Percentage of Covered Payroll	11.68%	13.26%	17.39%	17.97%
Employees' Retirement System (ERS)				
Contractually Required Contribution	$ 127,807	$ 127,871	$ 136,237	$ 167,627
Contributions in Relation to the Contractually Required Contribution	127,807	127,871	136,237	167,627
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 865,863	$ 854,222	$ 810,716	$ 838,142
Contributions as a Percentage of Covered Payroll	14.76%	14.97%	16.80%	20.00%

10 years of historical information was not 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.

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND

June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 10,195,037
Add: Prior Year's Encumbrances	37,082
Original Budget	10,232,119
Budget Revisions	20,779
Final Budget	$ 10,252,898

SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

2018-2019 Voter Approved Expenditure Budget		$ 10,717,317
Maximum Allowed 4% of 2018-2019 Budget		$ 428,693
General Fund Balance Subject to Section 1318 of Real Property Tax Law		
Unrestricted Fund Balance:		
Assigned Fund Balance	$ 1,094,071	
Unassigned Fund Balance	492,051	
Total Unrestricted Fund Balance	1,586,122	
Less:		
Appropriated Fund Balance	1,093,587	
Encumbrances Included in Assigned Fund Balance	484	
Total Adjustments	1,094,071	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 492,051
Actual Percentage		4.59%

SCHEDULE OF CAPITAL PROJECTS FUND - PROJECTS EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2018

			Expenditures				Methods of Financing					
PROJECT	Original Appropriation	Revised Appropriation	Prior Year	Current Year	Total	Unexpended Balance	BANS Redeemed From Appropriations	Proceeds Of Obligations	State Aid	Local Sources	Total	Fund Balance 6/30/2018
Buses 6/30/18	$ 182,000	$ 182,000	$ -	$182,000	$182,000	$ -	$ -	$ 182,000	$ -	$ -	$ 182,000	$ -
Capital Project Walking Path	58,284	55,580	-	55,580	55,580	-	-	-	50,000	5,580	55,580	-
Emergency Project- Boiler	20,000	16,275	-	16,275	16,275	-	-	-	-	16,275	16,275	-
Totals	$ 260,284	$ 253,855	$ -	$253,855	$253,855	$ -	$ -	$ 182,000	$50,000	$ 21,855	$ 253,855	$ -

See paragraph on supplementary schedules included in independent auditor's report.

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2018

	School Food Service	Debt Service	Capital Projects - Buses	Capital Projects - Capital Outlay	Total Non-Major Funds
ASSETS					
Cash and Cash Equivalents					
Unrestricted	$ 45,530	$ -	$ -	$ 9,092	$ 54,622
Restricted	-	53,571	-	-	53,571
Receivables					
Due From Other Funds	82	2,266	-	-	2,348
State and Federal Aid	11,086	-	-	-	11,086
Inventories	12,384	-	-	-	12,384
TOTAL ASSETS	$ 69,082	$ 55,837	$ -	$ 9,092	$ 134,011
LIABILITIES					
Payables					
Accounts Payable	$ 1,030	$ -	$ -	$ -	$ 1,030
Due to Other Funds	42,509	-	-	9,092	51,601
Due to Other Governments	120	-	-	-	120
Unearned Credits					
Unearned Revenues	767	-	-	-	767
Total Liabilities	44,426	-	-	9,092	53,518
FUND BALANCES					
Nonspendable	12,384	-	-	-	12,384
Restricted	-	55,837	-	-	55,837
Assigned	12,272	-	-	-	12,272
Total Fund Balances	24,656	55,837	-	-	80,493
TOTAL LIABILITIES AND FUND BALANCES	$ 69,082	$ 55,837	$ -	$ 9,092	$ 134,011

See paragraph on supplementary schedules included in independent auditor's report.

COMBINED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	School Food Service	Debt Service	Capital Projects - Buses	Capital Projects - Capital Outlay	Total Non-Major Funds
REVENUES					
Use of Money and Property	$ 4	$ 761	$ -	$ -	$ 765
State Sources	6,108	-	-	50,000	56,108
Federal Sources	180,301	-	-	-	180,301
Sales - School Food Service	52,955	-	-	-	52,955
Miscellaneous	6,431	-	-	3,680	10,111
Total Revenues	245,799	761	-	53,680	300,240
EXPENDITURES					
General Support	84,901	-	-	-	84,901
Employee Benefits	53,496	-	-	-	53,496
Debt Service:					
Principal	-	12,490	-	-	12,490
Interest	-	732	-	-	732
Cost of Sales	111,675	-	-	-	111,675
Capital Outlay	-	-	179,734	71,855	251,589
Total Expenditures	250,072	13,222	179,734	71,855	514,883
Deficiency of Revenues Over Expenditures	(4,273)	(12,461)	(179,734)	(18,175)	(214,643)
OTHER FINANCING SOURCES AND (USES)					
Serial Bonds Issued	-	-	182,000	-	182,000
Operating Transfers In	5,000	2,265	-	18,175	25,440
Operating Transfers (Out)	-	-	(2,266)	-	(2,266)
Total Other Financing Sources	5,000	2,265	179,734	18,175	205,174
Net Change in Fund Balance	727	(10,196)	-	-	(9,469)
Fund Balances - Beginning of Year	23,929	66,033	-	-	89,962
Fund Balances - End of Year	$ 24,656	$ 55,837	$ -	$ -	$ 80,493

