PITTSFORD CENTRAL SCHOOL DISTRICT
PITTSFORD, NEW YORK
BOARD OF EDUCATION MEETING
**TUESDAY**, OCTOBER 10, 2017
BOARD ROOM – BARKER ROAD MIDDLE SCHOOL

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AGENDA
7:00 P.M.

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF AGENDA (BOARD ACTION)

IV. APPROVAL OF MINUTES: September 27, 2017 (BOARD ACTION)

V. PUBLIC COMMENT

*The Board of Education invites you, the residents of our school community, to feel comfortable in sharing matters of interest or concern about the District. If you have a question or a statement to make to the Board of Education, we ask that you fill out an index card, available at the sign-in table, and hand it to the School District Clerk. The Board President will recognize those of you who wish to speak. We ask that you raise your hand in order to be recognized and then identify yourself with your name and address.*

*Those items brought to the attention of the board during this time may be taken under consideration for future response or action. We ask that individual comments be limited to three minutes in order to accomplish the evening's agenda. We respectfully ask that issues related to specific school district personnel or students, be brought to the attention of the superintendent of schools privately.*

VI. BOARD OF EDUCATION REPORT
- A. Monroe County School Boards Association Meeting Reports
  1. Board President's – next meeting – 11/8/17
  2. Executive Committee – next meeting – 12/6/17
  3. Information Exchange Committee – next meeting – 10/18/17
  4. Labor Relations Committee – next meeting – 10/25/17
  5. Legislative Committee – next meeting – 11/1/17
  6. Steering Committee – next meeting – 10/11/17
- B. Other Meeting Reports
  1. Audit Oversight Committee
- C. Dates to Remember
  1. 10/14/17 – Homecoming
  2. 10/18/17-10/21/17 – PTSA Super Sale
  3. 10/19/17 - Board Visit/Tour at Thornell Road Elementary School (Tour 7:15 am/Visit 7:30 am)
  4. 10/23/17 - Next Regularly Scheduled Meeting

VII. FINANCIAL REPORT – Mr. Kenney
- A. Action Items:
  1. External Audit Report, Management Letter and Corrective Action Plans (BOARD ACTION)
  2. RASHP II Article 47 – Self Funding Resolution (BOARD ACTION)
  3. Bid Awards (See Consent Agenda)
     - a. Athletic Supplies and Equipment
     - b. Reconditioning and Laundering of Interscholastic Sports Equipment and Uniforms
     - c. BOCES II Cooperative Fine Paper
- B. Discussion:
- C. Other

VIII. HUMAN RESOURCE REPORT – Mr. Leone
- A. Action Items;
  - 1. Professional Staff Report (BOARD ACTION)
  - 2. Support Staff Report (BOARD ACTION)
- B. Discussion:
- C. Other:

IX. CURRICULUM REPORT – Mrs. Ward
- A. Action Items:
- B. Discussion:
  - 1. Update on 2017-2018 Curriculum Projects
- C. Other:

X. SPECIAL EDUCATION REPORT – Ms. Woods
- A. Action Items (See Consent Agenda)
  - 1. Committee on Special Education: Amendment – Agreement No Meeting, Initial Eligibility Determination Meetings, Requested Review Transfer Student, Transfer Student – Agreement No Meetings, Requested Reviews.
  - 2. Sub-Committee on Special Education: Amendment – Agreement No Meetings.
  - 3. Committee on Preschool Special Education: Initial Eligibility Determination Meetings, Reevaluation Review, Requested Reviews.
- B. Discussion:
- C. Other:

XI. SUPERINTENDENT'S REPORT – Mr. Pero
- A. Action Items:
  - 1. Call for Executive Session (BOARD ACTION)
- B. Discussion:
- C. Other:

XII. CONSENT AGENDA (BOARD ACTION)
- A. Bid Awards
- B. Committee on Special Education
- C. Sub-Committee on Special Education
- D. Committee on Preschool Special Education

XIII. OLD BUSINESS

XIV. NEW BUSINESS

XV. PUBLIC COMMENT

XVI. ADJOURNMENT/RECESS (BOARD ACTION)

Next Regularly Scheduled Meeting: October 23, 2017

***Mission:*** *The Pittsford Central School District community works collaboratively to inspire and prepare our students to be their best, do their best and make a difference in the lives of others.*

***For school district information, visit our website at pittsfordschools.org***

For Board Approval



**PITTSFORD CENTRAL SCHOOL DISTRICT**
Board of Education Meeting
Wednesday, September 27, 2017
Barker Road Middle School

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The REGULAR MEETING of the Pittsford Central School District Board of Education was held at 7:00 p.m. in the Board Room, Barker Road Middle School on Wednesday September 27, 2017.

BOARD MEMBERS PRESENT: K. McCluski, T. Aroesty, V. Baum, I. Narotsky, P. Sullivan. R. Sanchez-Kazacos
BOARD MEMBER ABSENT: A. Thomas
LEADERSHIP TEAM PRESENT: M. Pero, J. Cimmerer, D. Kenney, M. Leone, P. Vaughan-Brogan, M. Ward, N. Wayman, E. Woods.
OTHERS PRESENT: R. Scott, S. Warchol, A./A. Bosco, K. Ronan, B. Martin

1. Mrs. McCluski called the meeting to order at 7:00 p.m. and asked everyone to stand for the Pledge of Allegiance.

2. Motion was made by Mrs. Baum, seconded by Mr. Sullivan and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education approves the agenda for this evening's meeting. **APPROVED: AGENDA**
Vote: Unanimously carried

3. Mr. Shawn Clark, principal, was present to talk about the activities that are taking place at Jefferson Road Elementary School

4. Motion was made by Mrs. Sanchez-Kazacos, seconded by Mr. Aroesty and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education approves the minutes of its September 11, 2017, meeting. **APPROVED: MINUTES 09/11/17**
Vote: Unanimously carried

5. Board Reports: Mrs. McCluski noted that Sherry Johnson, Director of Monroe County School Boards Association, commented to her on how active our Board is in MCSBA.
Mrs. Narotsky reported on today's Labor Relations meeting that focused on a presentation by the Hilton School District. Mr. Aroesty also attended this meeting.
Mrs. Baum reported on the activities of a recent Legislative Committee meeting where the discussion focused on pros and cons of the Constitutional Convention (Con-Con). That group decided not to take a position which is in line with NYSSBA's position. Mrs. Baum noted that there is much information out there now about the Con-Con. Mr. Pero said that most NYS voters do not know what the Con-Con is. His worry is that there could be a shift in funding and at this time we are poised for more FDK aid. Mr. Pero explained that a Con-Con is very expensive (in the area of $47 million) and there are already avenues in place in our governmental system to push for needed changes. The last Convention was 50 years ago. Voters can get information about what will be on the ballot from the *ballotpedia* website. Our next step is to review additional information and then talk about what our Board would like to do.

6. Mrs. McCluski took a moment to explain that the annual Board tours and visits to school buildings are a NYS SED regulation. Hopefully when the Board leaves each building they have a good idea about what our schools need. This also provides the opportunity for the Board to have time with staff members.

7. Motion was made by Mr. Sullivan, seconded by Mrs. Baum and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education accepts the Treasurer's Reports for the months of June, July and August, 2017. **ACCEPTED: TREASURER'S REPORTS**
Vote: Unanimously carried
Mr. Pero noted that our capital project has been done on time or ahead of schedule and under budget allowing the District to address additional high priority items from the building condition survey.

8. Motion was made by Mrs. Narotsky, seconded by Mr. Sullivan and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education approves the 4th Quarter Extraclassroom Activities Report as presented.
Vote: Unanimously carried

**APPROVED: 4TH QUARTER EXTRACLASSROM ACTIVITIES REPORT**

9. Motion was made by Mr. Aroesty, seconded by Mrs. Sanchez-Kazacos and carried regarding the following resolution: BE IT RESOLVED, that Board of Education at its regular meeting of September 27, 2017, does hereby declare the above equipment scrap or obsolete and does hereby authorize the auction and receipt of proceeds from the sale of the vehicles and equipment listed on the Consignment contract from Roy Teitsworth, Inc.
Vote: Unanimously carried
*This report in its entirety is duly made a part of these minutes and is kept in a supplemental file for this meeting.*

**APPROVED: AUCTION OF EQUIPMENT**

10. Motion was made by Mrs. Narotsky, seconded by Mrs. Sanchez-Kazacos and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education, upon the Superintendent's recommendation, approves the following Professional Staff Report:
Vote: Unanimously carried

**APPROVED: PROFESSIONAL STAFF REPORT**

**A.** Appointment – Teacher

| | |
|---|---|
| Name: | Carol Moriarty |
| Position: | Student Services Teacher |
| Type of Position: | .5 TRE – Part-time; .5 JRE Regular Sub – 9/11/17 – 6/30/18 |
| Tenure Area: | Speech & Hearing |
| Probationary Period: | N/A |
| Certification: | Permanent |
| Salary: | $85,602 |
| Effective Date: | September 11, 2017 |

**B.** Appointment – School Related Professional

| | |
|---|---|
| Name: | Erica Lewis |
| Position: | BRMS CSE Assigned Paraprofessional |
| Type of Position: | Civil Service |
| Probationary Period: | 09/18/2017 – 03/18/2018 |
| Salary: | $15,534 |
| Effective Date: | September 1, 2017 |

| | |
|---|---|
| Name: | Megan Wood |
| Position: | PRE CSE Assigned Paraprofessional |
| Type of Position: | Civil Service |
| Probationary Period: | 09/18/2017 – 03/18/2018 |
| Salary: | $14,874 |
| Effective Date: | September 18, 2017 |

**C.** Change of Status – CSE Assigned to Auxiliary Staff

| | |
|---|---|
| Name: | Karina Anderson |
| Position: | MHS College Career Center Coordinator |
| Type of Position: | Auxiliary |
| Salary: | $30,100 |
| Effective Date: | September 18, 2017 |

**D.** Termination – Position Eliminated

| | |
|---|---|
| Name: | Elizabeth Claflin |
| Position: | MHS/SHS Science |
| Type of Position: | Probationary |
| Effective Date: | June 30, 2017 |

11. Motion was made by Mrs. Sanchez-Kazacos, seconded by Mr. Sullivan and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education, upon the Superintendent's recommendation, approves the following Support Staff Report: Vote: Unanimously carried

**APPROVED: SUPPORT STAFF REPORT**

| TERMINATIONS CLERICAL | POSITION | BLDG | LENGTH OF SVC | DATE |
|---|---|---|---|---|
| Meagan Smith | Schl Aide | PR | None | 9/6/17 |

| APPOINTMENTS CLERICAL | POSITION | BLDG | HOURS | DATE | SALARY |
|---|---|---|---|---|---|
| Carol VonBerg | Off Clk 4 | BR East | 7.5/day | 9/18/17 | $25,838/yr |
| Christine Karpovich | Off Clk 3 | PR/TR | 7/day | 9/25/17 | 19,845yr |
| Linda McGill | Schl Aide | TR | 2/day | 9/21/17 | 14.10/hr |

| APPOINTMENTS CUST/MAINT | POSITION | BLDG | HOURS | DATE | SALARY |
|---|---|---|---|---|---|
| Thongpan Thongphet | Cleaner | MCE | 8/day | 10/2/17 | $27,575/yr |
| William Hernes | Groundsman | CM | 8/day | 9/11/17 | 30,196/yr |

| RETIREMENTS CUST /MAINT | POSITION | BLDG | LENGTH OF SVC | DATE |
|---|---|---|---|---|
| Scott Hubregsen | Night Super. | BRMS | 21 yrs | 10/21/17 |

| RESIGNATIONS FOOD SERVICE | POSITION | BLDG | LENGTH OF SVC | DATE |
|---|---|---|---|---|
| Cheryl Cox-Poole | Fd Svc Help | PR | 5 yrs | 9/17/17 |

12. Dr. Vaughan-Brogan noted the Emergency Preparedness Guide that the Board is being asked to take action on this evening under the Consent Agenda.

13. Mrs. Ward presented the Annual ELA/Math/Science 3-8 data data. Dr. Cimmerer, Mrs. Pawluckie, Mrs. Larson and all others were thanked for their work on this report. Mrs. Ward reviewed changes to the assessment program, upcoming decisions to be made, computer based testing, in-house scoring vs. vendor scoring, the data process and data results.

14. Motion was made by Mrs. Sanchez-Kazacos, seconded by Mrs. Baum and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education approves the BRMS field trip to Quebec City, Quebec, Canada from 1/12/18 to 1/14/18.
Vote: Unanimously carried

**APPROVED: BRMS FIELD TRIP**

15. Motion was made by Mrs. Sanchez-Kazacos, seconded by Mr. Sullivan and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education approves the CRMS field trip to Quebec City, Quebec, Canada from 1/12/18 to 1/14/18.
Vote: Unanimously carried

**APPROVED: CRMS FIELD TRIP**

16. Motion was made by Mrs. Narotsky, seconded by Mr. Sullivan and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education approves the MHS field trip to Washington, DC from 10/13/17 to 10/15/17.
Vote: Unanimously carried

**APPROVED: MHS FIELD TRIP**

17. Motion was made by Mr. Sullivan, seconded by Mrs. Sanchez-Kazacos and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education approves the MHS field trip to Kissimmee, FL from 3/31/17 to 4/6/17.
Vote: Unanimously carried

**APPROVED: MHS FIELD TRIP**

18. Mr. Pero shared activities of the Advocacy Steering Committees where the focus is to increase Conversation aid for FDK and increase Foundation aid. Each of the members are meeting with different legislators with a message that has been developed by the Committee. They will share the pledge of the Governor, assembly and senate. Mr. Pero has reached out to the other four school districts without FDK to ask them for combined support. Key messages have been compiled for stakeholder groups. The next meeting is on October 16.

19. Mr. Pero said that at the recent New York State Council of School Superintendents Conference a discussion took place on field trips. He is going to contact the presenter who is an expert on field trips. Mr. Pero said that Commissioner Elia spoke at the conference where she noted the fact that there are opinion differences in NYS; that you need to be a good listener in order to be a good leader; and that there are challenges to having upstate, downstate, urban, rural and suburban school districts. She considers her work to be work in progress. APPR will be coming up for review again soon. Lastly, Mr. Pero said he has been asked to be on the Commissioners Advisory Council.

20. Motion was made by Mrs. Baum, seconded by Mr. Sullivan and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education approves the following items per the Consent Agenda: **APPROVED: CONSENT AGENDA**

Bid Award:

| | | |
|---|---|---|
| Musical Instruments | Various Vendors | $7,015.00 |

*The bid award in its entirety is duly made a part of these minutes and is kept in a supplemental file for this meeting.*

Emergency Preparedness Guide

Committee on Special Education: Amendment – Agreement No Meetings, Initial Eligibility Determination Meeting, Requested Reviews, Requested Review, Transfer Students, Transfer Student – Agreement No Meetings.
Sub-Committee on Special Education: Amendment – Agreement No Meetings, Annual Review, Reevaluation Review, Transfer Student – Agreement No Meetings.
Committee on Preschool Special Education: Initial Eligibility Determination Meeting, Reevaluation Reviews.

21. Mr. Sullivan congratulated Mr. Karl Thielking, principal, for his 18 years of wisdom and love for the Mendon community. Mr. Thielking announced that he is retiring in June of 2018.

22. Motion was made by Mrs. Narotsky, seconded by Mr. Sullivan and carried regarding the following resolution: BE IT RESOLVED, that the Board of Education approves the adjournment of its Regular Meeting at approximately 8:30 p.m. **APPROVED: ADJOURNMENT**
Vote: Unanimously carried

Respectfully submitted,

Veronica M. Walker

Veronica M. Walker
School District Clerk

# Pittsford Schools

Administrative Offices
75 Barker Road - East Wing
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**585.267.1053**
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Darrin_Kenney@pittsford.monroe.edu

Darrin Kenney
*Assistant Superintendent for Business*

Date: October 6, 2017

To: Michael Pero, Superintendent of Schools

From: Darrin Kenney, Assistant Superintendent for Business DTK

Re: Audit Reports Acceptance Resolution

As required by law, and consistent with past practice, the Board of Education is required to accept and approve the Basic Financial Statements. Our Audit Committee has reviewed and been given the opportunity to ask questions regarding the reports, financial conditions, fund balances and reserves. The Director of Finance has provided written responses to the Communicating Internal Control Related Matters Identified in an Audit Report (formerly Management Letter). In addition, a copy of the Financial Executive Summary for Years Ended June 30, 2016 and 2017, as presented by Raymond Wager to the Audit Oversight Committee, is included for your perusal.

Leeanne Reister and I, as well as the Audit Committee, will be available to answer questions. For your convenience I have provided a resolution below:

> **Be It Resolved** that the Board of Education, at its regular meeting held on October 10, 2017 and on the recommendation of the Audit Oversight Committee, accepts the Basic Financial Statements, Communicating Internal Control Related Matters Identified in an Audit Report (formerly Management Letter) and the District Response to that report for the year ended June 30, 2017 as presented.

*DTK:kd*

*Attachments*

*Cc: L. Reister*

# PITTSFORD CENTRAL SCHOOL DISTRICT

## BASIC FINANCIAL STATEMENTS

**For Year Ended June 30, 2017**

Raymond F. Wager, CPA, P.C.
1020 Lehigh Station Road
Henrietta, New York 14467

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# Raymond F. Wager, CPA, P.C.
**Certified Public Accountants**

**Shareholders:**

**Raymond F. Wager, CPA**
**Thomas J. Lauffer, CPA**
**Thomas C. Zuber, CPA**

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants


## INDEPENDENT AUDITORS' REPORT

To the Board of Education
Pittsford Central School District, New York

***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 the Pittsford Central School District, New York, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 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 District'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 District'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 Pittsford Central School District, New York, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

As described in Note XIII to the financial statements, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, an amendment of GASB No. 68. As a result, the beginning net position has been restated.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in District's total OPEB liability and related ratio, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and budgetary comparison information on pages 4–13 and 52-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pittsford Central School District, New York's basic financial statements. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2017 on our consideration of the Pittsford Central School District, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pittsford Central School District, New York's internal control over financial reporting and compliance.

Raymond F. Wager, CPA, PC

September 1, 2017

## INTRODUCTION

The Pittsford Central School District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. It is based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

## FINANCIAL HIGHLIGHTS

The District implemented GASB Statements Nos. 75 and 77 on June 30, 2017. Statement No. 75 improves accounting and financial reporting requirements by state and local governments for Post-Employment Benefits Other than Pensions (OPEB). It also improves information provided by state and local governments about financial support for OPEB that is provided by other entities. (Pages 14, 15 and 16). Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. (Page 51).

- With the implementation of GASB 75 and full recognition of OPEB costs on the balance sheet, the total assets of the District are short of its total liabilities at the close of the fiscal year by $134.8 million (Net Position, page 14). This accounting deficit is the result of GASB 75 requiring the reporting of the Long-term Liability while NYS Law does not afford schools a legal means to reserve, fund or recognize the GASB 75 OPEB costs.
- The District's change in Net Position is ($5.9) million (page 15 and 18). This is primarily due to the GASB 75 Other Post Employment Benefit (OPEB) obligation, compensated absence obligation, pension fund liability, and the capitalization of assets.
- General Fund refund of prior year expense (stated as Miscellaneous) was above the original budget by $739 thousand is primarily due to a larger than projected refund from Monroe #1 BOCES, Monroe County for preschool costs reimbursement, and E-Rate refunds greater than projected. (Page 55)
- General Fund charges for services was above the original budget by $382 thousand due to charges for parentally placed students in non-public schools located in our district who receive Special Education services and health services for non-resident students attending these same schools. There was an influx of students receiving high cost services at non-public schools that were billed to other districts. (Page 55)
- Voters approved a renovation project in December, 2012 in the amount of $43.2 million. Renovation work to be completed included athletic field improvements at Sutherland and Mendon High School and miscellaneous building repairs at all nine school buildings. Work is complete at both High Schools on the athletic field improvements and at the two high schools to upgrade bathrooms to be ADA compliant. Work continued on Phase 2 and 3 during the summer of 2016 which included boiler improvements. Capital improvement work continued in most buildings through the spring and summer of 2017 with only a few improvements left to be completed in 2017-18 (page 59).
- The District purchased twelve replacement buses from the voter authorized Capital Bus Purchase Reserve.
- As of the close of this fiscal year, the District's governmental funds reported combined fund balances of approximately $16.91 million (page 17).

## OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to these statements, this report also includes other supplemental information, as outlined on page 4.

**Financial Statements**

**Required Supplemental Information**

**Management's Discussion & Analysis (MD & A)**

**Basic Financial Statements**

| District-wide (Entire District) Financial Statements | | Fund (Governmental & Fiduciary) Financial Statements |
|---|---|---|
| 1. Statement of Net Position (page 14)<br>2. Statement of Activities and Changes in Net Position (page 15) | ⟷ | 1. Balance Sheet – Governmental Funds (page 16)<br>2. Statement of Revenues, Expenditures And Changes in Fund Balances Governmental Funds (page 17)<br>3. Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances of Gov. Funds to Statement of Activity (page 18)<br>4. Statement of Fiduciary Net Position (page 19)<br>5. Statement of Changes in Fiduciary Net Position (page 19) |

**Notes to the Basic Financial Statements**

**Supplemental Information**

**Non-major Funds Combining Statements (page 59-60)**

**General Fund Budget & Tax Limit Information (page 57)**

**Capital Project Funds Schedule of Project Expenditures (page 58)**

**General Fund Budget to Actual Schedule (page 55)**

Our auditor has provided assurance in his independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated.

## District-wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business, providing both short-term and long-term information about the District's overall financial status.

The statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or declining.

The statement of activities presents information showing how the District's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to when the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants and earned but unused vacation leave).

All of the District's services are reported in the district-wide financial statements as governmental activities, including general support, instruction, pupil transportation, and school lunch. Property taxes, sales tax, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

### District-wide Financial Analysis (Page 14)

**Pittsford Central School District's Net Position**
**June 30, 2016 and 2017 (thousands of dollars)**

| | Governmental Activities | | Percent |
|---|---|---|---|
| | 2017 | 2016 | Change |
| **ASSETS:** | | | |
| Current Assets | $ 53,777 | $ 89,305 | -39.78% |
| Capital Assets | 139,887 | 134,597 | 3.93% |
| **Total Assets** | **$ 193,664** | **$ 223,902** | -13.51% |
| **DEFERRED OUTFLOW OF RESOURCES:** | | | |
| Deferred Outflow of Resources | $ 62,244 | $ 13,465 | 362.27% |
| **LIABILITIES:** | | | |
| Current Liabilities | $ 36,722 | $ 39,385 | -6.76% |
| Long-Term Obligations | 336,595 | 129,272 | 160.38% |
| **Total Liabilities** | **$ 373,317** | **$ 168,657** | 121.35% |
| **DEFERRED INFLOW OF RESOURCES:** | | | |
| Deferred Inflow of Resources | $ 17,454 | $ 10,713 | 62.92% |
| **NET POSITION:** | | | |
| Invested in Capital Assets, Net of Related Debt | $ 58,122 | $ 55,867 | 4.04% |
| Restricted For | | | |
| Capital Reserve | 20,735 | 18,380 | 12.81% |
| Other Purposes | 9,439 | 10,257 | -7.98% |
| Unrestricted | (223,158) | (26,507) | 741.88% |
| **Total Net Position** | **$ (134,862)** | **$ 57,997** | -332.53% |

As illustrated above, the largest portion of the District's Net Position (72 percent) reflects its investment in capital assets (land, buildings, improvements, machinery and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide educational 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. Capital assets themselves cannot be used to liquidate these liabilities.

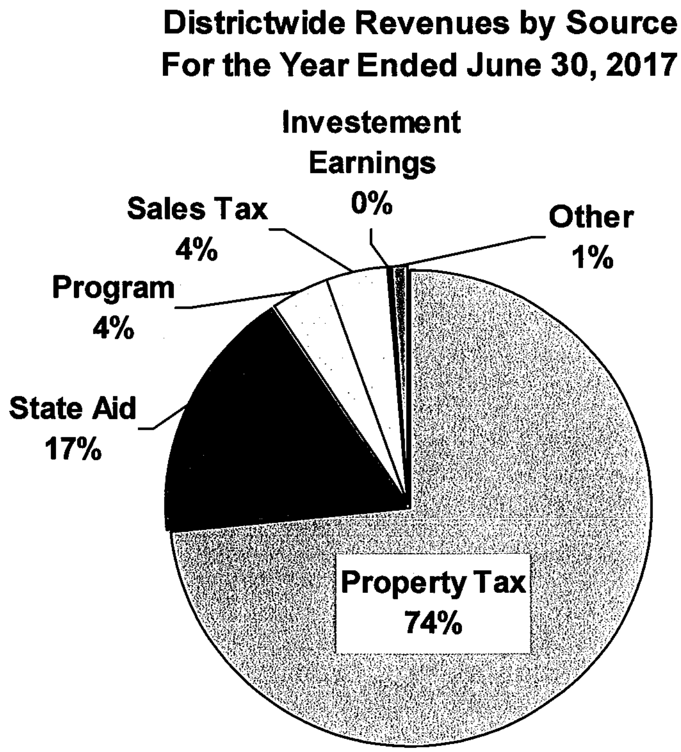
An additional portion of the District's restricted and unrestricted Net Position (11 percent) represents resources that are subject to external restrictions on how they may be used (capital projects, debt service and other specified purposes).

