

EDEN CENTRAL
SCHOOL DISTRICT, NEW YORK
*Basic Financial Statements, Required Supplementary
Information and Supplementary Information for the Year
Ended June 30, 2018 and Independent Auditors' Reports*

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
Eden 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 Eden Central School District, New York (the "District"), as of and for the year ended June 30, 2018, 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

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, 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 District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The 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 Supplementary Information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Drescher & Malecki LLP

September 19, 2018

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2018

As management of the Eden Central School District (the "District"), we offer 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, 2018. This document should be read in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of liabilities at June 30, 2018 by \$25,381,680 (*net position*). This consists of \$11,293,684 net investment in capital assets, \$10,035,319 restricted for specific purposes, and unrestricted net position of \$4,052,677.
- The District's total net position increased by \$2,843,537 during the year ended June 30, 2018.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balance deficit of \$1,219,631, a decrease of \$9,819,513 in comparison with prior year's fund balance of \$8,599,882. Excluding the Capital Projects Fund, the District's governmental funds combined ending fund balances totaled \$13,357,778, these funds increased by \$2,856,776 from the prior year.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$1,203,605, or approximately 4.7 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 9.3 percent of the General Fund's total fund balance of \$12,978,214 at June 30, 2018.
- The District's total bonded indebtedness decreased by \$1,050,000 as a result of a scheduled principal payments. Additionally, the District has \$20,150,000 of bond anticipation notes outstanding at June 30, 2018, as compared to \$13,800,000 in the prior year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements—The *government-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.

The *statement of net position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, school food service, and interest and other fiscal charges. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that 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—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. 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, Special Aid Fund, School Lunch Fund, Debt Service Fund and Capital Projects Fund, all of which are considered to be major.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains two fiduciary funds, the Private Purpose Trust Fund and the Agency Fund.

The fiduciary fund financial statements can be found on pages 17 and 18 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-45 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s net pension liability/(asset), the changes in the District’s total other postemployment benefits (OPEB) obligation and the District’s budgetary comparison for the General Fund. Required supplementary information and related notes to the supplementary information can be found on pages 46-53 of this report.

Other supplementary information is presented immediately following the required supplementary information in the Supplementary Information section of this report on pages 54-56.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,381,680 at June 30, 2018 as compared to \$22,538,143 at the close of the fiscal year ended June 30, 2017.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position

| | June 30, | |
|----------------------------------|----------------------|----------------------|
| | 2018 | 2017 |
| Current assets | \$ 21,841,900 | \$ 25,854,032 |
| Noncurrent assets | 29,944,094 | 17,134,798 |
| Total assets | <u>51,785,994</u> | <u>42,988,830</u> |
| Deferred outflows of resources | <u>7,715,767</u> | <u>7,656,880</u> |
| Current liabilities | 23,543,546 | 17,117,923 |
| Noncurrent liabilities | <u>8,131,383</u> | <u>10,495,129</u> |
| Total liabilities | <u>31,674,929</u> | <u>27,613,052</u> |
| Deferred inflows of resources | <u>2,445,152</u> | <u>494,515</u> |
| Net position: | | |
| Net investment in capital assets | 11,293,684 | 10,662,922 |
| Restricted | 10,035,319 | 10,082,260 |
| Unrestricted | <u>4,052,677</u> | <u>1,792,961</u> |
| Total net position | <u>\$ 25,381,680</u> | <u>\$ 22,538,143</u> |

The largest portion of the Districts’ net position, \$11,293,684, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District’s net position, \$10,035,319, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position of \$4,052,677 represents resources that may be used to meet the District’s ongoing operations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2018 and June 30, 2017:

Table 2—Condensed Statements of Changes in Net Position

| | Year Ended June 30, | |
|------------------------------------|----------------------|----------------------|
| | 2018 | 2017 |
| Program revenues: | | |
| Charges for services | \$ 587,584 | \$ 651,816 |
| Operating grants and contributions | 1,204,771 | 1,105,915 |
| General revenues | <u>27,754,342</u> | <u>26,299,172</u> |
| Total revenues | <u>29,546,697</u> | <u>28,056,903</u> |
| Program expenses | <u>26,695,479</u> | <u>26,109,688</u> |
| Transfer to Private Purpose Trust | <u>(7,681)</u> | <u>-</u> |
| Change in net position | 2,843,537 | 1,947,215 |
| Net position—beginning | <u>22,538,143</u> | <u>20,590,928</u> |
| Net position—ending | <u>\$ 25,381,680</u> | <u>\$ 22,538,143</u> |

Overall revenues increased by 5.3 percent from the prior year, due primarily to increases in state aid and real property taxes and other tax items. Total expenses increased by 2.2 percent from the year ended June 30, 2017, largely as a result of increased employee benefits related to the Teachers' Retirement System pension liability valuation.