NET INVESTMENT IN CAPITAL ASSETS
Year Ended June 30, 2018

Capital Assets, Net		$ 6,957,266
Add:		
Deferred Charge on Bond Refunding		161,937
Deduct:		
Premium on Bonds Payable	$ 267,640	
Short-Term Portion of Bonds Payable	612,000	
Long-Term Portion of Bonds Payable	2,640,000	3,519,640
Net Investment in Capital Assets		$ 3,599,563

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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*

BOARD OF EDUCATION
HERMON-DEKALB CENTRAL SCHOOL DISTRICT

We have audited, in accordance with the auditing standards of generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hermon-DeKalb Central School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hermon-DeKalb Central School District's basic 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 Hermon-DeKalb Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hermon-DeKalb Central School District's internal control. Accordingly, we do not express an opinion of the effectiveness of Hermon-DeKalb Central School District's internal control.

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

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hermon-DeKalb Central 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 statements 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.

Bowers & Company

Watertown, New York
October 4, 2018

EXTRA CLASSROOM ACTIVITY FUNDS

BOWERS & COMPANY
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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

TO THE PRESIDENT AND MEMBERS OF THE
BOARD OF EDUCATION
HERMON-DEKALB CENTRAL SCHOOL DISTRICT

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Hermon-DeKalb Central School District for the year ended June 30, 2018, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of Extra Classroom Activity Funds of Hermon-DeKalb Central School District for the year ended June 30, 2018, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Bowers & Company

Watertown, New York
October 4, 2018

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2018

	Cash Balance 7/1/2017	Cash Receipts	Cash Disbursements	Cash Balance 6/30/2018
Class of:				
2016	1,360	-	-	1,360
2018	12,730	13,582	25,039	1,273
2019	2,055	5,099	2,039	5,115
2020	8,078	8,486	4,623	11,941
2021	-	13,909	9,023	4,886
Art Club	287	-	-	287
Athletic Account	1,695	680	1,072	1,303
Cheerleading	40	-	-	40
Drama Club	3,670	1,248	2,121	2,797
Fine Arts Club	1,213	16,494	16,514	1,193
Interest Account	73	11	19	65
National Honor Society	911	2,544	2,515	940
Newspaper	216	-	-	216
NYS Sales Tax	268	1,063	1,014	317
Outing Club	3,907	4,743	5,051	3,599
Student Council	3,568	1,335	1,008	3,895
Yearbook	1,985	5,857	3,718	4,124
Total	$ 42,056	$ 75,051	$ 73,756	$ 43,351

See note to the financial statement.

EXTRA CLASSROOM ACTIVITY FUNDS - NOTE TO FINANCIAL STATEMENT

June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activity Funds of the Hermon-DeKalb Central School District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management.

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

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

To the Board of Education
Hermon-DeKalb Central School District

In planning and performing our audit of the financial statements of Hermon-DeKalb Central School District for the year ended June 30, 2018, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and recommendations regarding the matters:

Condition: No Documented Review of Payroll Change Report

We noted that there is no documented approval of payroll change reports which are printed and reviewed periodically.

Recommendation

We suggest that at least periodically, and when significant changes are made, the Business Manager obtains a summary report of payroll changes and performs a detailed review of changes made. We also suggest that reviewed payroll change reports are signed by the Business Manager as evidence of review and records are kept for an appropriate period of time.

Management's Response

The Business Manager will continue to review the payroll change reports and will now sign those reports as evidence of such review.

Condition: Extra Classroom Activity Funds

The following items were noted during our audit of the Extra Classroom Activity Fund:

- Profit and Loss Statements should be used for sales and events.
- We examined ten receipts and noted that eight transactions did not have supporting documentation attached to the receipt form.
- We examined ten disbursements and noted that five transactions did not have supporting evidence of receiving goods.