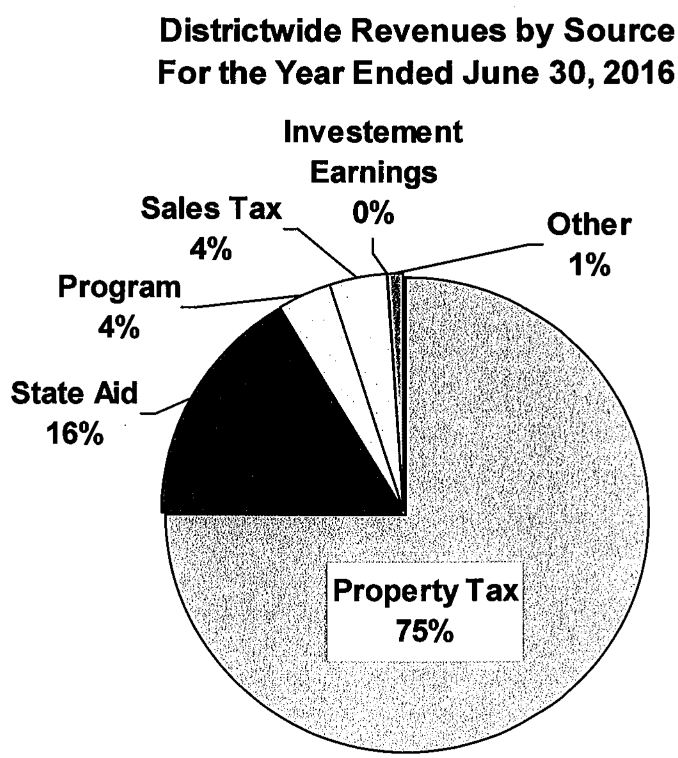
**Pittsford Central School District's**
**Changes in Net Position (Page 15 and 18)**
**For the Years Ended June 30, 2016 and 2017**
**(thousands of dollars)**

| | Governmental Activities | | Total Percentage |
|---|---|---|---|
| | **2017** | **2016** | **Change** |
| **REVENUES:** | | | |
| **Program -** | | | |
| Charges for Services | $ 2,467 | $ 2,236 | 10.33% |
| Operating Grants & Contributions | 2,590 | 2,349 | 10.26% |
| Total Program | $ 5,057 | $ 4,585 | 10.29% |
| **General -** | | | |
| Property Taxes | $ 95,484 | $ 95,046 | 0.46% |
| Non-Property Taxes (Sales Tax) | 5,500 | 4,913 | 11.95% |
| State and Federal Aid | 22,370 | 20,777 | 7.67% |
| Investment Earnings | 159 | 175 | -9.14% |
| Compensation for Loss | 219 | 93 | 135.48% |
| Miscellaneous | 1,398 | 1,270 | 10.08% |
| Total General | $ 125,130 | $ 122,274 | 2.34% |
| **TOTAL REVENUES** | **$ 130,187** | **$ 126,859** | 2.62% |
| **EXPENSES:** | | | |
| Instruction | $ 108,427 | $ 96,302 | 12.59% |
| **Support Services -** | | | |
| General Support | 14,627 | 13,486 | 8.46% |
| Transportation | 7,817 | 7,348 | 6.38% |
| School Lunch | 2,336 | 2,323 | 0.56% |
| Interest in Long-Term Debt | 2,864 | 2,950 | -2.92% |
| **TOTAL EXPENSES** | **$ 136,071** | **$ 122,409** | 11.16% |
| **CHANGES IN NET POSITION** | **$ (5,884)** | **$ 4,450** | |

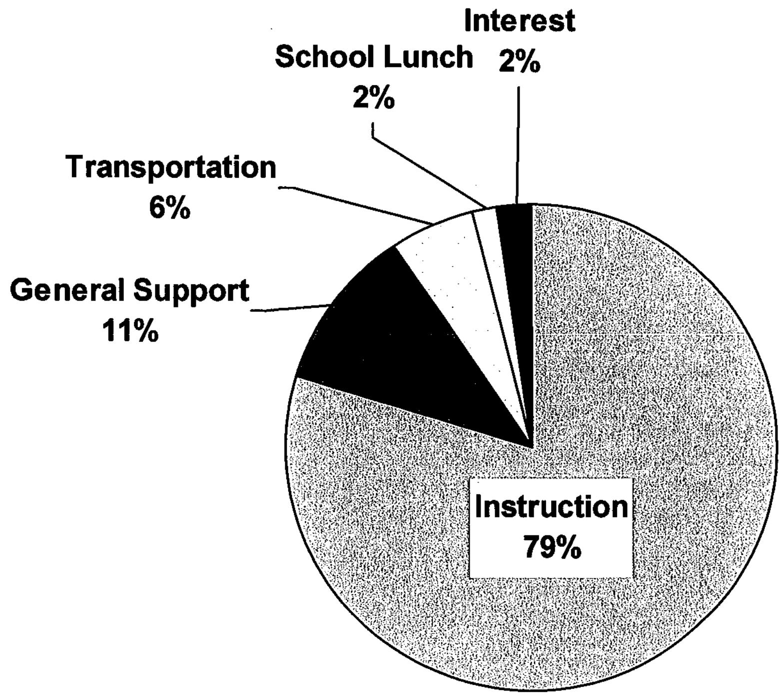
The $5.9 million decrease in Net Position (page 18) is attributable to a) Reporting net pension asset/liability b) Other Post Employment Benefit liability and c) the depreciation of assets over time. The District's breakdown of revenues is as follows: state and federal aid accounted for 16% of revenues and property taxes accounted for 75% of revenues. The remaining 9% of revenue came from sales tax, operating grants, charges for services, investment earnings and miscellaneous revenues. The District's expenses are predominately related to education and caring for students, or 87% of total expenses, and general support, which included expenses associated with the operation, maintenance and administration of the district, accounted for 13% of the total costs.

The following charts provide the percentage breakdown of all revenues by source and all expenses by function for the entire District:

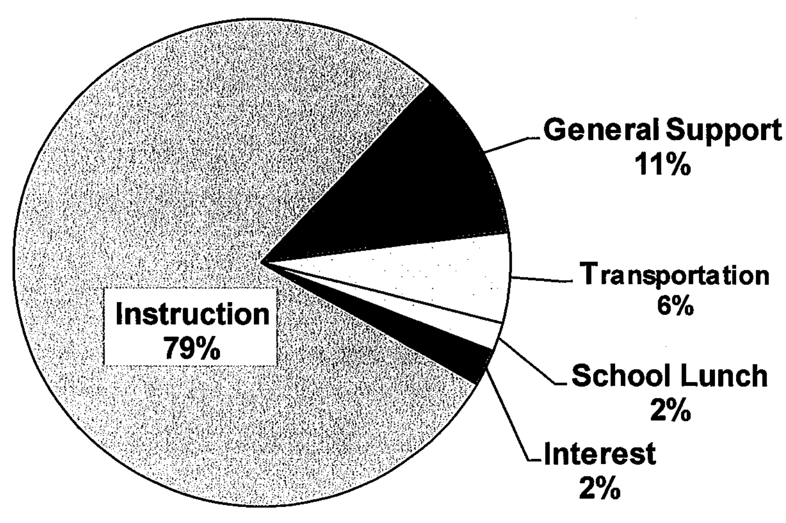


## Districtwide Expenses by Function
## For the Year Ended June 30, 2017




## Districtwide Expenses by Function
## For the Year Ended June 30, 2016



## Fund Financial Statements

The fund financial statements provide detailed information about the District's most significant (major) funds.

A **fund** is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds**. Most of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to be spent in the near future to finance the District's programs. We describe the relationship or differences between governmental activities (reported in the *Statement of Net Position* and *the Statement of Activities*) and governmental funds on the *Reconciliation of the Governmental Funds.*

The District maintains five individual governmental funds: General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund, and Capital Projects Fund. Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the general fund and the capital fund. Data from the special aid fund, the school lunch fund, and the debt service fund are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in a combining statement format as a supplemental schedule in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## Fund Financial Analysis (District's Funds)

**Pittsford Central School District's Balance Sheet (Page 16)**
**June 30, 2016 and 2017**
**(thousands of dollars)**

| | Total General Fund 2017 | Total General Fund 2016 |
|---|---|---|
| **Total Assets** | $ 46,347 | $ 42,910 |
| **Total Liabilities** | $ 8,697 | $ 9,003 |
| **Fund Balance** | | |
| Nonspendable-prepaid | $ 69 | $ 81 |
| Restricted | 29,014 | 25,476 |
| Assigned, Approp. & Encumbrances | 3,365 | 3,330 |
| Unassigned, Unappropriated | 5,202 | 5,020 |
| **Total Fund Balance** | $ 37,650 | $ 33,907 |

Of the approximately $37.6 million fund balance in the general fund (page 16), approximately 22.75% of this total ($8.57 million) constitutes unreserved fund balance, $1.5 million is appropriated to reduce the 2017-2018 fiscal year tax levy, $1.83 is set aside for encumbrances and $5.2 million (4% of the 2017-18 budget) is available for ensuing fiscal years. The remainder of fund balance is restricted, which indicates that it is not available due to the fact that it is either legally restricted to liquidate current contracts, restricted by district residents for future voter authorized purposes ($29 million), and other Board of Education authorized purposes. Contained in this balance are year-end Board of Education authorized transfers of $700 thousand to the Capital Bus Reserve, $2.1 million to the voter authorized Capital Building Reserve, $1 million to the Employee Benefit Reserve, $500 thousand to the Retirement Contribution Reserve and $50 thousand to the Reserve for Workers Compensation.

Maintaining an adequate fund balance has several internal benefits. Fund balance can provide for cash flow needs until major revenues are received (thereby reducing or eliminating the need for cash flow borrowing), provide funds to leverage state and federal grants and provide for various contingencies.

The following is a summary of the fund balances and reserves as of June 30, 2017 (page 16 and 60) by individual fund (including encumbrances restricted to liquidate current contracts and/or purchase orders):

**(Thousands of dollars)**

| FUND BALANCE: | Fund Balance 2017 | Fund Balance 2016 | Change in Fund Balance |
|---|---|---|---|
| General Fund (including reserves) | $ 37,650 | $ 33,907 | $ 3,743 |
| Capital Fund | (22,366) | (13,639) | (8,727) |
| School Lunch Fund | 443 | 499 | (56) |
| Federal | 30 | (4) | 34 |
| Debt Service Fund | 1,160 | 887 | 273 |
| **Total** | **$ 16,917** | **$ 21,650** | **$ (4,733)** |

As of the end of the fiscal year, the District's governmental funds reported combined fund balances of $16.9 million (see page 16), a decrease of $4.7 million from the prior year. This decrease was due to approved capital building reserve projects and the school lunch program.

## General Fund Budgetary Highlights (Page 55-57)

The difference between the general funds adopted budget and the final amended budget was $4.53 million. This amount includes, $1.79 million in carryover of outstanding purchase orders (encumbrances) from the 2015-2016 fiscal year, a voter approved bus purchases of $1.31 million and Debt Service principal and interest payments of nearly $1.43 million.

The $2.27 million positive budget-to-actual variance in general fund revenues and the $6.3 million positive budget-to-actual variance in general fund expenditures are a result of the following:

- The increase in total revenues of $2.27 million over budget was primarily due to increases in General Operating Aid (Basic formula and Lottery aid) of $1.48 million; sales tax revenues of $587 thousand; charges for educational services to other school districts $382 thousand due to an increase in high cost students served.
- Budgetary controls throughout the year to maintain expenditures below the original budget, including instructional expenditures at 97%, transportation expenditures at 89% and employee benefit expenditures at 94% of original budgetary amounts.

### Capital Asset and Debt Administration (Page 37)

The District's capital assets (net of accumulated depreciation) as of June 30, 2017 and 2016 are as follows:

**(thousands of dollars)**

| CAPITAL ASSETS | 2017 | 2016 |
|---|---|---|
| Land | $ 679 | $ 679 |
| Work in Progress | 29,144 | 19,548 |
| Buildings and Improvements | 101,861 | 106,344 |
| Machinery and Equipment | 8,203 | 8,026 |
| **Total** | **$ 139,887** | **$ 134,597** |

The total increase in the District's capital assets (net of accumulated depreciation) for the current fiscal year was $5,290 thousand. The increase is attributable to work in progress for the capital project and the depreciation of buildings and equipment that are devalued over the useful life of the asset.

**Obligations (Page 38-39)**: The District had total long-term debt including serial bonds and other post employment obligations outstanding of $336,594 million as of June 30, 2017 (an increase of $20.3 million over the previous year). This increase is primarily due to OPEB liability and compensated absences.

**(thousands of dollars)**

| Long-Term Debt Obligations | 2017 | 2016 |
|---|---|---|
| Serial Bonds | $ 54,235 | $ 59,290 |
| Other Debt (EPC & Comp. Absences) | 9,139 | 8,119 |
| Net Pension Liability | 7,477 | 7,991 |
| Other Post Employment Benefits | 265,743 | 240,848 |
| **Total Long-Term Obligations** | **$ 336,594** | **$ 316,248** |

The change in this long-term debt level is attributable to the following: a) serial bond principal and interest payments in 2016-17, b) the Government Accounting Standards Board Statement No. 75 requirement to account for in whole other post-employment benefits (healthcare benefits separate from a pension plan) in the current year and c) the Government Accounting Standards Board Statement No. 68 requirement to account and report for Pensions. A postemployment benefit is viewed as a deferred compensation arrangement whereby an employer promises to exchange future benefits for employee's current services.

Our current bond rating is an Aa1. Section 104.00 of the Local Finance Law limits the amount of general obligation debt that a school district may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is $372 million, which is significantly higher than the present outstanding general obligation debt of $57.0 million. The District has leveraged in debt 17% of the legal capacity.

### Notes to the Financial Statements

The notes provide additional information that is essential in achieving a full understanding of the data provided in the district-wide and fund financial statements.

### Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information (supplementary schedules). The combining statements referred to earlier in connection with non-major governmental funds are presented as supplementary schedules.

## Factors Bearing on the District's Future

The state comptroller has advised all participating employers that the billing from the New York State Employees' Retirement System, beginning with the bill due February 2018, for the billing period April 2016 through March 2017, will average 15.3% of eligible payroll. The New York State Employees' Retirement System has not informed participating employers what the rate for the bill due February 2019 billing period April 2017 to March 2018, will average.

The New York State Teachers' Retirement System has indicated that the rate to be used to calculate expenditures for the 2017-18 fiscal year will be 9.8% of eligible salaries. This rate is approximately 4.27% lower than the 2016-17 rate of 11.72% of eligible salaries.

The $106.5 million capital revitalization project renovation work on all phases was completed in 2009. This work necessitated issuance of serial bonds of $102.9 million for permanent funding of the project; the tenth principal and the twelfth interest payment for the capital revitalization project occurred in the 2016-17 fiscal year. The Energy Performance Contract (EPC) work district-wide is complete; the twelfth principal and interest payment for the EPC occurred in the 2016-17 fiscal year.

The current $43.4 million Capital Project is largely funded through the Capital Reserve Fund and State Building Aid. The District has re-issued $28.9 million in Bond Anticipation Notes in the 2016-17 fiscal year and will issue long term debt (bonds) of approximately $28.9 million in 2018-19. The District recently completed an extensive NYS required Building Condition Survey and the District will use that data as a foundation for a Long-Range Facilities Plan (LRFP). The LRFP will serve as a blue print for a long-term facilities maintenance and renovation plan identifying needs and adjustments to suit educational program and enrollment into the future. The 2015 LRFP identified more than $175 million in high priority needs. This can be compared to the 2010 LRFP which identified more than $110 million in high priority needs of which the current capital project is addressing approximately $36 million of those needs.

The current public education climate in NYS is a challenging one. Voter influence of their local school budget has been curtailed with the implementation of the Property Tax Cap, requiring a 60% supermajority approval of a budget proposal that results in a Tax Levy increase of more than the Tax Cap (NYS prescribed formula based on CPI). As a higher than average wealth District, we are more dependent on the Tax Levy than are most schools, with approximately 75% of our budget supported by local taxes. Coupled with the States continued failure to follow the law, constitution and court order by freezing Foundation Aid and further reducing it by the Gap Elimination Adjustment (GEA). In the 2016-17 budget the GEA was eliminated, however, the District is still owed more than $74 million in State Aid in arrears over the previous eight years. When NYS curtails the local community's ability to compensate for the State's failure to comply, planning for and meeting future cost growth trends and unfunded mandates from the State and Federal government, the District is challenged. The District has adopted a multi-year financial planning model and conservatively plans budgets coupled with Fund Balance and Reserve management with an eye toward providing financial stability and predictability into the future.

## Requests for Information

This financial report is designed to provide district residents, taxpayers, parents, students, investors and creditors, with a general overview of the District's finances, and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Pittsford Central School District
75 Barker Road, East Offices
Pittsford, NY 14534
Attn: Darrin Kenney, Asst. Supt. for Business, or
Leeanne Reister, Director of Finance

# PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

## Statement of Net Position

## June 30, 2017

| | | Governmental Activities |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 49,844,074 |
| Accounts receivable | | 3,835,917 |
| Inventories | | 29,020 |
| Prepaid items | | 68,332 |
| **Capital Assets:** | | |
| Land | | 678,810 |
| Work in progress | | 29,143,681 |
| Other capital assets (net of depreciation) | | 110,064,318 |
| **TOTAL ASSETS** | **$** | **193,664,152** |
| | | |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred outflows of resources | **$** | **62,244,369** |
| | | |
| **LIABILITIES** | | |
| Accounts payable | $ | 948,294 |
| Accrued liabilities | | 716,691 |
| Unearned revenues | | 206,749 |
| Due to other governments | | 378 |
| Due to teachers' retirement system | | 5,275,356 |
| Due to employees' retirement system | | 669,141 |
| Bond anticipation notes payable | | 28,905,493 |
| **Long-Term Obligations:** | | |
| Due in one year | | 6,594,233 |
| Due in more than one year | | 330,000,225 |
| **TOTAL LIABILITIES** | **$** | **373,316,560** |
| | | |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred inflows of resources | **$** | **17,453,814** |
| | | |
| **NET POSITION** | | |
| Net investment in capital assets | $ | 58,122,510 |
| **Restricted For:** | | |
| Capital reserves | | 20,734,746 |
| Other purposes | | 9,438,815 |
| Unrestricted | | (223,157,924) |
| **TOTAL NET POSITION** | **$** | **(134,861,853)** |

## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK
### Statement of Activities and Changes in Net Position
### For Year Ended June 30, 2017

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|
| **Primary Government -** | | | | |
| General support | $ 14,626,532 | $ - | $ - | $ (14,626,532) |
| Instruction | 108,427,385 | 747,534 | 2,589,584 | (105,090,267) |
| Pupil transportation | 7,817,247 | - | - | (7,817,247) |
| School lunch | 2,336,128 | 1,719,748 | - | (616,380) |
| Interest | 2,863,880 | - | - | (2,863,880) |
| **Total Primary Government** | **$ 136,071,172** | **$ 2,467,282** | **$ 2,589,584** | **$ (131,014,306)** |

| | |
|---|---|
| **General Revenues:** | |
| Property taxes | $ 95,484,224 |
| Non property taxes | 5,500,546 |
| State and federal aid | 22,369,577 |
| Investment earnings | 159,417 |
| Compensation for loss | 218,716 |
| Miscellaneous | 1,397,836 |
| **Total General Revenues** | **$ 125,130,316** |
| Changes in Net Position | $ (5,883,990) |
| **Net Position, Beginning of Year** (restated) | (128,977,863) |
| **Net Position, End of Year** | **$ (134,861,853)** |

## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

### Balance Sheet

### Governmental Funds

### June 30, 2017

| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 41,281,521 | 5,616,946 | $ 2,945,607 | $ 49,844,074 |
| Receivables | 3,222,419 | - | 613,498 | 3,835,917 |
| Inventories | - | - | 29,020 | 29,020 |
| Due from other funds | 1,774,423 | 947,008 | 81,547 | 2,802,978 |
| Prepaid items | 68,332 | - | - | 68,332 |
| **TOTAL ASSETS** | **$ 46,346,695** | **$ 6,563,954** | **$ 3,669,672** | **$ 56,580,321** |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **Liabilities -** | | | | |
| Accounts payable | $ 900,882 | $ 8,727 | $ 38,685 | $ 948,294 |
| Accrued liabilities | 270,502 | 673 | 3,362 | 274,537 |
| Notes payable - bond anticipation notes | - | 28,905,493 | - | 28,905,493 |
| Due to other funds | 1,013,758 | 14,830 | 1,774,390 | 2,802,978 |
| Due to other governments | - | - | 378 | 378 |
| Due to TRS | 5,275,356 | - | - | 5,275,356 |
| Due to ERS | 669,141 | - | - | 669,141 |
| Compensated absences | 566,980 | - | 12,884 | 579,864 |
| Unearned revenue | - | - | 206,749 | 206,749 |
| **TOTAL LIABILITIES** | **$ 8,696,619** | **$ 28,929,723** | **$ 2,036,448** | **$ 39,662,790** |
| **Fund Balances -** | | | | |
| Nonspendable | $ 68,332 | $ - | $ 29,020 | $ 97,352 |
| Restricted | 29,013,942 | 2,355,985 | 1,159,619 | 32,529,546 |
| Assigned | 3,365,221 | - | 444,585 | 3,809,806 |
| Unassigned | 5,202,581 | (24,721,754) | - | (19,519,173) |
| **TOTAL FUND BALANCE** | **$ 37,650,076** | **$ (22,365,769)** | **$ 1,633,224** | **$ 16,917,531** |
| **TOTAL LIABILITIES AND FUND BALANCES** | **$ 46,346,695** | **$ 6,563,954** | **$ 3,669,672** | |

| | |
|---|---|
| **Amounts reported for governmental activities in the Statement of Net Position are different because:** | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 139,886,809 |
| Interest is accrued on outstanding bonds in the statement of net position but not in the funds. | (442,154) |
| The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds: | |
| Serial bonds payable | (54,235,000) |
| OPEB | (265,743,300) |
| Compensated absences | (5,752,286) |
| Installment purchase debt | (2,807,545) |
| Deferred outflow - pension | 31,968,990 |
| Deferred outflow - OPEB | 30,275,379 |
| Net pension liability | (7,476,463) |
| Deferred inflow - pension | (1,681,997) |
| Deferred inflow - OPEB | (15,771,817) |
| **Net Position of Governmental Activities** | **$ (134,861,853)** |

# PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

## For Year Ended June 30, 2017

| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Real property taxes and tax items | $ 95,484,224 | $ - | $ - | $ 95,484,224 |
| Non-property taxes | 5,500,546 | - | - | 5,500,546 |
| Charges for services | 747,534 | - | - | 747,534 |
| Use of money and property | 152,098 | - | 7,319 | 159,417 |
| Sale of property and compensation for loss | 218,716 | - | - | 218,716 |
| Miscellaneous | 1,129,629 | - | 215,617 | 1,345,246 |
| State sources | 22,297,952 | - | 792,969 | 23,090,921 |
| Federal sources | 71,625 | - | 1,583,053 | 1,654,678 |
| Sales | - | - | 1,719,748 | 1,719,748 |
| Premium on obligations issued | - | - | 266,152 | 266,152 |
| **TOTAL REVENUES** | **$ 125,602,324** | **$ -** | **$ 4,584,858** | **$ 130,187,182** |
| **EXPENDITURES** | | | | |
| General support | $ 10,399,312 | $ - | $ - | $ 10,399,312 |
| Instruction | 62,550,484 | - | 2,561,469 | 65,111,953 |
| Pupil transportation | 3,917,174 | 1,399,184 | 151,622 | 5,467,980 |
| Employee benefits | 33,631,938 | - | 439,730 | 34,071,668 |
| Debt service - principal | 834,293 | - | 5,773,825 | 6,608,118 |
| Debt service - interest | 593,145 | - | 2,407,044 | 3,000,189 |
| Cost of sales | - | - | 646,837 | 646,837 |
| Other expenses | - | - | 731,622 | 731,622 |
| Capital outlay | - | 9,716,284 | - | 9,716,284 |
| **TOTAL EXPENDITURES** | **$ 111,926,346** | **$ 11,115,468** | **$ 12,712,149** | **$ 135,753,963** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | $ 13,675,978 | $ (11,115,468) | $ (8,127,291) | $ (5,566,781) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers - in | $ 5,816 | $ 1,559,761 | $ 8,378,944 | $ 9,944,521 |
| Transfers - out | (9,938,705) | (5,816) | - | (9,944,521) |
| BAN's redeemed from appropriations | - | 834,293 | - | 834,293 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **$ (9,932,889)** | **$ 2,388,238** | **$ 8,378,944** | **$ 834,293** |
| **EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES** | **$ 3,743,089** | **$ (8,727,230)** | **$ 251,653** | **$ (4,732,488)** |
| **FUND BALANCE, BEGINNING OF YEAR** | 33,906,987 | (13,638,539) | 1,381,571 | 21,650,019 |
| **FUND BALANCE, END OF YEAR** | **$ 37,650,076** | **$ (22,365,769)** | **$ 1,633,224** | **$ 16,917,531** |

## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

### Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities

### For Year Ended June 30, 2017

| | | |
|---|---|---|
| **NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** | | $ (4,732,488) |
| 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 Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period: | | |
| Capital Outlay | $ 9,716,284 | |
| Additions to Assets, Net | 1,669,093 | |
| Depreciation | (6,095,576) | |
| | | 5,289,801 |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities: | | |
| Debt Repayments | $ 6,608,118 | |
| Proceeds from BAN Redemption | (834,293) | |
| | | 5,773,825 |
| In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | 136,309 |
| The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. | | (10,391,972) |
| (Increase) decrease in proportionate share of net pension asset/liability 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 | | 259,475 |
| Employees' Retirement System | | (563,101) |
| In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities: | | |
| Compensated Absences | | (1,655,839) |
| **CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | | **$ (5,883,990)** |

(See accompanying notes to financial statements)

## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

### Statement of Fiduciary Net Position

### June 30, 2017

| | | Private Purpose Trust | | Agency Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ | 80,874 | $ | 2,313,718 |
| Investments | | 28,382 | | - |
| Perfunded flex benefits | | - | | 49,797 |
| **TOTAL ASSETS** | **$** | **109,256** | **$** | **2,363,515** |
| **LIABILITIES** | | | | |
| Accounts payable | $ | 492 | $ | 4,039 |
| Extraclassroom activity balances | | - | | 274,434 |
| Other liabilities | | - | | 2,085,042 |
| **TOTAL LIABILITIES** | **$** | **492** | **$** | **2,363,515** |
| **NET POSITION** | | | | |
| Restricted for scholarships | $ | 108,764 | | |
| **TOTAL NET POSITION** | **$** | **108,764** | | |

### Statement of Changes in Fiduciary Net Position

### For the Year Ended June 30, 2017

| | | Private Purpose Trust |
|---|---|---|
| **ADDITIONS** | | |
| Contributions | $ | 12,900 |
| Miscellaneous | | 10,896 |
| Investment earnings | | 6,918 |
| **TOTAL ADDITIONS** | **$** | **30,714** |
| **DEDUCTIONS** | | |
| Other expenses | $ | 33,170 |
| **TOTAL DEDUCTIONS** | **$** | **33,170** |
| **CHANGE IN NET POSITION** | $ | (2,456) |
| **NET POSITION, BEGINNING OF YEAR** | | 111,220 |
| **NET POSITION, END OF YEAR** | **$** | **108,764** |

## I. Summary of Significant Accounting Policies

The financial statements of the Pittsford Central School District, New York (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

### A. Reporting Entity

The Pittsford 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 seven 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 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 review of certain entities included in the District's reporting entity.