A summary of sources of revenues for the years ended June 30, 2018 and June 30, 2017 is presented below in Table 3:

Table 3—Summary of Sources of Revenues

| | Year ended June 30, | | Increase/(Decrease) | |
|---|----------------------|----------------------|---------------------|---------|
| | 2018 | 2017 | Dollars | Percent |
| Charges for services | \$ 587,584 | \$ 651,816 | \$ (64,232) | (9.9) |
| Operating grants and contributions | 1,204,771 | 1,105,915 | 98,856 | 8.9 |
| Real property taxes and items | 14,296,274 | 13,712,548 | 583,726 | 4.3 |
| Non property tax items | 1,571,844 | 1,550,130 | 21,714 | 1.4 |
| Use of money and property | 57,860 | 45,166 | 12,694 | 28.1 |
| Sale of property and compensation for loss | 36,408 | 35,344 | 1,064 | 3.0 |
| State sources—unrestricted | 11,174,851 | 10,526,828 | 648,023 | 6.2 |
| Miscellaneous | 617,105 | 429,156 | 187,949 | 43.8 |
| Total revenues | <u>\$ 29,546,697</u> | <u>\$ 28,056,903</u> | <u>\$ 1,489,794</u> | 5.3 |

The most significant sources of revenue for the year ended June 30, 2018 were real property taxes and items of \$14,296,274, or 48.4 percent of total revenues, and unrestricted State sources of \$11,174,851 or 37.8 percent of total revenues. Similarly, for the year ended June 30, 2017, the largest sources of revenue were real property taxes and items of \$13,712,548, or 48.9 percent of total revenues, and unrestricted State sources of \$10,526,828 or 37.5 percent of total revenues.

A summary of program expenses for the years ended June 30, 2018 and June 30, 2017 is presented below in Table 4:

Table 4—Summary of Program Expenses

| | Year ended June 30, | | Increase/(Decrease) | |
|-----------------------------------|----------------------|----------------------|---------------------|---------|
| | 2018 | 2017 | Dollars | Percent |
| General support | \$ 3,897,551 | \$ 4,140,511 | \$ (242,960) | (5.9) |
| Instruction | 19,764,420 | 19,353,365 | 411,055 | 2.1 |
| Pupil transportation | 2,036,889 | 1,986,725 | 50,164 | 2.5 |
| School food service | 479,894 | 394,644 | 85,250 | 21.6 |
| Interest and other fiscal charges | 516,725 | 234,443 | 282,282 | 120.4 |
| Total program expenses | <u>\$ 26,695,479</u> | <u>\$ 26,109,688</u> | <u>\$ 585,791</u> | 2.2 |

The most significant expense items for the year ended June 30, 2018 were instruction of \$19,764,420, or 74.1 percent of total expenses, general support of \$3,897,551, or 14.6 percent of total expenses, and pupil transportation of \$2,036,889, or 7.6 percent of total expenditures. Similarly, for the year ended June 30, 2017, the most significant expense items were instruction which comprised \$19,353,365, or 74.1 percent of total expenses, general support of \$4,140,511, or 15.9 percent of total expenses, and pupil transportation of \$1,986,725, or 7.6 percent of total expenditures.

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board of Education.

As of June 30, 2018, the District’s governmental funds reported combined ending fund balance deficit of \$1,219,631, a decrease of \$9,819,513 from the prior year fund balance of \$8,599,882. Excluding the effects of a \$14,577,409 fund balance deficit in the Capital Projects Fund, the District’s other governmental funds’ fund balance was \$13,135,778, approximately 9.0 percent of this amount, \$1,203,605, of the combined ending fund balances constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$50,136, (2) restricted for particular purposes, \$10,407,142, or (3) assigned for particular purposes, \$1,696,895.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,203,605, while the total fund balance increased to \$12,978,214. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 4.7 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 50.6 percent of that same amount.

The total fund balance of the District's General Fund increased by \$2,552,800 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$2,096,258 of fund balance (this included funds appropriated from reserves of \$941,857, funds from unrestricted fund balance of \$518,143 and the re-appropriation of prior year's encumbrances of \$636,258). As a result of receiving higher than expected miscellaneous revenue and state aid, coupled with spending less than anticipated on instruction and transportation, the District's General Fund fund balance ended \$4,649,058 higher than anticipated.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Revenues totaled \$716,877 and were comprised of State and Federal sources. Expenditures totaled \$735,396 and were mostly used towards the instruction and transportation of students. The difference between revenues and expenditures is subsidized by a transfer from the General Fund.

The School Lunch Fund total fund balance is \$7,741 as of June 30, 2018, all of which is comprised of inventory and is considered nonspendable. The fund balance of the District's School Lunch Fund increased by \$70,950 in the current fiscal year. Revenues totaled \$369,404, while expenditures totaled \$470,758. The School Lunch Fund received a transfer from the General Fund in the amount of \$172,304 during the fiscal year.