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Recommendation

We suggest the treasurer and advisors review the NYS SED Publication, *The Safeguarding, Accounting and Auditing of Extra Classroom Activity Funds*, which outlines the procedures that should be followed regarding receipts, disbursements, profit and loss statements and record keeping within the Extra Classroom Activity Fund.

Management's Response

The District will review the referenced publication and will endeavor to improve documentation. However, we recognize the inherent risk with the cash management of extra classroom activity.

We appreciate the opportunity to conduct the audit and would like to express our thanks to the staff for the fine cooperation extended to us during the course of the audit.

Bowers & Company

Watertown, New York
October 4, 2018

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

October 4, 2018

To the President and Members of the
Board of Education of the
Hermon-DeKalb Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hermon-DeKalb Central School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards,* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hermon-DeKalb Central School District are described in Note 1 to the financial statements.

Hermon-DeKalb Central School District adopted all new applicable accounting standards issued by the Governmental Accounting Standards Board (GASB). As described in Note 3 to the financial statements, Hermon-DeKalb Central School District changed accounting policies related to reporting for postemployment benefits by adopting Statement of Governmental Accounting Standards No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the cumulative effect of the accounting change as of July 1, 2017 is to report additional other postemployment benefit liability in the amount of $14,779,959 and additional deferred outflows of resources in the amount of $541,093 on the governmental activities Statement of Net Position with a corresponding reduction in net position of $14,238,866 on the Statement of Activities and Changes in Net Position.

We noted no transactions entered into by Hermon-DeKalb Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the depreciation expense is based on estimated useful lives of capital asses. We evaluated the key factors and assumptions used to develop the estimated useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements, detected as a result of audit procedures, were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 4, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Hermon-DeKalb Central School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Hermon-DeKalb Central School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to *Management's Discussion and Analysis, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund, the Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan, and the Schedule of District's Contributions – NYSLRS Pension Plan*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on *the Schedule of Change from Adopted Budget to Final Budget and Real Property Tax Limit – General Fund, the Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Board of Education and management of Hermon-DeKalb Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company

Client:	*5000954.1000 - Hermon-DeKalb Central School District*
Engagement:	*2018 - Hermon-DeKalb Central School District*
Period Ending:	*6/30/2018*
Trial Balance:	*K-02.01 - Non-Current Governmental Assets TB Database*
Workpaper:	*K-03.01 - Adjusting Journal Entries Report - 2*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		09-01.02		
Add FA under $5,000 from 06/30/17 and add Capital assets and agree amounts to schedule.				
K103	SITE IMPROVEMENTS		96,247.00	
K104	EQUIPMENT		395,034.00	
K112	ACCUM DEPR-BUILDINGS			15,477.00
K114	ACCUM DEPR-EQUIPMENT			260,491.00
K152	INVESTMENT IN ASSET-APPROPR			215,313.00
Total			**491,281.00**	**491,281.00**
Adjusting Journal Entries JE # 2				
To record net Pension asset and deferred outflows of pensions/OPEB /CAK				
K108.1	Net Pension Asset - Proportionate Share		127,888.00	
K496.1	Deferred Outflows of Resources - TRS		1,695,150.00	
K496.2	Deferred Outflows of Resources - ERS		279,533.00	
K496.3	Deferred Outflows of Resources - OPEB		580,678.00	
K152	INVESTMENT IN ASSET-APPROPR			2,683,249.00
Total			**2,683,249.00**	**2,683,249.00**
Adjusting Journal Entries JE # 3				
To record deferred charge on refunding /CAK				
K495	Deferred Outflows of Resources - Charge on Refunding		160,222.00	
K152	INVESTMENT IN ASSET-APPROPR			160,222.00
Total			**160,222.00**	**160,222.00**

Client:	*5000954.1000 - Hermon-DeKalb Central School District*
Engagement:	*2018 - Hermon-DeKalb Central School District*
Period Ending:	*6/30/2018*
Trial Balance:	*W 02.01 - Non-Current Governmental Liabilities TB Database*
Workpaper:	*W 03.01 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To record Net Pension Liab, Deferred inflows of OPEB and Pensions, OPEB [illegible]				
W129-000	PROVISION FROM FUTURE BUDGETS		27,002,783.00	
W628-000	BONDS PAYABLE			267,640.00
W638-000	Net Pension Liability			84,642.00
W683	OPEB liability			20,510,953.00
W697-000	Deferred Inflows of Resources - ERS			282,029.00
W697-001	Deferred Inflows of Resources - TRS			391,917.00
W697-002	Deferred Inflows of Resources - OPEB			5,465,602.00
Total			**27,002,783.00**	**27,002,783.00**