#### 1. Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom 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 extraclassroom activity funds can be found at the District's business office. The District accounts for assets held as an agency for various student organizations in an agency fund.

## B. Joint Venture

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

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

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 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 $10,234,372 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $2,450,344.

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

## C. Basis of Presentation

### 1. Districtwide 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 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.

The Statement of Activities presents a comparison between 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.

## 2. **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 nonmajor funds.

The District reports the following governmental funds:

### a. **Major 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.

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

b. **Nonmajor Governmental** - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

**Special Aid Fund** - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

**School Lunch Fund** - Used to account for transactions of the District's lunch, breakfast and milk programs.

**Debt Service Fund** - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

c. **Fiduciary** - 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. There are two classes of fiduciary funds:

**Private Purpose Trust Funds** - These funds are used to account for trust arrangements in which principal and income 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 extraclassroom activity funds and for payroll or employee withholding.

## D. Measurement Focus and Basis of Accounting

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

The District-Wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, 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 financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measureable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

## E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 9, 2016. Taxes are collected during the period September 1 to October 31, 2016.

Uncollected real property taxes are subsequently enforced by the County of Monroe, 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.

## F. 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 associated legal requirements, many of which are described elsewhere in these notes.

## G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. 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 expenditures and revenues to provide financing or other services.

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

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

## H. Estimates

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

## I. 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 the 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.

Investments are stated at fair value.

## J. Receivables

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. An allowance for uncollectible accounts has been provided in the amount of $67,200 as of June 30, 2017.

## K. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch 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.

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 non-spendable fund balance for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

## L. Capital Assets

In the District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of $5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

| Class | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|---|---|---|---|
| Buildings | $ 50,000 | SL | 15-50 Years |
| Machinery and Equipment | $ 5,000 | SL | 5-25 Years |

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.

## M. 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 resources, the liability for unearned revenue is removed and revenue is recognized.

## N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the 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 pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

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

## O. Vested Employee Benefits

### 1. Compensated Absences

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

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

Certain 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 funds 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.

## P. Other Benefits

District employees participate in the New York State Employees' Retirement System and 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 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 may be 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.

## Q. Short-Term Debt

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 a BAN issued for capital purposes be converted to long-term financing within five years after the original issue date.

**R. <u>Accrued Liabilities and Long-Term Obligations</u>**

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

Long-term obligations represent the 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.

**S. <u>Equity Classifications</u>**

**1. <u>District-Wide Statements</u>**

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

**a.** **<u>Net Investment in Capital Assets</u>** - 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.

**b.** **<u>Restricted Net Position</u>** - 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.

On the Statement of Net Position the following balances represent the restricted for other purposes:

| | Total |
|---|---|
| Unemployment Insurance | $ 392,483 |
| Retirement Contribution | 2,003,404 |
| Insurance | 1,220,527 |
| Tax Certiorari | 738,415 |
| Workers' Compensation Costs | 180,111 |
| Debt | 1,159,619 |
| Liability | 1,684,337 |
| Employee Benefits Accrued Liability | 2,059,919 |
| **Total Net Position - Restricted for Other Purposes** | **$ 9,438,815** |

**c.** **<u>Unrestricted Net Position</u>** - reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

2. **Fund Statements**

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

a. **Nonspendable Fund Balance** – 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:

| | | Total |
|---|---|---|
| Inventory in school lunch | $ | 29,020 |
| Prepaid items | | 68,332 |
| **Total Nonspendable Fund Balance** | **$** | **97,352** |

b. **Restricted Fund Balances** – 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:

**Capital Reserve** - According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The Reserve is accounted for in the General Fund under restricted fund balance. Year end balances are as follows:

| Name of Reserve | Maximum Funding | Total Funding Provided | Total Year to Date Balance |
|---|---|---|---|
| Technology Capital Reserve | $ 10,000,000 | $ 1,500,000 | $ 1,501,617 |
| Building Capital Reserve | $ 39,000,000 | $ 28,333,987 | $ 14,100,039 |
| May 2015 Bus Capital Reserve | $ 15,000,000 | $ 7,807,326 | $ 5,133,090 |

**Reserve for Debt Service** - According to General Municipal Law §6-1, the 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 the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

**Employee Benefit Accrued Liability Reserve** - According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due to 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.

**<u>Insurance Reserve</u>** - 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 appropriation, 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.

**<u>Liability Reserve</u>** - According to General Municipal Law §1709(8)(c), must be used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and this reserve may not in total exceed 3% of the annual budget or $15,000, whichever is greater.

**<u>Retirement Contribution Reserve</u>** - According to General Municipal Law §6-r, must be used 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.

**<u>Tax Certiorari Reserve</u>** - According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari claims and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeding in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

**<u>Unemployment Insurance Reserve</u>** - 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.

**Workers' Compensation Reserve** - According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

**Encumbrances** - Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund and School Lunch Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balances include the following:

| | |
|---|---|
| **General Fund -** | |
| Capital | $ 20,734,746 |
| Employee Benefit Accrued Liability | 2,059,919 |
| Insurance | 1,220,527 |
| Liability | 1,684,337 |
| Workers' Compensation | 180,111 |
| Retirement Contribution | 2,003,404 |
| Tax Certiorari | 738,415 |
| Unemployment Insurance | 392,483 |
| **Capital Fund -** | |
| Bus Purchase Reserve 2017-18 | 1,309,761 |
| 2012-2013 Renovations | 84,901 |
| 2013-2014 Renovations | 242,123 |
| 2014-2015 Renovations | 219,200 |
| 2015-2016 Renovations | 250,000 |
| 2016-2017 Renovations | 250,000 |
| **Debt Service Fund -** | |
| Debt Service | 1,159,619 |
| **Total Restricted Funds** | **$ 32,529,546** |

The District appropriated and/or budgeted funds from the following reserves for the 2017-18 budget:

| | | |
|---|---|---|
| Workers' Compensation | $ | 20,000 |
| Unemployment | | 40,000 |
| Insurance | | 50,000 |
| Retirement Contribution | | 203,000 |
| EBLAR | | 400,000 |
| **Total** | **$** | **713,000** |

c. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2017.

**d.** **Assigned Fund Balance** – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the District's purchasing agent through their authorization of a purchase order prior to year end. The District assignment is based on the functional level of expenditures.

Significant encumbrances for the general fund, management has determined that amounts in excess of $154,000 are considered significant and are summarized below:

- Central Services $882,067, Teaching-Regular School $196,983, and Handicapped Services $513,635.

Assigned fund balances include the following:

| | | |
|---|---|---|
| General Fund-Encumbrances | $ | 1,831,221 |
| General Fund-Appropriated for Taxes | | 1,534,000 |
| Special Aid - Drivers Education Program | | 26,327 |
| Special Aid - SEI | | 4,063 |
| School Lunch Fund-Year End Equity | | 414,195 |
| **Total Assigned Fund Balance** | **$** | **3,809,806** |

e. **Unassigned Fund Balance** –Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the school district and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds 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 and encumbrances are also excluded from the 4% limitation.

### 3. 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, the remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

## T. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standards issued by GASB:

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 57, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ended June 30, 2017.

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2017.

The GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ended June 30, 2017.

The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, effective for the year ended June 30, 2017.

The GASB has issued Statement No. 82, *Pension Issues-an amendment of GASB No. 67, No. 68, and No. 73*, effective for the year ended June 30, 2017.

## U. Future Changes in Accounting Standards

GASB has issued Statement 84, *Fiduciary Activities*, which will effective for the periods beginning after December 15, 2018.

GASB has issued Statement 85, *Omnibus 2017*, which will be effective for the periods beginning after June 15, 2017

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*, which will be effective for the periods beginning after June 15, 2017.

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after December 15, 2019.

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.

## II. Restatement of Net Position

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The District's net position has been restated as follows:

| | Districtwide Statements<br>Governmental Activities |
|---|---|
| Net position beginning of year, as previously stated | $ 57,997,347 |
| Increase to OPEB liability | (186,975,210) |
| Net position beginning of year, as restated | $ (128,977,863) |

## III. Changes in Accounting Principles

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of the statement requires Districts to report Other Postemployment Benefits (OPEB), liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB. See Note II for the financial statement impact of implementation of the Statements.

## IV. Stewardship, Compliance and Accountability

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

### A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which 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 restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the 2016-17 fiscal year, the budget was increased by $1,309,761 from the bus purchase reserve and $1,427,438 for debt payments on capital projects.

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 projects 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.

### B. 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 reservations 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.

### C. Deficit Fund Balances

#### 1. Capital Projects Fund

The Capital Projects Fund had a deficit unassigned fund balance of $24,721,754 at June 30, 2017, which is a result of bond anticipation notes which are used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the notes are replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

## V. Cash and Cash Equivalents

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.

The District's aggregate bank balances, included balances not covered by depository insurance at year end, collateralized as follows:

| | |
|---|---|
| Uncollateralized | $ - |
| Collateralized with securities held by the pledging financial institution | 52,041,498 |
| **Total** | **$ 52,041,498** |

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes $32,529,546 within the governmental funds and $80,382 in the fiduciary funds.

## VI. Investments

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

**A.** Insured or registered, or investments held by the District or by the District's agent in the District's name, or

**B.** Uninsured and unregistered, with the investments held by the financial institutes trust department in the District's name, or

**C.** Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District's name.

| Investment | Fund | Carrying Amount | Unrealized Investment Gain/(Loss) | Type of Investment | Category |
|---|---|---|---|---|---|
| Dow Chemical | TE | $ 28,382 | $ - | Stock | B |

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.

## VII. Receivables

Receivables at June 30, 2017 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

| | Governmental Activities | | |
|---|---|---|---|
| **Description** | **General Fund** | **Non-Major Funds** | **Total** |
| Accounts Receivable | $ 49,999 | $ 3,433 | $ 53,432 |
| Due From State and Federal | 1,507,341 | 610,065 | 2,117,406 |
| Due From Other Governments | 1,732,280 | - | 1,732,280 |
| Allowance for Uncollectible Accounts | (67,201) | - | (67,201) |
| **Total** | **$ 3,222,419** | **$ 613,498** | **$ 3,835,917** |

## VIII. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2017 were as follows:

| | Interfund | | Interfund | |
|---|---|---|---|---|
| | **Receivables** | **Payables** | **Revenues** | **Expenditures** |
| General Fund | $ 1,774,423 | $ 1,013,758 | $ 5,816 | $ 9,938,705 |
| Special Aid Fund | - | 1,510,190 | - | - |
| School Lunch Fund | 67,423 | 264,200 | 198,074 | - |
| Debt Service Fund | 14,124 | - | 8,180,870 | - |
| Capital Fund | 947,008 | 14,830 | 1,559,761 | 5,816 |
| **Total government activities** | **$ 2,802,978** | **$ 2,802,978** | **$ 9,944,521** | **$ 9,944,521** |

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, and debt service expenditures.

## IX. Capital Assets

Capital asset balances and activity were as follows:

| Type | Balance 7/1/2016 | Additions | Deletions | Balance 6/30/2017 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| **Capital assets that are not depreciated -** | | | | |
| Land | $ 678,810 | $ - | $ - | $ 678,810 |
| Work in progress | 19,548,147 | 9,716,284 | (120,750) | 29,143,681 |
| *Total Nondepreciable* | $ 20,226,957 | $ 9,716,284 | $ (120,750) | $ 29,822,491 |
| **Capital assets that are depreciated -** | | | | |
| Buildings and improvements | $ 197,752,568 | $ 95,267 | $ - | $ 197,847,835 |
| Machinery and equipment | 16,187,220 | 1,730,736 | (685,789) | 17,232,167 |
| *Total Depreciated Assets* | $ 213,939,788 | $ 1,826,003 | $ (685,789) | $ 215,080,002 |
| **Less accumulated depreciation -** | | | | |
| Buildings and improvements | $ 91,408,779 | $ 4,577,944 | $ - | $ 95,986,723 |
| Machinery and equipment | 8,160,958 | 1,517,632 | (649,629) | 9,028,961 |
| *Total accumulated depreciation* | $ 99,569,737 | $ 6,095,576 | $ (649,629) | $ 105,015,684 |
| ***Total capital assets depreciated, net of accumulated depreciation*** | $ 114,370,051 | $ (4,269,573) | $ (36,160) | $ 110,064,318 |
| **Total Capital Assets** | **$ 134,597,008** | **$ 5,446,711** | **$ (156,910)** | **$ 139,886,809** |

Depreciation expense for the period was charged to functions/programs as follows:

| | |
|---|---|
| **Governmental Activities:** | |
| General government support | $ 213,968 |
| Instruction | 4,184,950 |
| Pupil transportation | 1,344,233 |
| School lunch | 352,425 |
| **Total Depreciation Expense** | **$ 6,095,576** |

## X. Short-Term Debt

Transactions in short-term debt for the year are summarized below:

| Type | Purpose | Maturity | Interest Rate | Balance 7/1/2016 | Issued | Redeemed | Balance 6/30/2017 |
|---|---|---|---|---|---|---|---|
| BAN | 2012 Capital Project | 2/10/2017 | 2.00% | $ 15,740,000 | $ - | $ 15,740,000 | $ - |
| BAN | 2012 Capital Project | 2/10/2017 | 2.00% | 13,999,786 | - | 13,999,786 | - |
| BAN | 2012 Capital Project | 2/9/2018 | 1.06% | - | 11,000,000 | - | 11,000,000 |
| BAN | 2012 Capital Project | 2/9/2018 | 1.09% | - | 17,905,493 | - | 17,905,493 |
| | **Total Short-Term Debt** | | | $ 29,739,786 | $ 28,905,493 | $ 29,739,786 | $ 28,905,493 |

A summary of the short-term interest expense for the year is as follows:

| | |
|---|---|
| Interest paid | $ 593,145 |
| Less: interest accrued in the prior year | (229,658) |
| Plus: interest accrued in the current year | 122,184 |
| **Total interest expense** | **$ 485,671** |

## XI. Long-Term Debt Obligations

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

| Governmental Activities: | Balance 7/1/2016 | Additions | Deletions | Balance 6/30/2017 | Due Within One Year |
|---|---|---|---|---|---|
| **Bonds and Notes Payable -** | | | | | |
| Serial Bonds | $ 59,290,000 | $ - | $ 5,055,000 | $ 54,235,000 | $ 5,260,000 |
| Energy Performance Contracts | 3,526,371 | - | 718,826 | 2,807,545 | 754,369 |
| **Total Bonds and Notes Payable** | $ 62,816,371 | $ - | $ 5,773,826 | $ 57,042,545 | $ 6,014,369 |
| **Other Liabilities -** | | | | | |
| Net Pension Liability | $ 7,990,840 | $ - | $ 514,377 | $ 7,476,463 | $ - |
| OPEB Liability | 240,847,764 | 24,895,536 | - | 265,743,300 | - |
| Compensated Absences | 4,592,610 | 1,739,540 | - | 6,332,150 | 579,864 |
| **Total Other Liabilities** | $ 253,431,214 | $ 26,635,076 | $ 514,377 | $ 279,551,913 | $ 579,864 |
| **Total Long-Term Obligations** | **$ 316,247,585** | **$ 26,635,076** | **$ 6,288,203** | **$ 336,594,458** | **$ 6,594,233** |

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

( XI. ) (Continued)

Existing serial and statutory bond obligations:

| Purpose | Issue Date | Final Maturity | Interest Rate | Amount Outstanding 6/30/2017 |
|---|---|---|---|---|
| **Serial Bonds** - | | | | |
| Refunding Bond | 2012 | 2023 | 2.00%-4.00% | $ 27,265,000 |
| Refunding Bond | 2013 | 2033 | 2.00%-5.00% | 26,970,000 |
| **Total Serial Bonds** | | | | **$ 54,235,000** |
| **Energy Performance** - | | | | |
| Energy Performance Contract | 2005 | 2021 | 4.84% | **$ 2,807,545** |

The following is a summary of debt service requirements:

| | Serial Bonds | | Energy Performance Contract | |
|---|---|---|---|---|
| **Year** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2018 | $ 5,260,000 | $ 2,061,975 | $ 754,369 | $ 122,725 |
| 2019 | 5,495,000 | 1,846,875 | 791,671 | 85,424 |
| 2020 | 5,745,000 | 1,622,075 | 830,816 | 46,278 |
| 2021 | 6,000,000 | 1,387,175 | 430,689 | 7,858 |
| 2022 | 6,265,000 | 1,141,875 | - | - |
| 2023-27 | 13,235,000 | 3,301,313 | - | - |
| 2028-32 | 9,985,000 | 1,441,100 | - | - |
| 2033 | 2,250,000 | 45,000 | - | - |
| **Total** | **$ 54,235,000** | **$ 12,847,388** | **$ 2,807,545** | **$ 262,285** |

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for 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. $56,420,000 of bonds outstanding are considered defeased.

Interest on long-term debt for June 30, 2017 was composed of:

| | |
|---|---|
| Interest paid | $ 2,407,044 |
| Less: interest accrued in the prior year | (348,806) |
| Plus: interest accrued in the current year | 319,971 |
| **Total interest expense** | **$ 2,378,209** |

## XII. Pension Plans

### A. General Information

The District participates in the New York State Teacher's Retirement System (TRS) and the New York State and Local Employee's Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

## B. Provisions and Administration

A 10 member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

ERS 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. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

## C. 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 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For 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.

| Contributions | ERS | TRS |
|---|---|---|
| 2017 | $ 2,200,715 | $ 5,275,356 |
| 2016 | $ 2,420,688 | $ 5,750,979 |
| 2015 | $ 2,596,812 | $ 7,416,144 |

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions**

At June 30, 2017, the District reported the following 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, 2017 for ERS and June 30, 2016 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 TRS and ERS Systems in reports provided to the District.

| | ERS | TRS |
|---|---|---|
| Measurement date | March 31, 2017 | June 30, 2016 |
| Net pension assets/(liability) | $ (4,586,926) | $ (2,889,537) |
| District's portion of the Plan's total net pension asset/(liability) | 0.05% | 0.27% |

For the year ended June 30, 2017, the District recognized pension expenses of $2,217,166 for ERS and $4,807,414 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---|---|---|---|
| | ERS | TRS | ERS | TRS |
| Differences between expended and actual experience | $ 114,944 | $ - | $ 696,551 | $ 938,684 |
| Changes of assumptions | 1,567,062 | 16,460,644 | - | - |
| Net difference between projected and actual earnings on pension plan investments | 916,195 | 6,497,199 | - | - |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 491,445 | 186,384 | 31,567 | 15,195 |
| Subtotal | $ 3,089,646 | $ 23,144,227 | $ 728,118 | $ 953,879 |
| District's contributions subsequent to the measurement date | 669,141 | 5,065,976 | - | - |
| **Grand Total** | **$ 3,758,787** | **$ 28,210,203** | **$ 728,118** | **$ 953,879** |

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

| Year | ERS | TRS |
|---|---|---|
| 2017 | $ - | $ 2,037,579 |
| 2018 | 1,020,982 | 2,037,579 |
| 2019 | 1,020,982 | 7,083,484 |
| 2020 | 888,828 | 5,513,556 |
| 2021 | (569,264) | 2,543,750 |
| Thereafter | - | 2,974,400 |
| **Total** | $ 2,361,528 | $ 22,190,348 |

## E. Actuarial Assumptions

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

| | ERS | TRS |
|---|---|---|
| Measurement date | March 31, 2017 | June 30, 2016 |
| Actuarial valuation date | April 1, 2016 | June 30, 2015 |
| Interest rate | 7.00% | 7.50% |
| Salary scale | 3.80% | 4.01% - 10.91% |
| Decrement tables | April 1, 2010-<br>March 31, 2015<br>System's Experience | July 1, 2009-<br>June 30, 2014<br>System's Experience |
| Inflation rate | 2.50% | 2.50% |
| COLA's | 1.30% | 1.50% |

For ERS, annuitant mortality rates are based on Society of Actuaries Scale MP-2014 System's experience with adjustments for mortality improvements based on MP-2017. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

**Long Term Expected Rate of Return**

| | **ERS** | **TRS** |
|---|---|---|
| Measurement date | March 31, 2017 | June 30, 2016 |
| **Asset Type -** | | |
| Cash | -0.25% | - |
| Inflation-index bonds | 1.50% | - |
| Domestic equity | 4.55% | 6.10% |
| International equity | 6.35% | 7.30% |
| Real estate | 5.80% | 5.40% |
| Alternative investments | 0.00% | 9.20% |
| Domestic fixed income securities | 0.00% | 1.00% |
| Global fixed income securities | 0.00% | 0.80% |
| Bonds/mortgages | 1.31% | 3.10% |
| Short-term | 0.00% | 0.01% |
| Private equity | 7.75% | - |
| Absolute return strategies | 4.00% | - |
| Opportunistic portfolios | 5.89% | - |
| Real assets | 5.54% | - |

**F. Discount Rate**

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 6.5% for TRS ) or 1-percentagepoint higher (8.0% for ERS and 8.5% for TRS) than the current rate :

| ERS | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| Employer's proportionate share of the net pension asset (liability) | $ (14,649,733) | $ (4,586,926) | $ 3,921,158 |

| TRS | 1% Decrease (6.5%) | Current Assumption (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| Employer's proportionate share of the net pension asset (liability) | $ (37,700,582) | $ (2,889,537) | $ 26,308,142 |

## H. Pension Plan Fiduciary Net Position

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

| | (In Thousands) | |
|---|---|---|
| | ERS | TRS |
| Measurement date | March 31, 2017 | June 30, 2016 |
| Employers' total pension liability | $ 177,400,586 | $ 108,577,184 |
| Plan net position | 168,004,363 | 107,506,142 |
| Employers' net pension asset/(liability) | $ (9,396,223) | $ (1,071,042) |
| Ration of plan net position to the employers' total pension asset/(liability) | 94.70% | 99.01% |

## I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $669,141.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to $5,275,356.

## XIII. Postemployment Benefits

### A. General Information About the OPEB Plan

*Plan Description* – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety 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.

*Benefits Provided* – The District provides healthcare and life insurance 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 March 31, 2017, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 1,014 |
| Active Employees | 1,002 |
| **Total** | **2,016** |

### B. Total OPEB Liability

The District's total OPEB liability of $265,743,300 was measured as of March 31, 2017, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.2 percent |
| Salary Increases | 3.31 percent, average, including inflation |
| Discount Rate | 3.8 percent |
| Healthcare Cost Trend Rates | Initial rate of 5.2 percent for 2016, decreasing to an ultimate rate of 3.5 percent. |
| Retirees' Share of Benefit-Related Costs | Varies between 80% and 100% depending on the contract |

The discount rate was based on a tax exempt, high quality 20-year tax-exempt general obligation municipal bond yield or index rate.

Mortality rates were based on 2015 NYSTRS retirement mortality rates, as appropriate, with adjustments for mortality improvements based on Scale AA.

## C. Changes in the Total OPEB Liability

| | | |
|---|---|---|
| Balance at June 30, 2016 | $ | 240,847,764 |
| Changes for the Year - | | |
| Service cost | $ | 8,311,872 |
| Interest | | 8,148,245 |
| Differences between expected and actual experience | | 31,761,645 |
| Changes in assumptions or other inputs | | (17,397,777) |
| Benefit payments | | (5,928,449) |
| Net Changes | $ | 24,895,536 |
| **Balance at June 30, 2017** | **$** | **265,743,300** |

Changes of benefit terms reflect the following:

- Changed accounting standards to GASB 75.
- Introduced Cadillac taxes.
- The Salary scale changed from 3.0% to 3.31%.
- Mortality rate updated to rates based on the 2015 NYSTRS mortality rates.
- Updated retirement rates for teachers to rates based on the 2015 NYSTRS mortality rates.
- Updated healthcare cost trend rates to rates effective July 1, 2016 and June 30, 2017.
- Over 65 plan election assumption was updated.
- Administrators are not treated as non-teachers

The Single Discount Rate changed from 4.00% to 3.35% effective July 1, 2016, and 3.80% effective June 30, 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 (2.8 percent) or 1-percentage-point higher (4.8 percent) than the current discount rate:

| | 1% Decrease (2.80%) | Discount Rate (3.80%) | 1% Increase (4.80%) |
|---|---|---|---|
| Total OPEB Liability | $ 315,325,250 | $ 265,743,300 | $ 226,722,689 |

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.17 percent) or 1-percentage-point higher (5.17 percent) than the current healthcare cost trend rate:

| | 1% Decrease (4.30% Decreasing to 3.17% | Healthcare Cost Trend Rates (5.30% Decreasing to 4.17% | 1% Increase (6.30% Decreasing to 5.17% |
|---|---|---|---|
| Total OPEB Liability | $ 208,816,325 | $ 265,743,300 | $ 344,456,455 |

**D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2017, the District recognized OPEB expense of $17,802,535. At June 30, 2017, 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 expended and actual experience | $ 28,793,267 | $ - |
| Changes of assumptions | - | 15,771,817 |
| **Total** | **$ 28,793,267** | **$ 15,771,817** |

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

| Year | |
|---|---|
| 2018 | $ 1,342,418 |
| 2019 | 1,342,418 |
| 2020 | 1,342,418 |
| 2021 | 1,342,418 |
| 2022 | 1,342,418 |
| Thereafter | 6,309,360 |
| **Total** | **$ 13,021,450** |

## XIV. Risk Management

### A. General Information

The District is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

## B. Health Plan

The District incurs costs related to the Rochester Area School Health Plan (Plan I and Plan II) sponsored by the Board of Cooperative Educational Services, Second Supervisory District of Monroe and Orleans Counties and its component districts. The Plans 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. Membership in the Plans may be offered to any component district of the Monroe #1 and Monroe #2 BOCES with the unanimous approval of the Board of Directors. Voluntary withdrawal from the Plans may be effective only once annually on the last day of the Plans year as may be established by the Board of Directors. Notice of Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than thirty days prior to the end of the Plans year. Plan members bear an equal proportionate share of the Plans' assets and claim liabilities. Pursuant to the Municipal Cooperative Agreement the Plans are a risk sharing pool and all monies paid to the Treasurer shall be pooled and administered as a common fund. No refunds shall be made to a participant and no assessments are charged to a participant other than the annual premium equivalent. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

### 1. Plan I

This Plan's members include seventeen districts and two BOCES with the District bearing an equal proportionate share of the Plan's assets and claim liabilities.

This Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid within any one fiscal year.

This 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 claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in a 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 expenses in the periods in which they are made. During the year ended June 30, 2017, the District incurred premiums or contribution expenditures totaling $2,036,578.

This Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended December 31, 2016, revealed that the Plan was fully funded.

### 2. Plan II

The Plan members include seventeen districts and two BOCES with the District bearing an equal proportionate share of the Plan's assets and claim liabilities.

The Plan arrangement includes a pooling point to limit its exposure. The pooling point provides additional protection in the form of an experience credit in the subsequent year.

The Insurer will determine whether there is a deficit or a surplus for the Plan year. If a deficit occurs in a Plan year, the Insurer will fund payment of the deficit. If there is a surplus in the Plan year, the surplus may not be applied to off-set a deficit in a subsequent Plan year or Plan years. If a surplus occurs in a Plan year that follows the year in which a deficit occurred, the surplus may be applied to fund the deficit.

Any medical claims expenses that are not paid by the Insurer (either with Plan money representing the net premium or with the Insurer's money if a deficit occurred) during the term of the agreement with the Insurer, will be the financial responsibility of the Plan. If the Insurer is processing medical claims expenses during part or all of the 12-month period referred to above , it will pay those medical claims expenses provided that the Plan provides adequate funding for the medical claims expenses.

The administrative services that will be provided by the Insurer during the 12-month period referred to above will be provided for an additional charge determined by first dividing the Insurer administrative fee paid in the last Plan year by the total of the medical claims expenses paid during the last Plan year to determine an administrative cost percentage (the "Admin Percentage"). Then, for each medical claims expense paid during the subsequent 12-month period, the Plan will pay the Insurer an additional charge determined by multiplying the amount of the medical claims expense by the admin percentage.

An audit of the financial transactions will be completed for the plan year ended June 30, 2017. During the year ended June 30, 2017, the District incurred premiums or contribution expenditures totaling $17,227,639.

## C. Workers' Compensation

The District incurs costs related to the Rochester Area School Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services, Second Supervisory District of Monroe and Orleans Counties and its component districts. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the Monroe #1 and Monroe #2 BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Director. Notice of Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of two BOCES and seventeen districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments are charged to a participant other than the annual premium equivalent. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid.

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 claims 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 expenses in the periods in which they are made. During the year ended June 30, 2017, the District incurred premiums or contribution expenditures totaling $798,978.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2016, revealed that the Plan was underfunded.

**D. Unemployment**

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2016-17 fiscal year totaled $20,150. The balance of the fund at June 30, 2017 was $392,483 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2017, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

**E. Health Fund**

The Health Fund was established effective July 1, 1990 for all members of the teaching staff with an FTE of .5 or more. The District contributes yearly an amount to be used for the payment of medical and health care expenses incurred by the employee and eligible dependents. Unused balances roll to the next year. The full time teacher contribution during 2016-17 was $850 for teachers and $900 for paraprofessionals per individual plus administrative fees. Part-time teachers and paraprofessionals received a reduced amount.

For fiscal year 2016-17 the District expended $649,366 for teachers and paraprofessionals. The unexpended balance in the Health Fund account at June 30, 2017 which represents the cumulative running balance of the participants amounted to $1,951,892 and is reported as other liabilities in the Trust and Agency Fund.

**F. Dental Fund**

The District has a self insured plan for dental coverage. The plan is administered by a third party administrator who pays the claims directly to the dentists. The District then reimburses the third party administrator for the exact amount of the claims paid. The total cost to the District for dental claims during 2016-17 was $921,538.

## XV. Commitments and Contingencies

### A. Litigation

The District has one claim pending involving a former employee, as well as several real property tax assessment matters in which the individuals are requesting reductions of their tax assessments. The financial outcome of these matters cannot be determined at this time.

### B. Grants

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.

## XVI. Lease Commitments and Leased Assets

The District leases photocopying equipment under the terms of various non-cancelable leases. Rental expense for the (equipment) was $113,554.

Minimum annual rentals for each of the remaining years of the lease are as follows:

| Year Ending June 30, | | Amount |
|---|---|---|
| 2018 | $ | 117,727 |
| 2019 | $ | 115,458 |
| 2020 | $ | 78,260 |
| 2021 | $ | 28,949 |

## XVII. Tax Abatement

The County of Mornoe IDA, and the District enter into various property tax abatement programs for the purpose of Economic Development. As a result the District property tax revenue was reduced $303,404. The District received payment in lieu of tax (PILOT) payment totaling $260,449 to help offset the property tax reduction. The total net tax abated was $42,954.

**Required Supplementary Information**

**PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK**

**Schedule of Changes in District's Total OPEB Liability and Related Ratio**

**(Unaudited)**

**For Year Ended June 30, 2017**

**TOTAL OPEB LIABILITY**

| | | 2017 |
|---|---|---|
| Service cost | $ | 8,311,872 |
| Interest | | 8,148,245 |
| Changes in benefit terms | | - |
| Differences between expected and actual experiences | | 31,761,645 |
| Changes of assumptions or other inputs | | (17,397,777) |
| Benefit payments | | (5,928,449) |
| **Net Change in Total OPEB Liability** | **$** | **24,895,536** |
| **Total OPEB Liability - Beginning** | **$** | **240,847,764** |
| **Total OPEB Liability - Ending** | **$** | **265,743,300** |
| Covered Employee Payroll | $ | 50,378,752 |
| Total OPEB Liability as a Percentage of Covered Employee Payroll | | 527.49% |

## Required Supplementary Information

## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

## Schedule of the District's Proportionate Share of the Net Pension Liability

## (Unaudited)

## For Year Ended June 30, 2017

**NYSERS Pension Plan**

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Proportion of the net pension liability (assets) | 0.0488% | 0.0498% | 0.0482% |
| Proportionate share of the net pension liability (assets) | $ 4,586,926 | $ 7,990,840 | $ 1,629,503 |
| Covered-employee payroll | $ 15,070,830 | $ 14,262,724 | $ 14,403,537 |
| Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll | 30.436% | 56.026% | 11.313% |
| Plan fiduciary net position as a percentage of the total pension liability | 94.70% | 90.70% | 97.90% |

**NYSTRS Pension Plan**

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Proportion of the net pension liability (assets) | 0.2698% | 0.2730% | 0.2725% |
| Proportionate share of the net pension liability (assets) | $ 2,889,537 | $ (28,352,181) | $ (30,355,697) |
| Covered-employee payroll | $ 43,225,052 | $ 42,391,356 | $ 41,669,104 |
| Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll | 6.685% | -66.882% | -72.849% |
| Plan fiduciary net position as a percentage of the total pension liability | 99.01% | 110.46% | 111.48% |

**Required Supplementary Information**

**PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK**

**Schedule of District Contributions**

**(Unaudited)**

**For Year Ended June 30, 2017**

**NYSERS Pension Plan**

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Contractually required contributions | $ 2,200,715 | $ 2,420,688 | $ 2,596,813 |
| Contributions in relation to the contractually required contribution | (2,200,715) | (2,420,688) | (2,596,813) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered-employee payroll | $ 15,070,830 | $ 14,262,724 | $ 14,403,537 |
| Contributions as a percentage of covered-employee payroll | 14.60% | 16.97% | 18.03% |

**NYSTRS Pension Plan**

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Contractually required contributions | $ 5,275,356 | $ 5,750,979 | $ 7,416,144 |
| Contributions in relation to the contractually required contribution | (5,275,356) | (5,750,979) | (7,416,144) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered-employee payroll | $ 43,225,052 | $ 42,391,356 | $ 41,669,104 |
| Contributions as a percentage of covered-employee payroll | 12.20% | 13.57% | 17.80% |

## Required Supplementary Information
## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK
## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
## (Unaudited)
## For Year Ended June 30, 2017

| | Original Budget | Amended Budget | Current Year's Revenues | Over (Under) Revised Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| **Local Sources -** | | | | |
| Real property taxes | $ 95,301,955 | $ 87,672,627 | $ 87,574,911 | $ (97,716) |
| Real property tax items | 249,640 | 7,878,968 | 7,909,313 | 30,345 |
| Non-property taxes | 4,912,858 | 4,912,858 | 5,500,546 | 587,688 |
| Charges for services | 365,422 | 365,422 | 747,534 | 382,112 |
| Use of money and property | 185,251 | 185,251 | 152,098 | (33,153) |
| Sale of property and compensation for loss | 42,200 | 42,200 | 218,716 | 176,516 |
| Miscellaneous | 390,155 | 390,155 | 1,129,629 | 739,474 |
| **State Sources -** | | | | |
| Basic formula | 17,757,059 | 17,757,059 | 14,001,510 | (3,755,549) |
| Lottery aid | - | - | 5,241,115 | 5,241,115 |
| BOCES | 2,420,099 | 2,420,099 | 2,450,344 | 30,245 |
| Textbooks | 369,585 | 369,585 | 361,849 | (7,736) |
| All Other Aid - | | | | |
| Computer software | 175,375 | 175,375 | 181,409 | 6,034 |
| Library loan | 38,282 | 38,282 | 39,975 | 1,693 |
| Other aid | 1,071,629 | 1,071,629 | 21,750 | (1,049,879) |
| **Federal Sources** | 50,000 | 50,000 | 71,625 | 21,625 |
| **TOTAL REVENUES** | $ 123,329,510 | $ 123,329,510 | $ 125,602,324 | $ 2,272,814 |
| **Other Sources -** | | | | |
| Transfer - in | $ - | $ - | $ 5,816 | $ 5,816 |
| **TOTAL REVENUES AND OTHER SOURCES** | $ 123,329,510 | $ 123,329,510 | $ 125,608,140 | $ 2,278,630 |
| Appropriated reserves | $ 643,000 | $ 1,952,761 | | |
| Appropriated fund balance | $ 1,534,000 | $ 2,961,438 | | |
| Prior year encumbrances | $ 1,796,132 | $ 1,796,132 | | |
| **TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE** | **$ 127,302,642** | **$ 130,039,841** | | |

## Required Supplementary Information
## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK
### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
### (Unaudited)
### For Year Ended June 30, 2017

| | Original Budget | Amended Budget | Current Year's Expenditures | Encumbrances | Unencumbered Balances |
|---|---|---|---|---|---|
| **EXPENDITURES** | | | | | |
| **General Support -** | | | | | |
| Board of education | $ 40,183 | $ 49,083 | $ 44,612 | $ 937 | $ 3,534 |
| Central administration | 330,329 | 345,496 | 337,186 | 3,886 | 4,424 |
| Finance | 929,135 | 912,952 | 838,780 | 7,512 | 66,660 |
| Staff | 797,715 | 822,628 | 690,432 | 29,459 | 102,737 |
| Central services | 9,171,414 | 9,258,861 | 7,074,567 | 882,067 | 1,302,227 |
| Special items | 1,516,242 | 1,515,342 | 1,413,735 | - | 101,607 |
| **Instructional -** | | | | | |
| Instruction, administration and improvement | 3,756,000 | 3,894,736 | 3,733,963 | 5,792 | 154,981 |
| Teaching - regular school | 34,794,854 | 34,789,339 | 33,408,772 | 196,983 | 1,183,584 |
| Programs for children with handicapping conditions | 14,961,530 | 15,243,606 | 14,383,934 | 513,635 | 346,037 |
| Occupational education | 462,735 | 437,235 | 394,943 | - | 42,292 |
| Teaching - special schools | 24,000 | 24,000 | 16,078 | - | 7,922 |
| Instructional media | 4,424,392 | 4,613,425 | 4,381,768 | 111,341 | 120,316 |
| Pupil services | 6,445,248 | 6,480,927 | 6,231,026 | 8,142 | 241,759 |
| **Pupil Transportation** | 4,491,282 | 4,493,976 | 3,917,174 | 71,467 | 505,335 |
| **Employee Benefits** | 36,601,714 | 35,785,224 | 33,631,938 | - | 2,153,286 |
| **Debt service - principal** | - | 834,293 | 834,293 | - | - |
| **Debt service - interest** | - | 593,145 | 593,145 | - | - |
| **TOTAL EXPENDITURES** | $ 118,746,773 | $ 120,094,268 | $ 111,926,346 | $ 1,831,221 | $ 6,336,701 |
| **Other Uses -** | | | | | |
| Transfers - out | $ 8,555,869 | $ 9,945,573 | $ 9,938,705 | $ - | $ 6,868 |
| **TOTAL EXPENDITURES AND OTHER USES** | $ 127,302,642 | $ 130,039,841 | $ 121,865,051 | $ 1,831,221 | $ 6,343,569 |
| **EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES** | $ - | $ - | $ 3,743,089 | | |
| **FUND BALANCE, BEGINNING OF YEAR** | 33,906,987 | 33,906,987 | 33,906,987 | | |
| **FUND BALANCE, END OF YEAR** | $ 33,906,987 | $ 33,906,987 | $ 37,650,076 | | |

**Note to Required Supplementary Information:**

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

**Supplementary Information**

# PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

## Schedule of Change From Adopted Budget To Final Budget And The Real Property Tax Limit For Year Ended June 30, 2017

### CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

| | |
|---|---|
| Adopted budget | $ 125,506,510 |
| Prior year's encumbrances | 1,796,132 |
| **Original Budget** | $ 127,302,642 |
| Budget revisions - | |
| Capital reserve - bus purchases | 1,309,761 |
| Debt service principal paments | 834,293 |
| Debt service interest payments | 593,145 |
| **FINAL BUDGET** | **$ 130,039,841** |

### SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

| | | |
|---|---|---|
| 2017-18 voter approved expenditure budget | | $ 130,064,518 |
| Unrestricted fund balance: | | |
| Assigned fund balance | $ 3,365,221 | |
| Unassigned fund balance | 5,202,581 | |
| Total Unrestricted fund balance | $ 8,567,802 | |
| Less adjustments: | | |
| Appropriated fund balance | $ 1,534,000 | |
| Encumbrances included in assigned fund balance | 1,831,221 | |
| Total adjustments | $ 3,365,221 | |
| General fund fund balance subject to Section 1318 of Real Property Tax Law | | 5,202,581 |
| **ACTUAL PERCENTAGE** | | **4.00%** |

Supplementary Information

# PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

## CAPITAL PROJECTS FUND

### Schedule of Project Expenditures

June 30, 2017

| | | | Expenditures | | | | Methods of Financing | | |
|---|---|---|---|---|---|---|---|---|---|
| Project Title | Original Appropriation | Revised Appropriation | Prior Years | Current Year | Total | Unexpended Balance | Local Sources | Total | Fund Balance |
| **Capital Reserves:** | | | | | | | | | |
| Bus Purchase Reserve 2016-17 | $ 1,405,000 | $ 1,405,000 | $ - | $ 1,405,000 | $ 1,405,000 | $ - | $ 1,405,000 | $ 1,405,000 | $ - |
| Bus Purchase Reserve 2017-18 | 1,309,761 | 1,309,761 | - | - | - | 1,309,761 | 1,309,761 | 1,309,761 | 1,309,761 |
| **Capital Funded by:** | | | | | | | | | |
| 2011-2012 Renovations | 250,000 | 250,000 | 244,680 | 5,320 | 250,000 | - | 250,000 | 250,000 | - |
| 2012-2013 Renovations | 250,000 | 250,000 | 165,043 | 56 | 165,099 | 84,901 | 250,000 | 250,000 | 84,901 |
| 2013-2014 Renovations | 369,200 | 369,200 | 89,605 | 37,472 | 127,077 | 242,123 | 369,200 | 369,200 | 242,123 |
| 2014-2015 Renovations | 250,000 | 250,000 | - | 30,800 | 30,800 | 219,200 | 250,000 | 250,000 | 219,200 |
| 2015-2016 Renovations | 250,000 | 250,000 | - | - | - | 250,000 | 250,000 | 250,000 | 250,000 |
| 2016-2017 Renovations | 250,000 | 250,000 | - | - | - | 250,000 | 250,000 | 250,000 | 250,000 |
| **Capital Reserve December 2012 Authorization:** | | | | | | | | | |
| Capital Reserve Projects | 43,131,786 | 43,131,786 | 28,830,811 | 9,642,636 | 38,473,447 | 4,658,339 | 13,751,693 | 13,751,693 | (24,721,754) |
| TOTAL | $ 47,465,747 | $ 47,465,747 | $ 29,330,139 | $ 11,121,284 | $ 40,451,423 | $ 7,014,324 | $ 18,085,654 | $ 18,085,654 | $ (22,365,769) |

(See Independent Auditors' Report)

## Supplementary Information

## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

## Combined Balance Sheet - Nonmajor Governmental Funds

## For Year Ended June 30, 2017

| | Special Revenue Funds | | | Total |
|---|---|---|---|---|
| | Special Aid Fund | School Lunch Fund | Debt Service Fund | Nonmajor Governmental Funds |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 1,083,712 | $ 716,400 | $ 1,145,495 | $ 2,945,607 |
| Receivables | 610,065 | 3,433 | - | 613,498 |
| Inventories | - | 29,020 | - | 29,020 |
| Due from other funds | - | 67,423 | 14,124 | 81,547 |
| **TOTAL ASSETS** | **$ 1,693,777** | **$ 816,276** | **$ 1,159,619** | **$ 3,669,672** |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **Liabilities -** | | | | |
| Accounts payable | $ 38,685 | $ - | $ - | $ 38,685 |
| Accrued liabilities | 3,362 | - | - | 3,362 |
| Due to other funds | 1,510,190 | 264,200 | - | 1,774,390 |
| Due to other governments | - | 378 | - | 378 |
| Compensated absences | - | 12,884 | - | 12,884 |
| Unearned revenue | 111,150 | 95,599 | - | 206,749 |
| **TOTAL LIABILITIES** | **$ 1,663,387** | **$ 373,061** | **$ -** | **$ 2,036,448** |
| **Fund Balances -** | | | | |
| Nonspendable | $ - | $ 29,020 | $ - | $ 29,020 |
| Restricted | - | - | 1,159,619 | 1,159,619 |
| Assigned | 30,390 | 414,195 | - | 444,585 |
| **TOTAL FUND BALANCE** | **$ 30,390** | **$ 443,215** | **$ 1,159,619** | **$ 1,633,224** |
| **TOTAL LIABILITIES AND FUND BALANCES** | **$ 1,693,777** | **$ 816,276** | **$ 1,159,619** | **$ 3,669,672** |

**Supplementary Information**

**PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK**

**Combined Revenues, Expenditures and Changes in Fund Balances**

**Nonmajor Governmental Funds**

**For Year Ended June 30, 2017**

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Special Aid Fund | School Lunch Fund | Debt Service Fund | Total Nonmajor Governmental Funds |
| **REVENUES** | | | | |
| Use of money and property | $ - | $ 621 | $ 6,698 | $ 7,319 |
| Miscellaneous | 213,562 | 2,055 | - | 215,617 |
| State sources | 792,969 | - | - | 792,969 |
| Federal sources | 1,583,053 | - | - | 1,583,053 |
| Sales | - | 1,719,748 | - | 1,719,748 |
| Premium on obligations issued | - | - | 266,152 | 266,152 |
| **TOTAL REVENUES** | **$ 2,589,584** | **$ 1,722,424** | **$ 272,850** | **$ 4,584,858** |
| **EXPENDITURES** | | | | |
| Instruction | $ 2,561,469 | $ - | $ - | $ 2,561,469 |
| Pupil transportation | 151,622 | - | - | 151,622 |
| Employee benefits | 40,275 | 399,455 | - | 439,730 |
| Debt service - principal | - | - | 5,773,825 | 5,773,825 |
| Debt service - interest | - | - | 2,407,044 | 2,407,044 |
| Cost of sales | - | 646,837 | - | 646,837 |
| Other expenses | - | 731,622 | - | 731,622 |
| **TOTAL EXPENDITURES** | **$ 2,753,366** | **$ 1,777,914** | **$ 8,180,869** | **$ 12,712,149** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | $ (163,782) | $ (55,490) | $ (7,908,019) | $ (8,127,291) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers - in | $ 198,074 | $ - | $ 8,180,870 | $ 8,378,944 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **$ 198,074** | **$ -** | **$ 8,180,870** | **$ 8,378,944** |
| **EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES** | **$ 34,292** | **$ (55,490)** | **$ 272,851** | **$ 251,653** |
| **FUND BALANCE, BEGINNING OF YEAR** | (3,902) | 498,705 | 886,768 | 1,381,571 |
| **FUND BALANCE, END OF YEAR** | **$ 30,390** | **$ 443,215** | **$ 1,159,619** | **$ 1,633,224** |

## Supplementary Information
## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK
## Net Investment in Capital Assets
## For Year Ended June 30, 2017

| | | |
|---|---|---|
| **Capital assets, net** | | $ 139,886,809 |
| **Deduct:** | | |
| Short-term portion of bonds payable | $ 5,260,000 | |
| Long-term portion of bonds payable | 48,975,000 | |
| Assets purchased with short-term financing | 24,721,754 | |
| Short-term portion of installment purchase debt | 754,369 | |
| Long-term portion of installment purchase debt | 2,053,176 | |
| | | 81,764,299 |
| **Net Investment in Capital Assets** | | **$ 58,122,510** |

## Supplementary Information

## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## For Year Ended June 30, 2017

| Grantor / Pass - Through Agency<br>Federal Award Cluster / Program | CFDA Number | Grantor Number | Pass-Through Agency Number | Total Expenditures |
|---|---|---|---|---|
| **U.S. Department of Education:** | | | | |
| **Indirect Programs:** | | | | |
| **Passed Through NYS Education Department -** | | | | |
| **Special Education Cluster IDEA -** | | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | N/A | 0032-17-0368 | $ 1,133,358 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | N/A | 0033-17-0368 | 25,669 |
| ***Total Special Education Cluster IDEA*** | | | | $ 1,159,027 |
| Title IIA - Teacher Training | 84.367 | N/A | 0147-16-1385 | 32,370 |
| Title IIA - Teacher Training | 84.367 | N/A | 0147-17-1385 | 90,699 |
| Title III I - LEP | 84.365 | N/A | 0149-17-1385 | 2,182 |
| Title IIIA - LEP | 84.365 | N/A | 0293-16-1385 | 544 |
| Title IIIA - LEP | 84.365 | N/A | 0293-17-1385 | 6,640 |
| Title I - Grants to Local Educational Agencies | 84.010 | N/A | 0021-16-1385 | 92,514 |
| Title I - Grants to Local Educational Agencies | 84.010 | N/A | 0021-17-1385 | 199,078 |
| **Total U.S. Department of Education** | | | | **$ 1,583,054** |

# Raymond F. Wager, CPA, P.C.
**Certified Public Accountants**

**Shareholders:**

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**Thomas J. Lauffer, CPA**
**Thomas C. Zuber, CPA**

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and
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## 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*

**Independent Auditors' Report**

To the Board of Education
Pittsford Central School District, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pittsford Central School District, New York, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pittsford Central School District, New York's basic financial statements, and have issued our report thereon dated September 1, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Pittsford Central School District, New York's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pittsford Central School District, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pittsford Central School District, New York's internal control.

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



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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raymond F. Wager, CPA, PC

September 1, 2017

**PITTSFORD CENTRAL SCHOOL DISTRICT**

**NEW YORK**

**LETTER OF COMMUNICATION**

**For Year Ended June 30, 2017**

# Raymond F. Wager, CPA, P.C.
**Certified Public Accountants**

**Shareholders:**

**Raymond F. Wager, CPA**
**Thomas J. Lauffer, CPA**
**Thomas C. Zuber, CPA**

Members of
American Institute of
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and
New York State Society of
Certified Public Accountants


September 1, 2017

To the Board of Education
Pittsford Central School District, New York

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pittsford Central School District for the year ended June 30, 2017, and have issued our report thereon dated September 1, 2017. Professional standards require that we provide you with the following information related to our audit.

## A. Our Responsibility Under U.S. Generally Accepted Auditing Standards and OMB Uniform Guidance

As stated in our engagement letter dated April 24, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Pittsford Central School District, New York's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Uniform Guidance.

As part of obtaining reasonable assurance about whether the Pittsford Central School District, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Uniform Guidance, we examined, on a test basis, evidence about the Pittsford Central School District, New York's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Uniform Guidance* applicable to each of its major federal programs for the purpose of expressing an opinion on the Pittsford Central School District, New York's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Pittsford Central School District, New York's compliance with those requirements.



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## B. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to your audit committee in our meeting about planning matters on May 30, 2017.

## C. Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

*Qualitative Aspects of Accounting Practices* Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Geneseo School District, New York are described in Note 1 to the financial statements. The new accounting pronouncements which were implemented were GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 57, and Amendments to Certain Provisions of GASB Statements 67 and 68,* GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* GASB Statement 77, *Tax Abatement Disclosures,* GASB Statement 80, *Blending Requirements for Certain Component Units-an Amendment of GASB Statement No. 14* and GASB Statement 82, *Pensions Issues-an amendment of GASB No. 67, No. 68 and No. 73.* We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

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 effecting them may differ significantly from those expected. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no individually sensitive disclosures affecting the financial statements.

## D. Difficulties Encountered in Performing the Audit

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

## E. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

## F. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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.

**G. Management Representations**

We have requested certain representations from management that are included in the management representation letter dated September 1, 2017.

**H. 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 the governmental unit'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.

**I. 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 the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**J. Other Matters**

We applied certain limited procedures to the management's discussion and analysis, schedule of changes in District's total OPEB liability and related ratio, schedule of District's proportionate share of the net pension liability, schedule of District contributions, and budget comparisons, 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 inquires, 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 supplementary information accompanying the financial statements (as listed in the table of contents) 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.

* * *

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

Raymond F. Wager, CPA, PC

September 1, 2017

*PITTSFORD CENTRAL SCHOOL DISTRICT*
*NEW YORK*

*COMMUNICATING INTERNAL CONTROL*
*RELATED MATTERS IDENTIFIED IN AN AUDIT*

*For Year Ended June 30, 2017*

Raymond F. Wager, CPA, P.C.
1020 Lehigh Station Road
Henrietta, New York 14467

# Raymond F. Wager, CPA, P.C.
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September 1, 2017

To the Board of Education
Pittsford Central School District, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pittsford Central School District, New York as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Pittsford Central School District, New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

**Prior Year Deficiency Pending Corrective Action:**

**School Lunch Fund** –

The District's school lunch program had an operating loss of $55,490 this year. The program had enough fund balance available to keep from going into a deficit, however, we recommend the Administration continue to monitor school lunch operations to improve the overall financial stability of the program



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## Current Year Deficiencies in Internal Control:

### Collateral –

One of the District's financial institutions utilizes pooled collateral. However, the District's investment regulation indicates that collateralized securities must be maintained separately.

We recommend the District review this situation and consider amending the investment policy to address pooled collateral.

### Offsite Collections –

As indicated in the Office of the State Comptroller's report, the District should review their procedures relating to athletic event admissions and enhance their current deposit transmittal form and procedures. In addition it does not appear that the deposit transmittal form used to document the admissions is signed and dated by the ticket takers and included with the deposit information submitted to the Business Office. We also noted that the Summer Enrichment Program & Drivers Education receipts are held up to two months prior to being deposited.

We recommend the District enhance their current deposit transmittal form and develop written procedures outlining the process to be followed for admissions. As part of these enhancements the original source documentation signed by the ticket takers should be included with the deposit information and submitted to the Business Office. In addition, every effort should be made to deposit funds within 3-5 business days from receipt.

### School Lunch Program –

During the course of our examination of the school lunch deposit procedures we noted checks received are held onto and deposited separately which eliminates the ability to reconcile deposits to the P.O.S. tracking system.

We recommend all funds collected during the school lunch period be included in the daily deposits in order to reconcile the daily deposits to the P.O.S. system.

## Prior Year Recommendations:

The following prior year recommendations have been implemented to our satisfaction.

1. The Summer Enrichment Program did not incur an operating loss during the 2016-17 year.
2. There were no rehired on call bus drivers who received a salary increase during the year under examination.

This communication is intended solely for the information and use of management, the Board, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

* * *

We wish to express our appreciation to the business office staff for all the courtesies extended to us during the course of our examination.

Raymond F. Wager, CPA, PC

September 1, 2017

# Pittsford Schools

Administrative Offices
75 Barker Road - East Wing
Pittsford, NY 14534
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Leeanne_Reister@pittsford.monroe.edu

Leeanne G. Reister
*Director of Finance*

TO: Michael Pero, Superintendent
Darrin Kenney, Asst. Superintendent for Business

FROM: Leeanne G. Reister, Director of Finance

SUBJECT: 2016-17 Basic Financial Statements and Communicating Internal Control Matters Identified in an Audit

DATE: September 21, 2017

**Prior Year Deficiency Pending Corrective Action:**

**School Lunch Fund – The District's school lunch program had an operating loss of $55,490 this year. The program had enough fund balance available to keep from going into a deficit, however, we recommend the Administration continue to monitor school lunch operations to improve the overall financial stability of the program.**

This was an anticipated loss resulting from the District withdrawing from the state and federal School Lunch Programs. The 2016-17 Food Service budget included a planned use of fund balance of $182,630 for operations and at the end of the year had only used $55,490 of that amount. The Director of Food Service has provided a plan for the 2017-18 school year to continue to reduce costs. Three significant ways costs have been reduced in the 2017-18 school year are through retirements and labor management, increased employee contribution to healthcare costs and centralizing ordering to assist in inventory control. Administration will continue to keep a watchful eye on the school lunch operations to improve the financial stability of the program.

**Current Year Deficiency in Internal Control:**

**Collateral – One of the District's financial institutions utilizes pooled collateral. However, the District's investment regulation indicates that collateralized securities must be maintained separately.**

**We recommend the District review this situation and consider amending the investment policy to address pooled collateral.**

This was as a result of the mid-year merger of First Niagara and Key Banks. At the Board of Education re-organizational meeting in July 2017 the District added a new Depository that does not use pooled collateral for diversification of investments. We plan to migrate funds to the new Financial Institution during the 2017-18 school year in order to follow the current investment policy.

**Off-site Collections – As indicated in the Office of the State Comptroller report the District should review their procedures relating to athletic event admissions and enhance their current deposit transmittal form and procedures. In addition it does not appear that the deposit transmittal form used to document the admissions is signed and dated by the ticket takers and included with the deposit information submitted to the Business Office. We also noted that the Summer Enrichment & Driver's Education receipts are held up to two months prior to being deposited.**

**We recommend the District enhance their current deposit transmittal form and develop written procedures outlining the process to be followed for admissions. As part of these enhancements the original source documentation signed by the ticket takers should be included with the deposit information and submitted to the Business Office. In addition every effort should be made to deposit funds within 3-5 business days from the receipt.**

The district will develop enhanced written procedures to address off-site cash collections and enhance our deposit transmittal form. These procedures will be reviewed with staff that are responsible for collecting money in off-site locations. These procedures will include cash collection, reconciliation, signatures of ticket takers, and deposit preparation. The BOE Cash Collection Policy will be included in these written procedures to reinforce timeliness of deposits. Further, the implementation of the Pittsford Payment Center has reduced the amount of cash being collected in off-site locations and provided a secure way to collect fees.

**School Lunch Program – During the course of our examination of the school lunch deposit procedures we noted the checks received are held onto and deposited separately which eliminates the ability to reconcile deposits to the P.O.S tracking system.**

**We recommend all funds collected during the school lunch period be included in the daily deposits in order to reconcile the daily deposits to the P.O.S system.**

The Business Office revised deposit and reconciliation reporting requirements and reviewed the changes with the Food Service Director and Secretary. These new procedures were implemented at the start of the school year when collections resumed.

# PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

# FINANCIAL EXECUTIVE SUMMARY

**For Years Ended June 30, 2017 and 2016**

Pittsford Central School District
Dated: October 4, 2017
Raymond F. Wager, CPA, P.C.

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# PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK
## General Fund - Summarized Balance Sheet
## June 30, 2017 and 2016

| | | 2017 | | 2016 | | Variance |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Cash | $ | 41,281,521 | $ | 38,277,459 | $ | 3,004,062 |
| Receivables | | 3,222,419 | | 2,843,712 | | 378,707 |
| Due from other funds | | 1,774,423 | | 1,708,405 | | 66,018 |
| Prepaid items | | 68,332 | | 80,851 | | (12,519) |
| **Total Assets** | **$** | **46,346,695** | **$** | **42,910,427** | **$** | **3,436,268** |
| **Liabilities:** | | | | | | |
| Accounts payable | $ | 900,882 | $ | 917,759 | $ | (16,877) |
| Accrued liabilities | | 270,502 | | 374,808 | | (104,306) |
| Due to other funds | | 1,013,758 | | 823,412 | | 190,346 |
| Due retirement systems | | 5,944,497 | | 6,403,669 | | (459,172) |
| Compensated absences | | 566,980 | | 483,792 | | 83,188 |
| Total Liabilities | $ | 8,696,619 | $ | 9,003,440 | $ | (306,821) |
| **Fund Balances:** | | | | | | |
| **Nonspendable -** | | | | | | |
| Prepaid items | $ | 68,332 | $ | 80,851 | $ | (12,519) |
| **Restricted -** | | | | | | |
| Workers compensation | | 180,111 | | 130,025 | | 50,086 |
| Unemployment cost | | 392,483 | | 412,302 | | (19,819) |
| Retirement contribution reserve | | 2,003,404 | | 1,705,070 | | 298,334 |
| Insurance | | 1,220,527 | | 1,219,552 | | 975 |
| Tax certiorari | | 738,415 | | 606,798 | | 131,617 |
| Capital | | 20,734,746 | | 18,380,653 | | 2,354,093 |
| Liabilities | | 1,684,337 | | 1,682,991 | | 1,346 |
| Employee benefit accrued liability | | 2,059,919 | | 1,338,354 | | 721,565 |
| **Assigned -** | | | | | | |
| Encumbrances | | 1,831,221 | | 1,796,132 | | 35,089 |
| Appropriated for taxes | | 1,534,000 | | 1,534,000 | | - |
| **Unassigned -** | | | | | | |
| Undesignated fund balance | | 5,202,581 | | 5,020,259 | | 182,322 |
| Total Fund Balances | $ | 37,650,076 | $ | 33,906,987 | $ | 3,743,089 |
| **Total Liabilities and Fund Balance** | **$** | **46,346,695** | **$** | **42,910,427** | **$** | **3,436,268** |

# PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

## Reserve Analysis

## June 30, 2017

| Type | Balance 7/1/2016 | Revenue | Appropriated Reserve | Equity Transfer | Balance 6/30/2017 |
|---|---|---|---|---|---|
| **General Fund -** | | | | | |
| **Available to help support operating expenses:** | | | | | |
| Retirement contribution | $ 1,705,070 | $ 1,334 | $ (203,000) | $ 500,000 | $ 2,003,404 |
| Workers compensation | 130,025 | 86 | - | 50,000 | 180,111 |
| Unemployment | 412,302 | 331 | (20,150) | - | 392,483 |
| **Restricted for compensated absences due upon retirement:** | | | | | |
| Employee benefit accrued liability | 1,338,354 | 1,081 | (279,516) | 1,000,000 | 2,059,919 |
| **Restricted for capital purposes only (subject to voter approval):** | | | | | |
| Capital reserve-buses | 4,859,240 | 3,769 | (1,309,761) | 1,579,842 | 5,133,090 |
| Capital reserve-technology | 1,500,508 | 1,109 | - | - | 1,501,617 |
| Building & capital reserve | 12,020,905 | 8,984 | - | 2,070,150 | 14,100,039 |
| **Restricted for uninsured losses, claims, or judgments:** | | | | | |
| Insurance | 1,219,552 | 975 | - | - | 1,220,527 |
| Liability | 1,682,991 | 1,346 | - | - | 1,684,337 |
| Tax certiorari | 606,798 | 438 | (272,154) | 403,333 | 738,415 |
| **Total General Fund** | **$ 25,475,745** | **$ 19,453** | **$ (2,084,581)** | **$ 5,603,325** | **$ 29,013,942** |
| **Debt Service Fund -** | | | | | |
| Debt | **$ 886,768** | **$ 272,850** | **$ (8,180,869)** | **$ 8,180,870** | **$ 1,159,619** |

The District appropriated the following reserves:

| **General Fund -** | **2017-18** | **2016-17** |
|---|---|---|
| Unemployment | $ 40,000 | $ 40,000 |
| Workers' compensation | 20,000 | - |
| Insurance | 50,000 | - |
| Retirement contribution | 203,000 | 203,000 |
| EBLAR | 400,000 | 400,000 |
| **Total Appropriated Reserves** | **$ 713,000** | **$ 643,000** |
| Appropriated fund balance | 1,534,000 | 1,534,000 |
| **Total General Fund Fund Balance and Reserves** | **$ 2,247,000** | **$ 2,177,000** |

# PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

## General Fund - Revenue Summary

## For Years Ended June 30, 2017 and 2016

| Year 2017: | | Budget (Amended) | | Actual | | Variance |
|---|---|---|---|---|---|---|
| Real property taxes and tax items | $ | 95,551,595 | $ | 95,484,224 | $ | (67,371) |
| Non property taxes (sales) | | 4,912,858 | | 5,500,546 | | 587,688 |
| Charges for services | | 365,422 | | 747,534 | | 382,112 |
| Use of money and property | | 185,251 | | 152,098 | | (33,153) |
| Sale of property and compensation for loss | | 42,200 | | 218,716 | | 176,516 |
| Miscellaneous | | 390,155 | | 1,129,629 | | 739,474 |
| State sources | | 21,832,029 | | 22,297,952 | | 465,923 |
| Federal sources | | 50,000 | | 71,625 | | 21,625 |
| Transfers | | - | | 5,816 | | 5,816 |
| **Total Year 2017** | **$** | **123,329,510** | **$** | **125,608,140** | **$** | **2,278,630** |

| Year 2016: | | Budget (Amended) | | Actual | | Variance |
|---|---|---|---|---|---|---|
| Real property taxes and tax items | $ | 94,965,008 | $ | 95,045,822 | $ | 80,814 |
| Non property taxes (sales) | | 4,912,858 | | 4,912,858 | | - |
| Charges for services | | 365,422 | | 504,371 | | 138,949 |
| Use of money and property | | 185,436 | | 168,662 | | (16,774) |
| Sale of property and compensation for loss | | 42,200 | | 93,345 | | 51,145 |
| Miscellaneous | | 305,155 | | 855,785 | | 550,630 |
| State sources | | 19,819,314 | | 20,743,133 | | 923,819 |
| Federal sources | | 50,000 | | 34,090 | | (15,910) |
| Transfers | | - | | 7,637 | | 7,637 |
| **Total Year 2016** | **$** | **120,645,393** | **$** | **122,365,703** | **$** | **1,720,310** |

## PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

### General Fund - Expenditure Summary

### For Years Ended June 30, 2017 and 2016

| Year 2017: | Budget (Amended) | Actual With Encumbrances | Variance |
|---|---|---|---|
| General support | $ 12,904,362 | $ 11,323,173 | $ 1,581,189 |
| Instruction | 65,483,268 | 63,386,377 | 2,096,891 |
| Transportation | 4,493,976 | 3,988,641 | 505,335 |
| Benefits | 35,785,224 | 33,631,938 | 2,153,286 |
| Debt service | 1,427,438 | 1,427,438 | - |
| Transfers | 9,945,573 | 9,938,705 | 6,868 |
| **Total Year 2017** | **$ 130,039,841** | **$ 123,696,272** | **$ 6,343,569** |

| Year 2016: | Budget (Amended) | Actual With Encumbrances | Variance |
|---|---|---|---|
| General support | $ 12,461,757 | $ 10,981,759 | $ 1,479,998 |
| Instruction | 64,419,465 | 61,974,975 | 2,444,490 |
| Transportation | 4,485,638 | 3,774,658 | 710,980 |
| Benefits | 34,175,599 | 32,387,453 | 1,788,146 |
| Transfers | 10,095,210 | 10,095,210 | - |
| **Total Year 2016** | **$ 125,637,669** | **$ 119,214,055** | **$ 6,423,614** |

PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

## Summary of Other Funds

### For Years Ended June 30, 2017 and 2016

| **School Lunch** | | **2017** | | **2016** |
|---|---|---|---|---|
| Fund balance, beginning | | 498,705 | $ | 537,572 |
| Expenses in excess of revenues | | (55,490) | | (38,867) |
| **Fund balance, ending** | **$** | **443,215** | **$** | **498,705** |

| **Debt Service** | | **2017** | | **2016** |
|---|---|---|---|---|
| Fund balance, beginning | $ | 886,768 | $ | 606,008 |
| Earnings | | 6,698 | | 6,345 |
| Expenses | | (8,180,869) | | (8,411,144) |
| Premium on obligations issued | | 266,152 | | 412,840 |
| Transfers - in | | 8,180,870 | | 8,272,719 |
| **Fund balance, ending** | **$** | **1,159,619** | **$** | **886,768** |

| **Capital Projects** | | **2017** | | **2016** |
|---|---|---|---|---|
| Fund balance, beginning | $ | (13,638,539) | $ | 1,893,266 |
| Expenses | | (11,115,468) | | (17,186,236) |
| BAN's redeemed from appropriations | | 834,293 | | - |
| Transfers | | 1,565,577 | | 1,654,431 |
| **Fund balance, ending** | **$** | **(22,354,137)** | **$** | **(13,638,539)** |

PITTSFORD CENTRAL SCHOOL DISTRICT, NEW YORK

OTHER ITEMS REPORTED IN YOUR

ENTITY - WIDE FINANCIAL STATEMENTS

June 30, 2017

| **Statement of Net Position** | | **2017** |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 49,844,074 |
| Accounts receivable | | 3,835,917 |
| Inventories | | 29,020 |
| Prepaid items | | 68,332 |
| **Capital Assets:** | | |
| Land | | 678,810 |
| Work in progress | | 29,143,681 |
| Other capital assets (net of depreciation) | | 110,064,318 |
| **TOTAL ASSETS** | **$** | **193,664,152** |
| | | |
| **DEFERRED OUTFLOWS** | | |
| Deferred outflow of resources | **$** | **62,244,369** |
| | | |
| **LIABILITIES** | | |
| Current liabilities | $ | 36,722,102 |
| **Long-Term Obligations:** | | |
| Due in one year | | 6,594,233 |
| Due in more than one year | | 330,000,225 |
| **TOTAL LIABILITIES** | **$** | **373,316,560** |
| | | |
| **DEFERRED INFLOWS** | | |
| Deferred inflow of resources | **$** | **17,453,814** |
| | | |
| **NET POSITION** | | |
| Invested in capital assets, net of related debt | $ | 58,122,510 |
| **Restricted For:** | | |
| Capital reserves | | 20,734,746 |
| Other purposes | | 9,438,815 |
| Unrestricted | | (223,157,924) |
| **TOTAL NET POSITION** | **$** | **(134,861,853)** |
| | | |
| * Total actuarial accrued liability for retiree health benefits (OPEB) (reported on pg. 52) | **$** | **265,743,300** |

# Pittsford Schools

Administrative Offices
75 Barker Road – East Wing
Pittsford, NY 14534
**585.267.1053**
fax: 585.381.9368
Darrin_Kenney@pittsford.monroe.edu

Darrin Kenney
*Assistant Superintendent for Business*

Date: October 3, 2017

To: Michael Pero, Superintendent of Schools

From: Darrin T. Kenney, Assistant Superintendent for Business DTK

Re: RASHP II Article 47 – Self Funding

As we have discussed several times in the past year, the Rochester Area Schools Health Plan (RASHP) is currently an Organized Municipal Cooperative under Article 5-G, NYS General Municipal Law. The RASHP has operated as a minimum premium-experience rated cooperative and has achieved considerable success in providing enhanced coverage to area school employees than currently offered in community plans and has done so at considerably less cost. For example, it is estimated for the 2016 year, if all fifteen school districts and both BOCES were obtaining health insurance directly from an Excellus based plan, we collectively would have paid $153m more, and that would have been for less comprehensive coverage.

The RASHP Board of Directors and Executive Committee have implemented several initiatives that have strengthened the financial position of the RASHP, mitigated risk and saved schools hundreds of millions of dollars, while perpetuating into the future a level of coverage our employees have come to expect, but could not receive elsewhere. It is through this prudent management and claims performance that the consortium (RASHP) is now eligible to become an Article 47 Self-Funded Plan, something that became more attractive to the RASHP with the inception of the Affordable Care Act (ACA). The ACA has imposed on the RASHP more than $8m annually in a Health Insurance Tax (HIT). To give perspective, for the current year, the HIT represents almost 3% in premium increase. Self-funding the plan also means that the third party administrator (TPA), Excellus does not build in a profit factor and hedge its risk as it establishes rates, the RASHP will now control all of that.

It has been a long and arduous process for the RASHP Board and particularly for its volunteer leadership. I am pleased to report that through their tireless efforts and leadership, we have made progress over a few hurdles and obtaining formal approval from the New York State Department of Financial Services appears imminent. Therefore, it is now time for each component school district Bboard of Education to approve entering into a Municipal Cooperation Agreement (MCA) for the purpose of reformatting into a "Self-Insured" cooperative arrangement. A copy of the MCA is attached for your review, and has been extensively reviewed by legal counsel. If you or the Board of Education should have any questions, I would be happy to respond and/or obtain answers for you.

I therefore recommend for Board of Education consideration, the attached:

# RESOLUTION FOR APPROVAL OF THE ROCHESTER AREA SCHOOL HEALTH PLAN II MUNICIPAL COOPERATION AGREEMENT

WHEREAS, the Pittsford Central School District participates in the Rochester Area School Health Plan II (RASHP II), a municipal cooperative under Article 5G of the General Municipal Law;

WHEREAS, the RASHP II Board of Directors has applied to the Department of Financial Services, on behalf of the participating districts, for a Certificate of Authority to operate as a self-funded plan under Article 47 of the State Insurance Law;

WHEREAS, The Department of Financial Services has reviewed and approved the Municipal Cooperation Agreement for RASHP II and requires the approval of each member school district who wishes to participate in the Plan;

**NOW, THEREFORE, BE IT RESOLVED** that the Pittsford Central School District hereby agrees to participate in the Rochester Area School Health Plan II Municipal Cooperative Health Benefit Plan, a municipal cooperative under Article 47 of the New York State Insurance Law.

**BE IT FURTHER RESOLVED** that the Board has reviewed the draft Municipal Cooperation Agreement for the Rochester Area School Health Plan II Municipal Cooperative Health Benefit Plan ('the Agreement") as approved by the New York State Department of Financial Services on September 19, 2017 and hereby expressly agrees to the terms and conditions of that Agreement. The Agreement shall go into effect on the date the Department of Financial Services issues a Certificate of Authority to the Rochester Area School Health Plan II Municipal Cooperative Health Benefit Plan.

**BE IT FURTHER RESOLVED** that the Board hereby authorizes Darrin Kenney, Assistant Superintendent for Business, to adopt and sign the agreement on behalf of the Pittsford Central School District.

IN WITNESS WHEREOF, the District has caused this resolution to be adopted this 10th day of October, 2017.

Pittsford CSD

By: ______________________________
Veronica Walker
District Clerk

*DTK:kd*
*Attachment*

# MUNICIPAL COOPERATION AGREEMENT

# ROCHESTER AREA SCHOOL HEALTH PLAN II
# MUNICIPAL COOPERATIVE HEALTH BENEFIT PLAN

SEPTEMBER 2017

**THIS AGREEMENT** (the "Agreement") is adopted by the municipal corporations named below (each, a "Participant," and collectively, the "Participants") for the benefit of certain Employees (as defined below) of each Participant, on the terms and conditions described herein.

**WHEREAS:**

1. Article 5-G of the New York General Municipal Law (the "General Municipal Law") authorizes municipal corporations to enter into cooperative agreements for the performance of those functions or activities in which they could engage individually;

2. Sections 92-a and 119-o of the General Municipal Law authorize municipal corporations to purchase a single health insurance policy, enter into group health plans, and establish a joint body to administer a health plan;

3. Article 47 of the New York Insurance Law (the "Insurance Law"), and the rules and regulations of the New York State Superintendent of Financial Services (the "Superintendent") set forth certain requirements for governing self-insured municipal cooperative health benefit plans;

4. Section 4702(f) of the Insurance Law defines the term "municipal corporation" to include a school district; and

5. the Participants have determined to their individual satisfaction that furnishing health benefits (including, but not limited to, medical, surgical, hospital, prescription drug, dental, and/or vision) for their eligible employees, eligible retirees, and the spouses and dependents of those employees and retirees (collectively, the "Employees") through a municipal cooperative is in their best interests as it is more cost-effective and efficient.

**NOW, THEREFORE**, the Participants agree as follows:

## ARTICLE 1. DEFINITIONS

Section 1.01 **Definitions**. In this Agreement, the following terms shall have the meanings set forth below:

(a) *Administrative Expenses* shall mean the Claims Administrator Fee and other necessary and reasonable expenses incurred in the operation of the Plan, but such expenses shall not include the Medical Claims Expenses.

(b) *Contingent Assessment Liability* shall mean any additional amounts to be paid by the Participants to the Plan based upon the Participants' pro rata share of any assessment ordered by the Board of Directors or the Superintendent.

(c) *Board* or *Board of Directors* shall mean the Board of Directors of the Plan.

(d) *Claims Administration Agreement* shall mean a written agreement with a Claims Administrator to process claims under the Plan and provide other administrative services to the Plan.

(e) *Claims Administrator* shall mean the third party hired by the Plan to process claims under the Plan and provide other administrative services to the Plan.

(f) *Claims Administrator Fee* shall mean the amount that the Plan must pay to the Claims Administrator to pay for claims administration and other services provided by the Claims Administrator to the Plan.

(g) *COBRA* shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, Section 4980(B) of the Internal Revenue Code of 1986, and Title I Part 6 of ERISA, together with all regulations and proposed regulations promulgated thereunder.

(h) *Collective Bargaining Unit* shall mean a defined group of employees of a Participant that is represented by a Union.

(i) *Community Rating Methodology* shall mean a rating methodology in which the Premium Equivalent for all Enrollees covered under a Coverage Option under the Plan is the same, based upon the experience of the entire pool of risks covered under that Coverage Option under the Plan, without regard to age, sex, health status or occupation and such that refunds, rebates, credits or dividends based upon age, sex, health status or occupation are not permitted.

(j) *Coverage Option* shall mean a medical, dental, or vision coverage option offered under the Plan that a Participant may choose to make available to its Enrollees. A list of the Coverage Options is contained on Schedule A.

(k) *Deficit* shall mean the total amount that is paid for a Plan Year for Medical Claims Expenses incurred in that Plan Year for the Enrollees covered under a Coverage Option under the Plan that is in excess of the total amount of the Reserves for that Coverage Option for the same Plan Year.

(l) *Director* shall mean a member of the Board of Directors.

(m) *Distribution* shall mean any excess Reserves or Surplus paid to a Participant by the Plan.

(n) *Employee* shall mean a Participant's employee or retired employee.

(o) *Enrollee* shall mean a Participant's Employee and his or her spouse and dependents that are eligible, in accordance with eligibility standards created by the Plan and the employing Participant, to receive benefits under the Plan.

(p) *HIPAA* shall mean the Health Insurance Portability and Accountability Act of 1996.

(q) *HIPAA Rules* shall mean the privacy and security provisions of HIPAA and the accompanying regulations.

(r) *Legal Mandate* shall mean a law, order, rule or regulation promulgated by New York State or the United States Government or any department or agency of either, or the County of Monroe.

(s) *Medical Claims Expenses* shall mean the amounts paid by the Plan for health care expenses covered under the Plan (e.g., hospital, medical, drugs, dental, vision), including any charges paid pursuant to New York Public Health Law Section 2807-j or 2807-s.

(t) *Membership Interest* shall mean an interest of a Participant in the Plan.

(u) *New Participant* shall mean any Participant who obtains membership in the Plan after the Effective Date of this Agreement.

(v) *Officers* shall mean an individual holding a position described in Article 12 of this Agreement.

(w) *Participant* shall mean each school district that qualifies for membership in the Plan and executes this Agreement.

(x) *Person* shall mean any individual or entity.

(y) *PHI* shall mean protected health information within the meaning of HIPAA.

(z) *Plan* shall mean the Rochester Area School Health Plan II Municipal Cooperative Health Benefit Plan, a self-insured municipal cooperative health benefit plan under Article 47 of the New York Insurance Law. The specific terms of the Plan are described in the Plan Document, which is hereby incorporated herein by reference and shall be maintained with and considered part of this Agreement.

(aa) *Plan Administration Function* shall mean the administrative functions performed by a Plan Sponsor on behalf of the Plan, and shall not refer to functions performed by the Participant in connection with any other benefit or benefit plan of the Participant.

(bb) *Plan Document* shall mean the document comprised of the Summary Plan Description Documents for each of the Coverage Options offered under the Plan.

(cc) *Plan Sponsor* shall mean each Participant in the Plan.

(dd) *Plan Year* shall mean the twelve-month period beginning January 1st and ending December 31st. If the Effective Date of the Plan is other than January 1st, the first Plan Year shall begin on the Effective Date of the Plan and end on the December 31st that follows.

(ee) *Premium Equivalent or Premium Equivalent Rates* shall mean the amount contributed by each Participant to cover expected Medical Claim Expenses, required Reserves, Surplus, Stop-Loss Insurance, and Administrative Expenses of the Plan.

(ff) *Reserves* shall have the meanings set forth in Section 4706 of the Insurance Law.

(gg) *Stop Loss Insurance* shall have the meaning set forth in Section 4707 of the Insurance Law.

(hh) *Summary Health Information* shall mean information that may be PHI and:

(i) that summarizes the claims history, claims expenses or types of claims experienced by the Enrollees; and

(ii) has been de-identified as provided in the HIPAA Rules by deleting such information as the name, address, age, telephone number, social security number, medical records number, Plan beneficiary number, photograph, or other identifying information, except that addresses may be aggregated to the level of a five-digit zip code.

(ii) *Summary Plan Description Documents* shall mean the detailed benefit descriptions provided to Enrollees that describe the benefits provided under the Plan. The Plan provides several Coverage Options, each of which is described in a separate Summary Plan Description Document.

(jj) *Superintendent* shall mean the Superintendent of the New York State Department of Financial Services.

(kk) The term "*Superintendent of each Participant*", as used in Section 9.04, shall mean the individual filling the role titled "Superintendent" at each Participant. If no individual is filling a role titled "Superintendent" at a Participant, then the top administrator employed by the Participant shall be deemed the "Superintendent" of that Participant.

(ll) *Surplus* shall have the meaning set forth in Section 4706 of the Insurance Law.

(mm) *Unions* shall mean the local affiliates (i.e., established with respect to each Participant) of New York State United Teachers ("NYSUT"), the local chapters (i.e., established with respect to each Participant) of School Administrators Association of New York State ("SAANYS"), the local affiliates (i.e., established with respect to each Participant) of Civil Service Employees Association ("CSEA"), the local affiliates (i.e., established with respect to each Participant) of Teamsters, the local affiliates (i.e., established with respect to each Participant) of United Public Service Employees Union ("UPSEU"), and such other local affiliates (i.e., established with respect to each Participant) of unions that are the exclusive collective bargaining representative of an Enrollee.

## ARTICLE 2. FORMATION

Section 2.01 **Name of Plan**. The name of the Plan is the Rochester Area School Health Plan II Municipal Cooperative Health Benefit Plan (the "Plan").

Section 2.02 **Purpose of the Plan**. The purpose of the Plan is to pay for health benefits for the Employees of Participants through a municipal cooperative arrangement.

Section 2.03 **Effective Date**. The effective date of this Agreement is the date on which the final Participant executes this Agreement. The effective date of the Plan established by this Agreement is January 1, 2016 (the "Effective Date") or such later date as determined by the Superintendent.

Section 2.04 **Term**. The Plan shall continue until dissolved in accordance with the terms of this Agreement.

## ARTICLE 3. PARTICIPANTS

Section 3.01 **Participants**. The Participants hereby enter into this Agreement for the purpose of providing health benefits (medical, surgical, hospital, prescription drug, dental, and/or vision) to those Employees that each Participant individually elects to include in the Plan.

Section 3.02 **Initial Participants**. The following Participants shall comprise the initial membership in the Plan: (a) Brighton Central School District; (b) Brockport Central School District; (c) Churchville-Chili Central School District; (d) East Irondequoit Central School

District; (e) East Rochester Union Free School District; (f) Fairport Central School District; (g) Gates Chili Central School District; (h) Greece Central School District; (i) Hilton Central School District; (j) Honeoye Falls-Lima Central School District; (k) Penfield Central School District; (l) Pittsford Central School District; (m) Rush-Henrietta Central School District; (n) Spencerport Central School District; (o) Webster Central School District; (p) West Irondequoit Central School District; (q) Wheatland-Chili Central School District; (r) Monroe #1 BOCES; and (s) Monroe #2 Orleans BOCES.

Section 3.03 **Class of Participants.** There shall be one (1) class of Participant in the Plan.

Section 3.04 **Membership Eligibility**. Membership in the Plan may be offered to any school district which is a component public school district of Monroe # 1 BOCES and Monroe # 2 Orleans BOCES within the geographical boundaries of Monroe County, New York (a "Component District") provided that the applicant provides proof of its financial responsibility that is satisfactory to the Board of Directors in its sole discretion, and the applicant is the same type of municipal corporation as the initial Participants. Admission of new Participants to the Plan shall require amendment of Section 3.02 pursuant to Section 20.01 of this Agreement. New Participants shall be listed on Schedule B to this Agreement when New Participants become members in the Plan pursuant to a formal amendment to this Agreement. Membership shall be subject to the terms and conditions set forth in this Agreement, any amendments hereto, and applicable law.

Section 3.05 **New Participants**. Membership of a municipal corporation that enters the Plan after the Effective Date of this Agreement (a "New Participant") shall become effective on the first day of the calendar month following a majority vote of the entire Board of Directors and the adoption by the Board of Directors of a resolution to accept the municipal corporation as a Participant. Upon approval for admission by the Board of Directors, and approval by the New Participant's governing body by a majority vote of a resolution expressly approving the terms and conditions of this Agreement, such New Participant shall become a signatory to this Agreement and thereby assume all the obligations of a Participant, have all of the rights and powers of a Participant, and be subject to all of the restrictions applicable to a Participant. Such resolution of the New Participant's governing body shall be attached to and considered a part of this Agreement pursuant to Section 21.02.

Section 3.06 **Merger of Participant**. Should a Participant experience a merger with another school district (the combined entity, a "Merged District"), the following rules shall apply:

(a) If a Participant merges with a school district that is not a Component District and the Merged District remains as a Component District, then its membership in the Plan shall continue, but the Board of Directors shall have the right to impose admission requirements on the Merged District (financial or otherwise) in order to remain a Participant in the Plan.

(b) If a Participant merges with a school district that is not a Component District and the Merged District is not a Component District, the Board may amend this Agreement to allow the Merged District to become a Participant, and the Board may impose admission requirements on the Merged District (financial or otherwise) in order to remain as a Participant in the Plan.

(c) If a Participant merges with another Participant, the Merged District will remain as a Participant of the Plan and will be charged with the rights and obligations of the two Participants that merged.

(d) If a Participant merges with a school district that is a Component District and the Merged District remains as a Component District, then its membership shall continue, but the Board of Directors shall have the right to impose admission requirements on the Merged District (financial or otherwise) in order to remain as a Participant in the Plan.

(e) If a Merged District is eligible to, but does not wish to remain a Participant, the Merged District must withdraw from the Plan in accordance with Article 15 of this Agreement.

Section 3.07 **Additional Membership Qualifications.** In addition to meeting the membership eligibility requirements described above in Section 3.04, as a condition to new and continuing membership in the Plan, each Participant must:

(a) make such representations as the Board of Directors reasonably requires;

(b) offer to some or all of its Employees coverage under the Plan and have that offer accepted by some or all of the Employees;

(c) satisfy such criteria and admission requirements (financial or otherwise) for initial and continuing membership established under this Agreement and as may be further established from time to time by the Board of Directors; and

(d) approve, execute, and agree to be bound by the terms of this Agreement.

Section 3.08 **Participant's Restriction on Transfer or Assignment.** No Participant may, directly or indirectly, voluntarily or involuntarily, transfer or assign its Membership Interest in the Plan. Any direct, indirect, voluntary or involuntary, transfer or assignment in violation of this Agreement shall not pass legal or beneficial ownership or rights and shall be void *ab initio.*

Section 3.09 **Withdrawal/Termination of Participants.** A Participant will be deemed to have withdrawn from the Plan if the Participant either decides to voluntarily withdraw from the Plan in accordance with Article 15 of this Agreement, or the Participant's membership in the Plan is terminated in accordance with Article 16 of this Agreement.

## ARTICLE 4. PARTICIPANT LIABILITY

Section 4.01 **Participant Liability**. The Participants shall share in the cost of and assume the liabilities for health benefits (medical, surgical, hospital, dental, and/ or vision) provided under the Plan to Enrollees. In addition to paying on demand their applicable Premium Equivalent payments, each Participant shall pay on demand such Participant's share of any Assessment Contribution ordered by the Board of Directors or the Superintendent, as set forth in Section 4.03 of this Agreement. The pro rata share shall be based on the Participant's relative Premium Equivalent contribution to the Plan for the Coverage Option with respect to which the Assessment Contribution is due as a percentage of the aggregate Premium Equivalent contributions to the Plan for such Coverage Option, as is appropriate based on the nature of the assessment or contribution.

Section 4.02 **New Participant Liability**. New Participants in the Plan may be assessed a fee for additional financial costs above and beyond the Premium Equivalent contributions to the Plan. Any such additional financial obligations and any related terms and conditions associated with membership in the Plan shall be determined by the Board of Directors, and shall be disclosed to the potential New Participant prior to its admission to the Plan.

Section 4.03 **Participant Contingent Assessment Liability**. Pursuant to Section 4708 of the Insurance Law, each Participant in the Plan shall be liable, on a pro rata basis, in the following circumstances:

(a) In the event the Plan does not have admitted assets (as defined in Insurance Law § 107) at least equal to the aggregate of its liabilities, reserves, and minimum surplus required by the Insurance Law, the Board of Directors shall, within thirty (30) days, order an assessment for Contingent Assessment Liability in the amount that will provide sufficient funds to remove such impairment and collect from each Participant a pro rata share of such assessed amount.

(b) Every Participant that participated in the Plan at any time during the two-year period prior to the issuing of a Contingent Assessment Liability order by the Plan's Board of Directors shall, if notified of such liability, pay its pro rata share of such liability within ninety (90) days after the issuance of that Contingent Assessment Liability order. This provision shall survive termination of the Agreement or withdrawal or termination of a Participant.

(c) For purposes of this Section 4.03, a Participant's pro rata share of any Contingent Assessment Liability shall be determined by applying the ratio of the total Contingent Assessment Liability to the total Premium Equivalents earned during the period covered by the Contingent Assessment Liability on all Participants subject to the liability to the Premium Equivalent earned during such period attributable to such Participant.

## ARTICLE 5. PLAN

Section 5.01 **Plan Document**. Each Participant shall have the right to provide health benefits to its Enrollees in accordance with the terms and conditions of this Agreement and the Plan Document, and provided that the Participant satisfies any other requirements imposed specifically on the Participant by applicable law or agreement. An Enrollee may also be required to satisfy requirements for receipt of benefits imposed by the employing Participant.

Section 5.02 **Prior Notice**. Each Participant must provide the Plan with sixty (60) days prior written notice of its decision and its ability to provide coverage under the Plan for Employees who are members of a Collective Bargaining Unit or for Employees who are not members of a Collective Bargaining Unit. Coverage for those Employees will only commence after the expiration of the notice period and on the immediately succeeding January 1st or July 1st of the Plan Year. For Enrollees who are retired as of the date on which coverage will commence, they will have six months thereafter to enroll.

Section 5.03 **Terms and Conditions**. The specific terms and conditions governing benefits which are available to an Enrollee who is covered under the Plan shall be described in the applicable Summary Plan Description Document. Each Participant expressly represents and warrants that it will take all such action as may be required by law or any agreement to which the Participant is a party, and make any and all necessary amendments to its existing employee welfare benefit plans in order to offer Plan coverage to its Enrollees.

Section 5.04 **Alternative Coverage Not Required**. Without limiting the range of coverage options which may be provided under this Plan, no one shall have any duty to procure alternative coverage for a person who does not satisfy any requirements for insurability or receipt of benefits (including any geographical limitation on the scope of services) under any particular Plan Coverage Option.

Section 5.05 **Coordination of Benefits**. The Plan Document will contain terms providing that the benefits that would otherwise be payable under the Plan shall be reduced by the amount, if any, necessary so that the sum of the benefits payable under the Plan and any other plans (whether or not maintained by the Participant) does not exceed the total of the Enrollee's allowable expenses under the Plan. The manner and extent to which the Plan coordinates benefit payments with other coverages shall be governed by the terms of the applicable Summary Plan Description Document.

Section 5.06 **Right of Recovery**. The Plan Document will contain terms providing that whenever benefits have been paid with respect to expenses covered under the Plan, such payment shall be considered as a payment made, received and held in trust by the Enrollee. If a payment is made in a total amount at any time in excess of the amount of payment required under the Plan, the Plan shall have the right to recover such payment to the extent of such excess from among any one or more of the following, as the Plan shall determine:

(a) any person (including, without limitation, an Employee, an Enrollee, a trust, or an estate) to, for or with respect to whom such payments were made;

(b) any insurance companies; or

(c) any other Person.

The Plan shall have the right to pay any amount it shall determine to be warranted to satisfy the intent of this Section to any organization making payments under other plans which should have been made under the Plan. Included in this right of recovery is the right to recover from an Enrollee any payment made under the Plan that the Enrollee may recover in any action arising out of the conduct of a third party. This right of recovery may be exercised by collecting the money directly from the Enrollee or by way of subrogation of the Enrollee's claim against the third party.

Section 5.07 **Claims Procedure.** With respect to any benefit under the Plan, a written application for benefits shall be submitted to the Claims Administrator pursuant to the terms and conditions established by the Claims Administrator. The Claims Administrator shall be solely responsible for deciding such claim, for providing a full and fair review of the decision, and for determining a claimant's entitlement to benefits provided under the Plan and in accordance with applicable law. For these purposes, the Claims Administrator shall have the sole discretionary authority and responsibility to interpret and apply the provisions of the applicable Summary Plan Description Document and any rules or regulations thereunder. Each Participant has the authority to decide claims relating to an individual's eligibility to be an Enrollee in the Plan.

Section 5.08 **Continuation of Coverage.** If a qualifying event, within the meaning of COBRA, occurs with respect to an Enrollee, and if required by law, the Plan shall give the Enrollee the opportunity to continue coverage in accordance with the procedures established by the Board of Directors, as is required by COBRA.

Section 5.09 **Exclusivity.** If a Participant offers coverage under the Plan to the Employees who are members of a Collective Bargaining Unit or to Employees who are not members of a Collective Bargaining Unit, and the respective group of Employees agrees to accept the offer, then the provisions of the Plan shall be exclusive, which means that the Participant may not provide health benefits to the respective group other than under the Plan or the insurance contracts referred to in Section 5.10 below.

Section 5.10 **Change in Benefit Plan.**

(a) If, for a Plan Year, there is a Legal Mandate that applies to the Plan and requires a change in benefits or coverage under the Plan, then the change shall be made to the Summary Plan Description Document(s), as applicable, as of the date required under the Legal Mandate.

(b) No other changes may be made in the Plan without the consent of the Board of Directors, and the consent of the Superintendent, if required.

(c) If there is a change in the Plan as described in this Section, then the required Assessment Contributions may change.

Section 5.11 **<u>Over Age 65 Retiree Coverage.</u>**

(a) Retired Employees who are age 65 or older and eligible for coverage under the Plan are eligible only for the Coverage Options (provided as Medicare carve-out plans) that each Participant may choose to offer at its discretion. Such retired Employees must be enrolled in Medicare Parts A and B and the Plan shall pay benefits secondary to Medicare. Certain retired Employees age 65 or older may also have the right to elect coverage under health coverage arrangements other than the Plan. Such coverage is not provided under the Plan and is not subject to the terms of this Agreement.

Section 5.12 **<u>Special Benefit Provisions for Initial Plan Year</u>**

If the Effective Date of the Plan is other than a January 1st, then the following will be applicable:

(a) Each Enrollee will be automatically enrolled in the Plan Coverage Option(s) that correspond(s) to the insured coverage option(s) in which the individual was enrolled immediately prior to the Effective Date.

(b) The Plan will recognize all amounts that had been applied toward the annual deductible, out-of-pocket maximum, or other cost-sharing provision under the corresponding insured coverage in which each Enrollee was enrolled immediately prior to the Effective Date of the Plan.

## ARTICLE 6. FUNDING/ PREMIUM EQUIVALENT

Section 6.01 **<u>Premium Equivalent.</u>** The annual Premium Equivalent for each Coverage Option under the Plan shall be established and approved by a majority of the entire Board of Directors. The method used for development of the Premium Equivalent may be changed from time to time by the approval of the entire Board of Directors, subject to review and approval by the Superintendent. The Premium Equivalent shall consist of such rates and categories of benefits as is set forth in the Plan that is determined and approved by the Board of Directors consistent with New York State law.

Section 6.02 **<u>Funding</u>**.

(a) Each Participant will be required to contribute to the Plan an amount equal to the Premium Equivalent applicable to the Coverage Option(s), under which the Participant's Enrollees are covered. The form and timing of such payments shall be determined by the Board of Directors, unless provided otherwise in this Agreement. The Plan shall only be obligated to provide benefits to the extent a Participant timely remits the required Premium Equivalent.

(b) Each Participant shall indemnify and hold the Plan harmless, at all times during the term of this Agreement and thereafter, from all claims, damage, liability and expense, including reasonable legal fees and court costs, arising from or in any way connected with the Participant's failure to properly and timely remit the amounts required under this Agreement.

Section 6.03 **Payment.**

(a) Each Participant's monthly Premium Equivalent, by Enrollee classification, shall be paid by the first day of each calendar month during the Plan Year. The Premium Equivalent will be based on the enrollment information existing on the 15th day of the prior month. The Premium Equivalent may also include adjustments due to Enrollees who enroll or disenroll in the Plan subsequent to the 15th day of the prior month.

(b) A late payment charge of one percent (1%) of the monthly installment then due will be charged by the Board of Directors for any payment not received by the first of each month, or the next business day when the first falls on a Saturday, Sunday, legal holiday, or day observed as a legal holiday by the Participants.

Section 6.04 **Interest.** No Participant shall be entitled to interest on its payments to the Plan, unless this Agreement or the Board of Directors authorizes such a payment.

Section 6.05 **Return of Funding.** No Participant shall receive a return of any portion of its payments to the Plan, unless this Agreement or the Board of Directors authorizes such a payment.

Section 6.06 **Deposits.** All monies paid to the Plan shall be deposited in one or more bank accounts at such bank or banks as the Board of Directors may authorize, subject to the applicable provisions of law governing the deposit of municipal funds.

Section 6.07 **Investment of Funds.** The Chief Fiscal Officer may invest monies not required for immediate expenditure in the types of investments specified in the General Municipal Law or the New York Education Law (if applicable) for temporary investments, or as otherwise expressly permitted by the Superintendent.

Section 6.08 **Reserves/Surplus/ Stop-Loss Insurance.** The Plan shall maintain Reserves, Surplus, and Stop-Loss Insurance to the level and extent required by the Insurance Law and as directed by the Superintendent.

Section 6.09 **Contingent Assessment Liability.** The Board of Directors shall assess Participants for Contingent Assessment Liability, if actual and anticipated losses due to Medical Claims Expenses, Administrative Expenses, and Reserve and Surplus requirements exceed the amount in the joint funds, as set forth in Section 4.03 above.

Section 6.10 **Distribution of Excess Reserves or Surplus.** The Board of Directors may make a Distribution to Participants for amounts in excess of the Plan's Reserves and Surplus, or may choose to retain such excess amounts or a portion thereof and apply those amounts to amounts projected to be paid under the next Plan Year's budget. The Plan may offset against any Distribution to be made to a Participant all amounts owing by the Participant to the Plan.

## ARTICLE 7. ENROLLEE CONTRIBUTIONS

Section 7.01 **Enrollee Contributions**. If any Participant requires an Enrollee's contribution for benefits provided by the Plan, the Participant shall collect such contributions at such time and in such amounts as it requires. However, the failure of a Participant to receive the Enrollee's contribution on time shall not diminish or delay the payment of the Participant's monthly Premium Equivalent to the Plan, as set forth in this Agreement.

## ARTICLE 8. ADDITIONAL BENEFITS

Section 8.01 **Additional Benefits**. Any Participant choosing to provide more benefits, coverages, or enrollment eligibility other than that provided under the Plan, will do so at its sole expense and outside of the Plan (subject to the exclusivity requirement hereunder). This Agreement shall not be deemed to diminish such Participant's benefits, coverages, or enrollment eligibility, the additional benefits and the payment for such additional benefits, shall not be part of the Plan and shall be administered solely by and at the expense of the Participant.

## ARTICLE 9. BOARD OF DIRECTORS

Section 9.01 **Governing Board**. The governing board of the Plan, responsible for the management, control, and administration of the Plan, shall be referred to as the "Board of Directors."

Section 9.02 **Board of Directors**.

(a) *General Rules*

The Board of Directors shall consist of (i) a representative from each Participant; (ii) two (2) representatives representing all of the local affiliates of NYSUT; (iii) one representative representing all of the local chapters of SAANYS; (iv) one (1) representative to collectively represent the local affiliates of CSEA, Teamsters, and UPSEU and any other Union that first begins, after the Effective Date, to represent Employees at that time enrolled in the Plan and that does not qualify under Section 9.02(b) to appoint a Director to the Board (hereinafter the "Collective Seat");(v) two (2) representatives of the Enrollees (one from the Enrollees employed by a Participant that is a component school district of Monroe #1 BOCES, and one from the Enrollees employed by a Participant that is a component school district of Monroe #2 Orleans BOCES); and (vi) one representative from any Union that obtains a Director seat pursuant to Section 9.02(b). There shall be an alternate for each Director, and the alternate may attend Board meetings and vote as a Director when the Director is unable to attend and vote. Reference in this Agreement to a Director shall be deemed to include the Director's alternate where appropriate or required. Each Director shall serve until his/her successor is duly appointed, unless the position is terminated sooner by death, resignation or removal. It shall be the responsibility of each Director who represents a Participant and of each Director who represents a Union to report to the Participant or Union that it represents any action taken by the Board of Directors and any other information relating to the operation of the Plan that is relevant to the interests of the entity being represented, and to distribute to the Participant or Union any and all reports the Director received in his or her Director capacity.

(b) *Addition of Union Directors*

(i) A Union that first begins to represent Employees after the Effective Date will initially be represented by the Collective Seat unless at the time the Union begins to represent Enrollees enrolled in the Plan (hereinafter the "New Union Participation Date"), the total number of local affiliates (as described in Section 1.01(mm) herein) of the Union with Employees enrolled in the Plan equals or exceeds 18% of the total number of local affiliates/chapters of all Unions that represent Employees enrolled in the Plan. If the new Union's local affiliate/chapter percentage equals or exceeds 18% as of the New Union Participation Date, an additional seat will be added to the Board effective as of the first day of the month after the New Union Participation Date, and the new Union shall appoint its Director to the additional seat as of that date.

(ii) A Union that is represented by the Collective Seat will be eligible to appoint a Director to the Board if the number of local affiliates/chapters of that Union with Employees enrolled in the Plan equals or exceeds 18% of the total number of local affiliates/chapters of all Unions that represent Employees enrolled in the Plan. In such case, an additional seat will be added to the Board effective as of the first day of the month after the Union's percentage equals or exceeds the 18% threshold. As of that date, the Union shall appoint a Director and shall cease to be represented by the Collective Seat.

Section 9.03 **Directors and Action.** The number of Directors constituting the entire Board of Directors shall be equal to the number of Participants, and the four (4) Directors representing the Unions (unless the Collective Seat is inactive in a given year, in which case there will be three (3) Directors representing Unions for that year), the two (2) Directors representing the Enrollees, and any Union Directors that obtains a Director seat pursuant to Section 9.02(b). As used in this Agreement, the term "entire Board of Directors" shall mean the total number of Directors then in office. Unless provided otherwise in this Agreement, the Board shall act by the affirmative vote of a majority of the Directors present at a meeting provided that a Quorum (as defined below) is present at the time of the vote.

Section 9.04 **Appointment of Directors.** The Superintendent of each Participant, all of the local affiliates of NYSUT, all of the local chapters of SAANYS, and all of the local affiliates or chapters of any Union that obtains a Director seat pursuant to Section 9.02(b) shall on an annual basis appoint respectively its representative Director and alternate on the Board of Directors. All of the local affiliates of NYSUT shall determine the representative and alternate for the two (2) Directors representing the Enrollees on an annual basis. The applicable local affiliates of the Unions represented by the Collective Seat will be responsible for establishing a sub-procedure for selecting the Director for the Collective Seat and providing written notification of their selection to the Chairperson of the Board of Directors.

Section 9.05 **Vacancies.** Vacancies on the Board of Directors (including alternates and including any vacancies resulting from an increase in the number of Directors) created for any reason shall be filled in accordance with Section 9.04 above. A successor who is appointed shall hold office until his/her successor has been duly appointed. An inactive Collective Seat for any given year shall not be considered a vacancy on the Board of Directors for that year.

Section 9.06 **Removal.** Any one or more Directors may be removed from office, only with cause, by a majority vote of the entire Board of Directors (determined based on the Directors then in office). Any Director proposed to be removed for cause must be given at least twenty (20) days prior written notice of the reasons why the Board of Directors is proposing to remove the person and the meeting of the Board of Directors at which the removal will be considered. The person shall be entitled to attend the meeting of the Board of Directors and address the Board regarding his/her removal.

Section 9.07 **Resignation.** Any Director may resign from office at any time. A Director shall be deemed to have resigned if the Participant or Union who designated the Director withdraws its designation, which it may do at any time with or without cause, or if the Participant's membership in the Plan terminates. The resignation or withdrawal of a designation shall be made in writing and shall be delivered or mailed to the Plan, and shall take effect on the date designated therein without the necessity of acceptance by the Board of Directors.

Section 9.08 **Meetings of the Board of Directors.** An annual meeting of the Board of Directors shall be held during December of each year. Regular meetings of the Board of Directors shall be held during the months of March, May, August, September, and October, at such times as the Board of Directors determines. Written notice of the date, time and place of a regular meeting shall be provided to each Director not less than ten (10) and not more than thirty (30) days before the date fixed for the meeting. Special meetings of the Board of Directors may be held at any time when called by the Chairperson, or by the Secretary upon the written request of at least three (3) of the Directors. Written notice of the date, time and place of a special meeting shall be provided to each Director not less than three (3) and not more than thirty (30) days before the date fixed for the meeting.

Section 9.09 **Place of Meetings.** Each meeting of the Board of Directors shall be held at such place, within Monroe County, as the Board of Directors determines.

Section 9.10 **Notice of Meeting of the Board of Directors.** Written notice of the date, time and place of each regular and special meeting of the Board of Directors shall be given to each Director (but not to an alternate) in any of the following ways:

(a) *Personal Delivery.* Notice may be given by personally delivering such notice to the Director. Notice will be deemed given upon receipt.

(b) *Notice by Electronic Means.* Notice may be given by sending such notice to a Director by telecopier, telex, fax, electronic mail or similar mode of communication, provided that the source of the communication can be verified and the receipt confirmed. Notice will be deemed given twenty-four (24) hours after receipt.

(c) *Mail.* Notice may be given by placing such notice, addressed to the Director at his/her last known address according to the Plan's records, in the United States mail, first-class postage prepaid. Notice will be deemed given on the second day after the day of mailing (not counting the day mailed), irrespective of the date of receipt.

(d) *Express Mail.* Notice may be given by delivering such notice, addressed to the Director at his/her last known address according to the Plan's records, to a reputable express mail delivery service that will provide for next day delivery. Notice will be deemed given on the first day after the day of mailing (not counting the day mailed), irrespective of the date of receipt.

Section 9.11 **Waiver of Notice.** Notice of any meeting of the Board of Directors need not be given to any Director who waives such notice, in a signed writing before, during or after the meeting, or who attends the meeting without protesting the lack of notice, either prior to the meeting or at the commencement of the meeting.

Section 9.12 **Quorum.** A "Quorum" must be present at a meeting of the Board of Directors for the transaction of any item of business at such meeting. A Quorum shall exist if a majority of the entire Board of Directors (determined based on the Directors then in office) is present at the meeting. If less than a Quorum is present at a meeting, a majority of the Directors present at such meeting may adjourn the meeting from time to time without notice other than by announcement at the meeting, until a Quorum shall attend. The vote of a majority of the Board of Directors present at the time of the vote, if a Quorum is present at such time, shall be the act of the Board of Directors, unless a greater vote is required under this Agreement to take action. Once a Quorum is present, it may be broken by the subsequent withdrawal of a Director.

Section 9.13 **Action Without a Meeting.** Any action required or permitted to be taken by the Board of Directors, or by any committee thereof, at a duly held meeting may be taken without a meeting if all members of the Board of Directors or of the committee (then in office), as the case may be, consent in writing to the adoption of a resolution authorizing the action. Such resolution and such written consent shall be filed with the minutes of the proceedings of the Board of Directors or of the committee, as applicable.

Section 9.14 **Personal Attendance by Conference Communication Equipment.** Any Director and any committee member may participate in a meeting of the Board of Directors or of such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at the meeting.

Section 9.15 **Compensation.** Directors shall not receive compensation from the Plan for their services in their capacity as Directors but, by resolution of the Board of Directors, a fixed sum and reimbursement of expenses may be paid to Directors for attendance at each meeting of the Board. Nothing in this Section shall be construed to preclude a Director from serving the Plan in any other capacity and receiving compensation in such capacity.

## ARTICLE 10. POWERS OF THE BOARD OF DIRECTORS

Section 10.01 **Powers of the Board of Directors**. Subject to the voting and quorum requirements set forth in this Agreement, the Board of Directors is authorized and/or required to take action on the following matters:

(a) Shall design the benefits provided by the Plan and prepare the Summary Plan Description Documents in accordance with Section 4709 of the Insurance Law.

(b) May enter into a Claims Administration Agreement with a Claims Administrator, determined by the Board of Directors to be qualified, to receive, investigate, recommend, audit, approve or make payment of claims under the Plan, provided that:

(i) the charges, fees, and other compensation for any contracted services shall be clearly stated in written administrative services contract as required in Section 92-a(6) of the General Municipal Law;

(ii) payment for contracted services shall be made only after such services are rendered;

(iii) no Director or any member of such Director's immediate family shall be an owner, officer, director, partner, or employee of any Claims Administrator retained by the Plan; and

(iv) all such agreements shall comply with the requirements of Section 92-a(6) of the General Municipal Law.

(c) Shall be authorized to purchase Stop-Loss Insurance on behalf of the Plan, to the extent required by Section 4707 of the Insurance Law.

(d) Shall be authorized to establish a joint fund or funds to finance all Plan expenditures, Medical Claims Expenses, Reserves, Surplus, Administrative Expenses, Stop-Loss Insurance, and other expenses.

(e) Shall prepare an annual budget for the Plan to determine the Premium Equivalent Rates for Participants to be deposited in the Plan's joint fund or funds during the fiscal year, provided that:

(i) the Board of Directors shall designate the bank or trust company in which joint funds, including reserve funds, are to be deposited and which shall be located in New York State, duly chartered under federal law or the laws of New York State; and

(ii) the Board of Directors shall establish the Premium Equivalent Rates for Participants on the basis of a Community Rating Methodology filed with and approved by the Superintendent, and, in determining the annual Premium Equivalent, the Board of Directors:

1) may contract for necessary actuarial services to estimate expected plan expenditures during the fiscal year;

2) shall maintain Reserves in amounts equal to or exceeding the minimum amounts required by Section 4706 of the Insurance Law; and

3) shall maintain a Stop-Loss policy or policies, to the extent required by Section 4707 of the Insurance Law.

(f) Shall be authorized to assess Participants for additional Assessment Contributions, if actual losses due to Medical Claims Expenses, Administrative Expenses, and Reserve and Surplus requirements exceed amounts held in the Plan's joint funds.

(g) Shall be authorized to refund amounts in excess of Reserves and Surplus required by Section 4706 of the Insurance Law and anticipated expenses in the Plan's joint funds for Participants, or retain such excess amounts or a portion thereof and apply such amounts in preparing the Plan's budget for the following year.

(h) Shall be authorized to fill any vacancy in any of the Officers of the Plan.

(i) Shall be authorized to fix the frequency, time, and place of regular Board of Directors meetings.

(j) Shall be authorized to audit receipts and disbursements of the Plan and provide for independent audits, and periodic financial and operational reports to Participants.

(k) Shall hold responsibility for the maintenance of accurate records and books of account in regard to the Plan.

(l) Shall establish administrative guidelines for the efficient operation of the Plan.

(m) Shall establish financial regulations for the entry of new Participants into the Plan consistent with all applicable legal requirements and this Agreement.

(n) Shall designate a Director to retain custody of all reports, statements, and other documents of the Plan and take minutes of each Board of Directors meeting which shall be acted on by the Board of Directors at a subsequent meeting.

(o) Shall choose the certified public accountant and the actuary to provide the reports required by this Agreement and any applicable law.

(p) Shall designate an attorney-in fact to receive summons or other legal process in any action, suit, or proceeding arising out of any contract, agreement, or transaction involving the Plan. The Board of Directors designates the Plan's Chairperson and Vice-Chairperson as the Plan's initial attorneys-in fact.

(q) Shall be authorized to take all necessary action to ensure that the Plan obtains and maintains a Certificate of Authority in accordance with the laws of the State of New York.

(r) Shall be authorized to take any other action authorized by law and deemed necessary to accomplish the purposes of this Agreement.

## ARTICLE 11. BOARD COMMITTEES.

Section 11.01 **Executive Committee**. The Board of Directors may appoint an Executive Committee consisting of the Officers designated under Article 12 of the Agreement and three (3) other Directors, but the Committee shall not have more than seven (7) members. The non-Officer members of the Executive Committee shall be determined by a vote of the Board of Directors. The three nominees receiving the plurality of the votes cast shall be elected. Meetings of the Executive Committee shall be noticed and conducted in accordance with the terms of this Article 11, but meetings may only be called by the Chairperson of the Board, who shall be the Chairperson of the Executive Committee. The Executive Committee shall have the authority of the Board of Directors, except that the Committee shall not have authority with respect to the following matters: filling of vacancies on the Board of Directors; determining the amount of Assessment Contributions to be charged to the Participants and how such Assessment Contributions will be allocated among the Participants; determining Distributions; admission or termination of a Participant; incurring an expenditure greater than ten thousand dollars ($10,000), or incurring multiple expenditures in a Plan Year in excess of that amount for the same purpose; and, amendment or termination or merger of all or any portion of this Agreement. The purpose of the Executive Committee is to address operational matters that relate primarily to the approval of an expenditure of money and that need to be addressed prior to a scheduled Board of Directors meeting.

Section 11.02 **Standing Committees**. The Board of Directors may appoint, from time to time, one or more Standing Committees of the Board of Directors, which shall consist of three (3) or more Directors. At least one Participant of the Standing Committee(s) will be a Director representing a Union, provided that one of the Union Directors is willing to serve on the

Standing Committee. Committees of the Board of Directors shall have such powers as are conferred upon them by the Board of Directors.

Section 11.03 **Board Committee Quorum**. A majority of the members of a committee of the Board shall constitute a Quorum for the transaction of any item of business of such committee. The committee of the Board of Directors may make other rules for the conduct of its business. Members of any committee of the Board of Directors may be removed from office in the same manner as Officers of the Plan may be removed from office.

Section 11.04 **General Committees.** The Board of Directors may appoint, from time to time, one or more committees of the Plan. A majority of the members of the committee shall constitute a Quorum. The committee may make other rules for the conduct of its business. The committee shall have authority only to make recommendations to the Board of Directors, and such recommendations shall be subject to review and revision or approval by the Board of Directors. Members of a committee may be removed from office in the same manner as Officers of the Plan may be removed from office.

## ARTICLE 12. OFFICERS

Section 12.01 **Election of Officers.** The Board of Directors shall elect a Chairperson and a Vice-Chairperson of the Board, a Secretary and a Treasurer, and such other Officers (collectively, the "Officers"), with such powers as it shall determine each year at its annual meeting, and thereafter if necessary to fill a vacancy. Each Officer shall be a member of the Board of Directors and shall serve for a term of one (1) year and until his/her successor is duly elected and qualified, or until his/her earlier death, resignation or removal. Any two offices may be held by the same person. There shall be at least two individuals acting as Officers at all times. Any vacancies in any office may be filled by the Board of Directors.

Section 12.02 **Removal.** Any Officer of the Plan may be removed at any time, with or without cause, by the affirmative vote of a majority of the entire Board of Directors (determined based on the Directors then in office).

Section 12.03 **Compensation.** Officers shall not receive compensation from the Plan for their services in their capacity as Officers. The Officers may be reimbursed for reasonable expenses incurred in connection with the discharge of their duties as an Officer of the Plan. Nothing in this Section shall be construed to preclude an Officer from serving the Plan in any other capacity and receiving compensation in such capacity.

Section 12.04 **Chairperson/Vice-Chairperson.** The Chairperson shall preside at all meetings of the Board of Directors. At the request of the Chairperson or in his/her absence or inability to act, the Vice-Chairperson shall perform the duties and exercise the functions of the Chairperson.

Section 12.05 **Secretary.** The Secretary shall keep full minutes of all meetings of Board of Directors. The Secretary shall see that all notices are duly given in accordance with the provisions of this Agreement. The Secretary shall be the custodian of the records, reports, statements, and other documents of the Plan. The Secretary shall have such other powers and duties as may be properly designated by the Board of Directors. The Secretary is employed by the Brighton Central School District.

Section 12.06 **Treasurer.** The Treasurer shall act as the Chief Fiscal Officer of the Plan. The Treasurer shall have such powers and duties as may be properly designated by the Board of Directors. The Treasurer is employed by Monroe 2-Orleans BOCES.

## ARTICLE 13. CHIEF FISCAL OFFICER

Section 13.01 **Chief Fiscal Officer**. The Chief Fiscal Officer of the Plan shall be the Treasurer of the Board of Directors. The Chief Fiscal Officer, an employee of Monroe 2- Orleans BOCES, shall act as the chief financial administrator of the Plan and disbursing agent, on behalf of Monroe 2-Orleans BOCES, for all payments made by the Plan. The Chief Fiscal Officer, through Monroe 2-Orleans BOCES, shall provide, coordinate, and/or contract certain services ("Coordination Services") for the Plan, including: (1) clerical services, (2) monthly invoicing, (3) receiving and accounting for premium receipts and depositing the same into a separate bank account of the Plan, (4) payment processing, (5) accounting, (6) reporting, (7) auditing and actuarial services, (9) office space and facilities and (10) office supplies and services for the Plan. These Coordination Services shall be provided to the Plan by Monroe 2-Orleans BOCES (acting through the Chief Fiscal Officer) at no cost to the Plan. The Chief Fiscal Officer shall be a fiscal officer of a Participant.

Section 13.02 **Powers of the Chief Fiscal Officer**. The Chief Fiscal Officer shall be responsible for the following duties:

(a) shall have custody of all monies received by the Plan or made available for expenditure under the Plan;

(b) shall, notwithstanding any provisions of the General Municipal Law, make payment in accordance with the procedures developed by the Board of Directors and acceptable to the Superintendent; and

(c) may invest monies not required for immediate expenditure in the types of investment specified in the General Municipal Law or the New York Education Law (as applicable) for temporary investments or as otherwise expressly permitted by the Superintendent.

Section 13.03 **Compensation**. The Chief Fiscal Officer shall receive no remuneration from the Plan. The Plan may reimburse the Participant that employs the Chief Fiscal Officer for reasonable expenses incurred in connection with the duties of the Chief Financial Officer in connection with the Plan.

Section 13.04 **Bond**. The Chief Fiscal Officer shall be adequately bonded by Monroe 2-Orleans BOCES for all monies received from the Participants in accordance with the provisions of the education law, general municipal law, and public officers law, as applicable, for the protection of the employees and retirees and their dependents covered by the Plan. The amount of such bond shall be established annually by the Plan in such monies and principal amount as may be required by the Superintendent.

Section 13.05 **Depositing of Plan Funds**. All moneys collected from the Participants by the Chief Fiscal Officer in connection with the Plan shall be deposited in accordance with the policies of Monroe 2-Orleans BOCES, and shall be subject to the provisions of applicable general municipal or education law governing the deposit of municipal funds.

Section 13.06 **Accounting of Plan Funds**. The Chief Fiscal Officer shall account for the Plan's Reserves fund separate and apart from all other funds of the Plan, and such account shall show:

(a) the purpose, source, date, and amount of each sum paid into the fund;

(b) the interest earned by such funds;

(c) capital gains or losses resulting from the sale of investments of the Plan's Reserves;

(d) the order, purpose, date, and amount of each payment from the Reserves; and

(e) the assets of the fund, indicating cash balance and schedule of investments.

Section 13.07 **Annual Reserves Report**. Within ninety (90) days after the end of each Plan Year, the Chief Fiscal Officer shall furnish to the Board of Directors a detailed report of the operation and condition of the Plan's Reserves.

Section 13.08 **Annual Fiscal Reports**. The Chief Fiscal Officer shall cause to be prepared and furnished to the Board of Directors, to Participants, to unions which are the exclusive bargaining representatives of Enrollees, and to the Superintendent:

(a) an annual audit, and opinions thereon, by an independent certified public accountant, of the financial condition, accounting procedures, and internal control systems of the Plan;

(b) an annual report and quarterly reports describing the Plan's current financial status; and

(c) an annual independent actuarial opinion on the financial soundness of the Plan, including the actuarial soundness of Contingent Assessment Liability or Premium Equivalents Rates and Reserves, both as paid in the current Plan Year and projected for the next Plan Year.

## ARTICLE 14. INDEMNIFICATION

Section 14.01 **Generally.** Each Person who was or is made a party to or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he/she/it or his/her/its is or was an Officer, committee member, Participant, Union, representative of a Participant or a Union, or Director of the Plan (an "Indemnitee"), shall be indemnified and held harmless by the Plan against all expense, liability and loss, including without limitation excise taxes or penalties, judgments, fines, penalties, amounts paid in settlement (provided the Board of Directors shall have given its prior consent to such settlement, which consent shall not be unreasonably withheld by it) and reasonable expenses, including attorneys' fees, suffered or incurred by such Indemnitee in connection therewith, and such indemnification shall continue as to an Indemnitee who has ceased to be an Officer, committee member, Participant, Union, representative of a Participant or a Union, or Director and shall inure to the benefit of the Indemnitee's heirs, representatives, and fiduciaries, provided that such Person acted in good faith, for a purpose which he or she reasonably believed to be in, or, in the case of service for any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise, not opposed to, the best interests of the Plan and, in criminal actions or proceedings, in addition, had no reasonable cause to believe that his or her conduct was unlawful, and further provided, however, that no indemnification may be made to or on behalf of any Indemnitee (i) if his/her/its acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated or otherwise disposed of, (ii) if he/she/it personally gained in fact a financial profit or other advantage to which he/she/it was not legally entitled, or (iii) for any excise tax, penalties, judgments, or fines that are the result of a Participant's determinations with respect to eligibility rules for its Employees to participate in the Plan or a Participant's failure to satisfy a legal obligation imposed on the Participant with respect to its participation in the Plan. Notwithstanding the foregoing, except as contemplated by Section 14.03 of this Agreement, the Plan shall indemnify any such Indemnitee in connection with a proceeding (or part thereof) initiated by such Indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors.

Section 14.02 **Advancement of Expenses.** All expenses reasonably incurred by an Indemnitee in connection with a threatened or actual proceeding with respect to which such Indemnitee is or may be entitled to indemnification under this Article 14 shall be advanced to him/her/it or promptly reimbursed by the Plan in advance of the final disposition of such proceeding, upon receipt of an undertaking satisfactory to the Board of Directors by him/her/it or on his/her/its behalf to repay the amount of such advances, if any, as to which he/she/it is ultimately found not to be entitled to indemnification or, where indemnification is granted, to the extent such advances exceed the indemnification to which he/she/it is entitled. Such person shall cooperate in good faith with any request by the Plan that common counsel be used by the parties to any proceeding who are similarly situated unless to do so would be inappropriate due to an actual or potential conflict of interest.

Section 14.03 **Procedure for Indemnification.** Not later than thirty (30) days following final disposition of a proceeding with respect to which the Plan has received written request by an Indemnitee for indemnification pursuant to this Article 14 or with respect to which there has been an advancement of expenses pursuant to Section 14.02 of this Agreement, the Board of Directors shall meet and find whether the Indemnitee met the standard of conduct set forth in Section 14.01 of this Agreement and, if it finds that he/she/it did, or to the extent it so finds, the Board of Directors shall authorize such indemnification.

(a) Such standard shall be found to have been met unless: (i) a judgment or other final adjudication adverse to the Indemnitee established that the standard of conduct set forth in Section 14.01 of this Agreement was not met; or (ii) if the proceeding was disposed of other than by judgment or other final adjudication, the Board of Directors finds in good faith that, if it had been disposed of by judgment or other final adjudication, such judgment or other final adjudication would have been adverse to the Indemnitee and would have established that the standard of conduct set forth in Section 14.01 of this Agreement was not met.

(b) If the Board of Directors fails or is unable to make the determination called for by Section 14.03(a), or if indemnification is denied, in whole or part, because of an adverse finding by the Board of Directors, or because the Board of Directors believe the expenses for which indemnification is requested to be unreasonable, such action, inaction or inability of the Board of Directors shall in no way affect the right of the Indemnitee to make application therefor in any court having jurisdiction therein. In such action or proceeding, or in a suit brought by the Plan to recover an advancement of expenses pursuant to the terms of an undertaking, the issue shall be whether the Indemnitee met the standard of conduct set forth in Section 14.01 of this Agreement, or whether the expenses were reasonable, as the case may be (not whether the finding of the Board of Directors with respect thereto was correct). If the judgment or other final adjudication in such action or proceeding establishes that the Indemnitee met the standard set forth in Section 14.01 of this Agreement, or that the disallowed expenses were reasonable, or to the extent that it does, the Board of Directors shall then find such standard to have been met or the expenses to be reasonable, as the case may be, and shall grant such indemnification, but shall not grant to the Indemnitee indemnification of the expenses incurred by him/her/it in connection with the action or proceeding resulting in the judgment or other final adjudication that such standard of conduct was met, or relating to the reasonableness of the expenses. Neither the failure of the Board of Directors to have made timely a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in Section 14.01 of this Agreement, nor an actual determination by the Board of Directors that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct. In any suit brought by the Indemnitee to enforce a right to indemnification, or by the Plan to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to indemnification, under this Article 14 or otherwise, shall be on the Plan.

(c) A finding by the Board of Directors pursuant to this Section 14.03 that the standard of conduct set forth in Section 14.01 of this Agreement has been met shall mean a finding: (i) by the Board of Directors acting by a quorum consisting of Board of Directors who are not parties to such proceeding; or (ii) if such a quorum is not obtainable, or if obtainable, such a quorum so directs, by the Board of Directors upon the written opinion of independent legal counsel that indemnification is proper in the circumstances because the applicable standard of conduct has been met, or by the Participants upon a finding that such standard of conduct has been met.

Section 14.04 **Contractual Article.** The rights conferred by this Article 14 are contract rights which shall not be abrogated by any amendment, repeal, termination or expiration of this Article 14, with respect to events occurring prior to such amendment, repeal termination or expiration, and shall be retroactive to events occurring prior to the adoption of this Article 14. This Article 14 shall be binding on any successor to the Plan.

Section 14.05 **Non-Exclusivity.** The indemnification provided by this Article 14 shall not be deemed exclusive of any other rights to which any Person covered hereby may be entitled other than pursuant to this Article 14. The Plan is authorized to enter into agreements with any such Person providing rights to indemnification or advancement of expenses in addition to the provisions set forth in this Article 14, and the Participants and the Board of Directors are authorized to adopt, in their discretion, resolutions providing any such person with any such rights.

Section 14.06 **Indemnification of Employees and Agents of the Plan.** The Plan may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and the advancement of expenses to any employee or agent of the Plan with the same scope and effect as provided by this Article 14.

Section 14.07 **Insurance.** The Plan may, to the extent determined by the Board of Directors, purchase insurance in order to insure the Plan's obligations set forth in this Article 14.

## ARTICLE 15. WITHDRAWAL OF PARTICIPANT

Section 15.01 **Withdrawal of Participant.** A Participant shall have the right to withdraw from the Plan, but such withdrawal shall be effective only on January 1st of the next Plan Year following the Plan Year in which the Participant provides notice in accordance with Section 15.02.

Section 15.02 **Notice of Intention to Withdrawal.** Notice of intention of a Participant withdraw must be given in writing to the Chairperson and the Treasurer by April 1st of the Plan Year immediately preceding the January 1st withdrawal date. After such notice is given, the Participant and the Board of Directors will review the impact of the withdrawal on the Participant and the Plan, and the Participant shall then confirm or revoke its decision to withdraw by written notice given on or before September 1st of the Plan Year immediately preceding the January 1st withdrawal date. Failure to provide the required written notices in a timely manner as required herein shall render the Participant's attempt to withdraw from the Plan null and void, and the Participant's membership and obligations under the Agreement shall automatically extend for another Plan Year, unless the Board of Directors shall consent to an earlier withdrawal of the Participant.

Section 15.03 **Liability of Withdrawing Participant**. Any withdrawing Participant shall be responsible for its pro rata share of any Plan Deficit, and shall satisfy any other obligation relating to the Participant's membership in the Plan (including any Assessment Contribution required under Section 4.03(b)). The withdrawing Participant shall not be entitled to share in any Plan surplus.

## ARTICLE 16. TERMINATION OF PARTICIPANT

Section 16.01 **Termination of Participant**. A Participant's membership in the Plan may be terminated by the Board of Directors upon the occurrence of either of the following events:

(a) the Participant does not satisfy the membership criteria as set forth in this Agreement and as established from time to time by the Board of Directors; or

(b) the Participant breaches any of its obligations under the terms of this Agreement and does not cure such breach within fifteen (15) days after written notice of the breach.

Section 16.02 **Liability of Terminated Participant**. A terminated Participant shall be responsible for its pro rata share of any Plan Deficit, and shall satisfy any other obligation relating to the Participant's membership in the Plan (including any Assessment Contribution required under Section 4.03(b)). The terminated Participant shall not be entitled to share in any Plan surplus.

## ARTICLE 17. DISSOLUTION, TERMINATION, WINDING UP, AND MERGER OF THE PLAN

Section 17.01 **Dissolution.** The Board of Directors, by a two-thirds (2/3) vote of the entire Board, may determine that the Plan shall be dissolved and terminated. The Board shall inform the Superintendent and submit a plan for the Superintendent's approval for winding up the Plan's affairs in accordance with Section 4713 of the New York Insurance Law.

Section 17.02 **Notification to Superintendent and Winding Up**. Upon determination to dissolve the Plan, the Board of Directors shall provide notice of its determination to the Superintendent. The Board of Directors shall develop and submit to the Superintendent for approval a plan for winding-up the Plan's affairs in an orderly manner designed to result in timely payment of all benefits.

Section 17.03 **Deficit/Surplus Payment**. Upon termination of this Agreement, or the Plan, each Participant shall be responsible for its pro rata share of any Deficit or shall be entitled to any pro rata share of Surplus that exists, after the affairs of the Plan are closed. No part of any funds of the Plan shall be subject to the claims of general creditors of any Participant until all Plan benefits and other Plan obligations have been satisfied. The Plan's Surplus or Deficit shall be based on actual expenses. These expenses will be determined one year after the end of the Plan Year in which this Agreement or the Plan terminates. Any Surplus or Deficit shall include recognition of any claims/expenses incurred at the time of termination, but not yet paid. Such pro rata share shall be based on each Participant's relative Premium Equivalent contribution to the Plan as a percentage of the aggregate Premium Equivalent contributions to the Plan during the period of participation. This percentage amount would then be applied to the Surplus or Deficit which exists at the time of termination.

Section 17.04 **Termination.** Upon completion of the dissolution, winding up, liquidation, and distribution of the assets of the Plan, the Plan shall be deemed terminated.

Section 17.05 **Merger.** The merger of this Plan with any other plan shall require the approval of two-thirds (2/3) of all of the Board of Directors.

## ARTICLE 18. REPORTING & RECORDKEEPING REQUIREMENTS

Section 18.01 **Reporting Requirements**. The Board of Directors, through its Officers, agents, or delegates, shall ensure that the following reports are prepared and submitted in accordance with Section 4710 of the Insurance Law:

(a) annually, not later than one-hundred twenty (120) days after the close of the Plan Year, file a report with the Superintendent showing the financial condition and affairs of the Plan, including an annual independent financial audit statement and independent actuarial opinion, as of the end of the preceding Plan Year.

   (i) The Board of Directors shall provide the annual report of the Plan to all Participants and to all Unions which are the exclusive collective bargaining representatives of Enrollees. This annual report shall be made available for inspection to all Enrollees.

(b) The Board of Directors shall file a report each quarter with the Superintendent describing the Plan's current financial status and providing such information as the Superintendent may prescribe.

(c) The Board of Directors shall submit to the Superintendent a report describing any material changes in any information provided in the original application for a Certificate of Authority. Such reports shall be in such form, and containing such additional content, as may be required by the Superintendent.

Section 18.02 **Records**. The Secretary shall have the custody of all records and documents, including financial records, associated with the operation of the Plan. Each Participant may request records and documents that are reasonably related to its interest in the Plan by providing a written request to the Chairperson and Chief Fiscal Officer. The Plan shall respond to each request no later than fifteen (15) days after its receipt thereof, and shall include all information which can be provided under applicable law (including, but not limited to, the HIPAA Privacy Rules).

## ARTICLE 19. HIPAA COMPLIANCE

Section 19.01 **Compliance With HIPAA.** The Plan Document will contain provisions as described below to comply with HIPAA.

Section 19.02 **General Requirements.** The Plan may disclose PHI to a Participant or allow a Claims Administrator to make a disclosure to the Participant in the following circumstances:

(a) The Plan or a Claims Administrator on behalf of the Plan may disclose Summary Health Information to a Participant if the Participant requests the Summary Health Information for the purpose of obtaining premium bids from Insurers for providing health insurance coverage under the Plan, or modifying, amending or terminating the Plan.

(b) The Plan or Claims Administrator on behalf of the Plan may disclose to a Participant information on whether an Employee is participating in the Plan, or is enrolled in or has disenrolled from the Plan.

(c) The Plan or a Claims Administrator on behalf of the Plan may disclose PHI to a Participant if the disclosure is made for a Plan Administration Function or if the disclosure is made pursuant to an authorization that is in compliance with the HIPAA Rules.

(d) Disclosure of PHI to the Participant by the Plan or by Claims Administrator on behalf of the Plan may occur provided such use and disclosure of PHI are in accordance with the requirements of the HIPAA Rules and this Article.

Section 19.03 **Implementation Specifications.**

(a) The Plan and Claims Administrator on behalf of the Plan may disclose PHI to a Participant provided that the Participant agrees to the following, which the Participant has done by executing this Agreement:

(i) the Participant will not use or further disclose the PHI other than as permitted or required by the Plan or as required by law;

(ii) the Participant will ensure that any agent, including a subcontractor, to whom the Participant provides PHI received from the Plan or Claims Administrator on behalf of the Plan agrees to the same restrictions and conditions that apply to the Participant with respect to the PHI;

(iii) the Participant will not use or disclose the PHI for employment-related actions and decisions or in connection with any other benefit or employee benefit plan of the Participant;

(iv) the Participant will report to the Plan any use or disclosure of PHI that is inconsistent with the uses or disclosures provided for, if and when it becomes aware of such a situation;

(v) the Participant will make PHI available in accordance with the access provisions of the HIPAA Rules;

(vi) the Participant will make PHI available for amendment and incorporate any amendments to PHI in accordance with the amendment provisions of the HIPAA Rules;

(vii) the Participant will make PHI available required to provide an accounting of disclosures in accordance with the accounting provisions of the HIPAA Rules;

(viii) the Participant will make its internal practices, books and records relating to the use and disclosure of PHI received from the Plan or Claims Administrator on behalf of the Plan available to the Secretary of Health and Human Services for purposes of determining compliance by the Plan with the HIPAA Rules;

(ix) the Participant will, if feasible, return or destroy all PHI received from the Plan or Claims Administrator on behalf of the Plan that the Participant still maintains in any form and retain no copies of such information when no longer needed for the purpose for which the disclosure was made, except that, if such return or destruction is not feasible, the Participant will limit further use and disclosure to those purposes that make the return or destruction of the information infeasible; and

(x) the Participant will ensure that there is adequate separation between the Participant and the Plan as described below.

(b) In order to create adequate separation between the Plan and the Participant, the Plan will do the following:

(i) describe those employees or classes of employees or other persons under the control of the Participant who will be given access to PHI, provided that any employee or person who receives PHI relating to payment under, health care operations of, or other matters pertaining to the Plan in the ordinary course of business must be included in such descriptions;

(ii) PHI will be disclosed to the Participant for use only as necessary to fulfill Plan Administration Functions that the Participant performs for the Plan; and

(iii) the Plan will provide an effective mechanism for resolving any issues of non-compliance by such individuals with the requirements set forth in this Article.

(c) The Participant may only use or disclose PHI if:

(i) the Participant has properly received the PHI from the Plan or Claims Administrator on behalf of the Plan;

(ii) the use and disclosure of the PHI is required or permitted by the Plan; and

(iii) such use and disclosure complies with the requirements of the HIPAA Rules and this Article.

(d) The Plan, with respect to disclosure of PHI to a Participant, may do the following:

(i) disclose PHI to a Participant to carry out Plan Administration Functions that the Participant performs, provided that the Participant abides by the restrictions set forth in this Article;

(ii) not permit Claims Administrator to disclose PHI to a Participant, except as permitted by the HIPAA Rules or this Article;

(iii) not disclose PHI or permit Claims Administrator to disclose PHI to a Participant as otherwise permitted, unless a statement regarding such disclosure is included in the Plan's Privacy Notice; and

(iv) not disclose PHI to a Participant for the purpose of employment-related actions or decisions or in connection with any other benefit or employee benefit plan of the Participant.

## ARTICLE 20. MISCELLANEOUS PROVISIONS

Section 20.01 **Amendment of this Agreement**. Any change or amendment to this Agreement shall require the unanimous approval of the Participants, as authorized by a majority vote of their respective governing bodies. Any such change or amendment shall be submitted to the Superintendent of Financial Services for approval.

Section 20.02 **Confidentiality**. Nothing contained in this Agreement shall be construed to waive any right that a covered person (i.e. an Enrollee) possesses under the Plan with respect to the confidentiality of medical records and that such rights may only be waived upon the written consent of such covered person.

Section 20.03 **Performance**. Each Participant will perform all acts and execute and deliver all other documents as may be necessary or appropriate to carry out the intended purposes of this Agreement.

Section 20.04 **Notices.** All notices, demands or requests provided for or permitted to be given pursuant to this Agreement must be in writing and shall be given in accordance with Section 9.10 of this Agreement. Notices may be signed and given by the attorney for any party delivering a notice hereunder.

Section 20.05 **Merger.** This Agreement contains the sole and entire agreement and understanding of the parties with respect to its subject matter. Except as provided in this Agreement, any and all prior discussions, negotiations, commitments, and understandings relating thereto are hereby merged in this Agreement.

Section 20.06 **Article 47 Agreement.** This Agreement is intended to be a municipal cooperation agreement for the provision of joint services as described in Article 47 of the New York Insurance Law. The Participants have determined that they can provide health benefits for the Enrollees at a significant cost savings by being a Participant in the Plan.

Section 20.07 **No Guarantee of Tax Consequences.** Neither the Plan nor the Participants make any commitment or guarantee that any amounts paid to or for the benefit of an Enrollee under the Plan shall be excludable from the Enrollee's gross income for federal or state income tax purposes, or that any other federal or state tax treatment shall apply to or be available to any Enrollee. It shall be the obligation of each Enrollee to determine whether such payment under the Plan is excludable from the Enrollee's gross income for federal or state income tax purposes, and to notify the employing Participant if the Enrollee has reason to believe that any such payment is not so excludable.

Section 20.08 **Quality of Health Services.** The selection by the Board of the Coverage Options that may be offered under the Plan does not constitute any warranty, express or implied, as to the quality, sufficiency or appropriateness of the services that may be provided by any health care or other service provider, nor do the Plan or Participants assume or accept any responsibility with respect to the denial by any prospective provider of access to, or financial support for, any service, whether or not such denial is appropriate under the circumstances. Each Enrollee for whom enrollment is provided under any coverage agrees, as a condition of such enrollment, that such Enrollee will look only to appropriately certified or licensed providers, and not to the Plan or Participants, for health care or other services, and further that the Enrollee releases, discharges, indemnifies and holds harmless the Participants, the Plan, their respective employees, officers, designees, board members, and all other persons associated with them, with respect to all matters relating to: (a) the quality, sufficiency and appropriateness of health care or other services provided; (b) the failure by any provider to provide any service needed, or to properly obtain informed consent prior to rendering or withholding any service, regardless of the reason for such failure; and (c) professional malpractice by a service provider.

Section 20.09 **Dispute Resolution.** If a dispute arises with respect to any Participant's participation in the Plan, a dispute will be submitted to a dispute resolution committee created by the Board of Directors (the "Dispute Committee"). The Dispute Committee will investigate the dispute and make a recommendation to the Board of Directors regarding resolution of the dispute. The Board of Directors will then make a final determination regarding resolution of the dispute. If the Participant who is the subject of the dispute disagrees with the Board of Director's determination, then either the Participant or the Plan may pursue legal action to seek resolution of the dispute.

Section 20.10 **Governing Law.** This Agreement and the obligations of the Participants hereunder shall be operated and performed and interpreted, construed and enforced in accordance with all applicable laws of the State of New York without reference to the principles of conflicts of laws and all applicable federal laws.

Section 20.11 **Waiver.** No consent or waiver, express or implied, by any Participant to any breach or default by another or the performance by another of its obligations under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligation of such Participant under this Agreement.

Section 20.12 **Severability.** If any provision of this Agreement or the application of the provisions of this Agreement shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the extent permitted by law. If any court determines that any provision of this Agreement, or any part thereof, is unenforceable for any reason, then there shall be added to this Agreement a legal, valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible.

Section 20.13 **Captions.** The captions used in this Agreement are inserted for convenience only and are not part of this Agreement.

Section 20.14 **Gender.** The masculine, feminine or neuter pronouns used in this Agreement shall be deemed to include the masculine, feminine or neuter genders, as appropriate.

Section 20.15 **Binding Agreement.** Subject to the restrictions on transfers set forth in this Agreement, this Agreement shall inure to the benefit of and be binding upon the Participants and their respective legal representatives, successors and assigns.

Section 20.16 **Counterparts Execution.** This Agreement may be executed in one or more counterparts each of which, when executed and delivered, shall be an original but all of which together shall constitute one and the same agreement. This Agreement may also be executed by having each Participant sign a separate copy of the signature page, which, when combined, shall constitute the required execution of this Agreement.

Section 20.17 **Failure of Performance.** If a Participant fails in a due performance of any of its obligations under the terms of this Agreement, the Plan will have the right, at its election, to sue for damages for such breach and to seek such legal and equitable remedies as may be available to it, including the right to recover all reasonable expenses, which shall include reasonable legal fees and court costs, incurred to sue for damages or to seek such other legal and equitable remedies. Nothing contained herein shall be construed to restrict or impair the rights of the Plan to exercise this election. All rights and remedies herein provided or existing at law or in equity shall be cumulative of each other and may be enforced concurrently therewith or from time to time.

Section 20.18 **Periodic Review.** The Board of Directors shall appoint a committee of at least seven (7) members of the Board of Directors who shall be responsible for reviewing, at least annually, the terms and conditions of this Agreement. The results of its review shall be submitted to the Board of Directors for review and possible action.

Section 20.19 **Survival.** Every provision of this Agreement shall survive the expiration or termination of this Agreement, or to the extent applicable a withdrawal of a Participant, if specifically provided in this Agreement, or if necessary to complete performance under the terms of this Agreement, or if necessary to protect the right of any Person granted under the terms of this Agreement (e.g., Article 6, Article 14, Article 15, Article 19, and Article 20).

Section 20.20 **Attorney-in-Fact.** The Plan's Chairperson and Vice-Chairperson are designated to receive, on behalf of the Plan, service of a summons or other legal process in any action, suit or proceeding arising out of any contract, agreement or transaction involving the Plan. Summons or other legal process may be served upon either the Chairperson or Vice-Chairperson; service upon either will constitute effective service.

Section 20.21 **Union's Participation in the Plan.** Any participation or involvement in: (a) the formation of the Plan; or (b) the activities of the Board of Directors by any Union or any collective bargaining representative shall not constitute a waiver by the Union or any collective bargaining representative, or the employees represented by the Union or collective bargaining representative, of their rights under their respective collectively bargained agreements or under Civil Service Law Article 14. In the event there exists a conflict or inconsistency between (a) the terms of this Agreement and any documents entered into by the Plan, and (b) the terms of a collectively bargained agreement covering any Enrollee, then the terms and conditions of the collectively bargaining agreement shall take priority and shall be deemed controlling. However, a collectively bargained agreement shall not create an obligation on the part of the Plan that does not exist in this Agreement. For example, a collectively bargained agreement shall not create an obligation on the part of the Plan to offer a Coverage Option other than as described in this Agreement.

## ARTICLE 21. APPROVAL, RATIFICATION, AND EXECUTION

Section 21.01 **Condition Precedent.** As a condition precedent to execution of this Agreement and membership in the Plan, each eligible municipal corporation desiring to be a Participant shall obtain approval of the terms and conditions of this Agreement by a majority vote of the municipal corporation's governing body.

Section 21.02 **Resolution**. Prior to execution of this Agreement by a Participant, the Participant shall provide the Chairperson with the resolution of the Participant's governing body approving by majority vote the municipal corporation's participation in this Plan and expressly approving the terms and conditions of this Agreement. Each presented resolution shall be attached to and considered a part of this Agreement.

Section 21.03 **Warranty**. By executing this Agreement, each signatory warrants that he/she has complied with the approval and ratification requirements herein and is otherwise properly authorized to bind the participating municipal corporation to the terms and conditions of this Agreement.

Adopted ______________________________ (Date)

**[Signature Page Follows]**

**ROCHESTER AREA SCHOOL HEALTH PLAN II**
**MUNICIPAL COOPERATIVE HEALTH BENEFIT PLAN**

**IN WITNESS WHEREOF,** the undersigned has caused this Agreement to be executed as of the date adopted by the Board of Directors of the Rochester Area School Health Plan II Municipal Cooperative Health Benefit Plan and subsequently adopted by all participating municipal corporations.

**Brighton Central School District**

By: ______________________

**Brockport Central School District**

By: ______________________

**Churchville-Chili Central School District**

By: ______________________

**East Irondequoit Central School District**

By: ______________________

**East Rochester Union Free School District**

By: ______________________

**Fairport Central School District**

By: ______________________

**Gates Chili Central School District**

By: ______________________

**Greece Central School District**

By: ______________________

**Hilton Central School District**

By: ______________________

**Honeoye Falls-Lima Central School District**

By: ______________________

**Penfield Central School District**

By: ______________________

**Pittsford Central School District**

By: ______________________

**Rush-Henrietta Central School District**

By: ______________________

**Spencerport Central School District**

By: ______________________

**Webster Central School District**

By: ______________________

**West Irondequoit Central School District**

By: ______________________

**Wheatland-Chili Central School District**

By: ______________________

**Monroe 1 BOCES**

By: ______________________

**Monroe 2-Orleans BOCES**

By: ______________________

**ROCHESTER AREA SCHOOL HEALTH PLAN II**
**MUNICIPAL COOPERATIVE HEALTH BENEFIT PLAN**

## SCHEDULE A

### Coverage Options

RASHP II 152 Extended Point of Service Plan

RASHP II 159 Value Point of Service Plan

RASHP II 160 Select Point of Service Plan

RASHP II High Deductible Health Plan

RASHP II Bronze Plan

# PITTSFORD CENTRAL SCHOOL DISTRICT

*PITTSFORD, NEW YORK*

*RECOMMENDATION FOR COMPETITIVE BID AWARD*

| | |
|---|---|
| TO: | Board of Education |
| FROM: | Darrin Kenney, Assistant Superintendent for Business<br>(Prepared by Karen L. Houston, Purchasing Agent) |
| BOE DATE: | October 10, 2017 |
| TOPIC: | Athletic Supplies & Equipment |
| Advertised Date: | September 12, 2017, *The Daily Record* |
| Bid Opening Date: | September 21, 2017 11:00 A.M. |
| FUNDS: | Athletic Department Budget |

**BE IT RESOLVED**, That the Board of Education of the Pittsford Central School District award a contract to the following vendors as low responsive bidders meeting specifications:

| Item Bid | RECOMMENDED VENDOR | AMOUNT | |
|---|---|---|---|
| **Athletic Supplies & Equipment** | Morley Athletic Supply, Inc. | $ | 9,009.58 |
| | Varsity Brands DBA BSN Sports | $ | 2,589.56 |
| | All American DBA Riddell | $ | 1,905.30 |
| | Triple Crown Sports | $ | 1,644.70 |
| | Laux Sporting Goods, Inc. | $ | 860.00 |
| | MFAC LLC | $ | 847.00 |
| | Aluminum Athletic Equipment | $ | 32.00 |
| | **TOTAL:** | $ | 16,888.14 |

**Comments:** Athletic Supplies & Equipment Contract is from date awarded by Board of Education through 6/30/18. The bid was reviewed by Scott Barker, Athletic Director; Jessica Zepp, Purchasing Assistant; and Karen L. Houston, Purchasing Agent. The bid is recommended for award on a line item basis to the lowest responsive and responsible bidder meeting all required bid specifications. Awarded bidders offer discounts on various manufacturer product lines ordered throughout the year. Items ordered are identified on an ongoing basis by the Athletic Director. Bid represents 38-items awarded and 30-items not awarded, 6 of which will be re-bid.

D. T. Kenney

Darrin Kenney, Assistant Superintendent for Business

# PITTSFORD CENTRAL SCHOOL DISTRICT

*PITTSFORD, NEW YORK*

*RECOMMENDATION FOR COMPETITIVE BID AWARD*

| | |
|---|---|
| TO: | Board of Education |
| FROM: | Darrin Kenney, Assistant Superintendent for Business<br>(Prepared by Karen L. Houston, Purchasing Agent) |
| BOE DATE: | October 10, 2017 |
| TOPIC: | Reconditioning & Laundering Interscholastic Sports Equipment & Uniforms |
| Advertised Date: | September 12, 2017, *The Daily Record* |
| Opened: | September 21, 2017, 11:00 A.M. |
| Budget: | Athletic Department |

**BE IT RESOLVED**, That the Board of Education of the Pittsford Central School District award a contract to the following vendor as low responsive bidder meeting all district specifications:

| | | | |
|---|---|---|---|
| **Riddell** | Reconditioning, Laundering (estimated) | $ | 21,207.50 |
| | New Replacement Equipment (estimated) | | 14,950.00 |
| | **Estimated Total** | $ | 36,157.50 |

**Comments:** The 2017-2018 Reconditioning & Laundering of Interscholastic Sports Equipment and Uniforms Bid begins date of Board of Education approval through 8/30/18. Riddell was the only bidder. Scott Barker, Athletic Director; Jessica Zepp, Purchasing Assistant; and Karen L. Houston, Purchasing Agent reviewed the bids. Riddell offers a 10% catalog discount for items not listed on bid.

D. T. Kenney

Darrin Kenney, Assistant Superintendent for Business

# PITTSFORD CENTRAL SCHOOL DISTRICT

*PITTSFORD, NEW YORK*

*RECOMMENDATION FOR COMPETITIVE BID AWARD*

| | |
|---|---|
| TO: | Board of Education |
| FROM: | Darrin Kenney, Assistant Superintendent for Business<br>(Prepared by Karen L. Houston, Purchasing Agent) |
| BOE DATE: | October 10, 2017 |
| TOPIC: | BOCES II Cooperative Fall Fine Paper Bid RFB-1816-17 |
| DATE ADVERTISED: | August 16, 2017, *Democrat & Chronicle* |
| DATE BID OPENING: | September 6, 2017 |
| TIME: | 2:00 PM |
| FUNDS: | Budget Each Department and Building |

**BE IT RESOLVED**, That the Board of Education of the Pittsford Central School District award a contract to the following vendors as low responsive bidders meeting specifications:

| ITEM BID | RECOMMENDED VENDOR |
|---|---|
| Copier Paper | WB Mason |
| | Veritiv Operating Corp |
| | Economy Paper |
| | Cascade School Supplies |

**Comments:** The BOCES II Cooperative Fine Paper Bid contract is 11/1/17 - 4/30/18. Pittsford and nineteen (19) Districts participated. The bid was reviewed by Rose Brennan, BOCES II Bid Coordinator, and Karen L Houston, Purchasing Agent. The awards are recommended to the responsive bidders who met all specifications for the bid. Items purchased from this bid are identified on an ongoing basis by budget managers in the departments and schools.

D. T. Kenney

Darrin Kenney, Assistant Superintendent for Business