At June 30, 2018, the District's Debt Service Fund reports a fund balance of \$371,823, an increase of \$233,026 from the prior year. The increase is primarily due to transfers from the General Fund and premiums on obligations exceeding interest and principal payments. This total fund balance amount is classified as restricted fund balance for future debt service payments.

At June 30, 2018, the District's Capital Projects Fund total fund balance is a deficit balance of \$14,577,409, a decrease of \$12,676,289 from the prior year's deficit of \$1,901,120.

General Fund Budgetary Highlights

The District's General Fund budget generally contains a minimal amount of budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. A summary of revisions from adopted budget to final budget is presented below in Table 5:

Table 5—General Fund Budget

| | | |
|--|--------------|----------------------|
| Adopted budget 2017-2018 | | \$ 29,017,733 |
| Add: Prior year's encumbrances—June 30, 2017 | | <u>636,258</u> |
| Original budget, 2017-2018 | | 29,653,991 |
| Budget revisions: | | |
| Bullet aid | \$ 15,000 | |
| Donations | 5,622 | |
| Insurance | <u>7,571</u> | <u>28,193</u> |
| Final budget, 2017-2018 | | <u>\$ 29,682,184</u> |

More detailed information about the District’s General Fund budget is presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund within the Required Supplementary Information section of this report.

Capital Assets and Debt Administration

Capital assets—The District’s investment in capital assets for its governmental activities as of June 30, 2018, amounted to \$29,471,636 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the District’s capital asset policy.

Capital assets, net of depreciation for the governmental activities at the years ended June 30, 2018 and June 30, 2017 are presented below in Table 6:

Table 6—Summary of Capital Assets (Net of Accumulated Depreciation)

| | June 30, | |
|----------------------------|----------------------|----------------------|
| | 2018 | 2017 |
| Land | \$ 142,997 | \$ 142,997 |
| Construction in progress | 14,945,560 | 4,317,178 |
| Land improvements | 1,499,881 | 1,649,758 |
| Buildings and improvements | 10,537,863 | 9,021,719 |
| Furniture and equipment | 1,268,840 | 1,010,974 |
| Vehicles | 1,076,495 | 992,172 |
| Total | <u>\$ 29,471,636</u> | <u>\$ 17,134,798</u> |

Additional information on the District’s capital assets can be found in Note 4 to the financial statements.

Long-term liabilities—At June 30, 2018, the District had serial bonds outstanding of \$3,270,000, as compared to \$4,320,000 in the prior year. During the year ended June 30, 2018, the District issued made scheduled principal payments of \$1,050,000.

A summary of the District’s long-term liabilities at June 30, 2018 and June 30, 2017 is presented below in Table 7:

Table 7—Summary of Long-Term Liabilities

| | June 30, | |
|-----------------------------|---------------------|----------------------|
| | 2018 | 2017 |
| Serial bonds | \$ 3,270,000 | \$ 4,320,000 |
| Premium on serial bonds | 176,902 | 235,869 |
| Compensated absences | 1,412,750 | 1,449,649 |
| OPEB obligation | 2,909,178 | 2,715,839 |
| Energy performance contract | 36,891 | 182,277 |
| Net pension liability | 325,662 | 1,591,495 |
| Total | <u>\$ 8,131,383</u> | <u>\$ 10,495,129</u> |

Additional information on the District's long-term liabilities can be found in Note 10 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate, not seasonally adjusted, for the region at June 30, 2018 was 4.4 percent. This compares to New York State's average unemployment rate of 4.5 percent. These factors, as well as others, are considered in preparing the District's budget.

During the current fiscal year, the District appropriated \$586,141 of the General Fund's unassigned fund balance for spending in the District's 2018-2019 fiscal year budget. The 2018-2019 adopted budget appropriations total of \$30,090,130 is an approximate increase of 3.7 percent as compared to \$29,017,733 in 2017-2018. The District's total budgeted tax levy in 2018-2019 is \$14,342,012, which is an approximate increase of 0.5 percent as compared to \$14,275,945 levied during the 2017-2018 year.

Requests for Information

This financial report is designed to provide our community, taxpayers, creditors and investors with a general overview of the District's finances and to show the District's accountability. If you have any questions about this report or need additional financial information, contact Laura Feldman, Director of Finance, 8289 N Main St., Eden, New York 14057.

BASIC FINANCIAL STATEMENTS

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EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2018

| | <u>Primary Government Governmental Activities</u> |
|---|---|
| ASSETS | |
| Cash and cash equivalents | \$ 1,805,710 |
| Restricted cash and cash equivalents | 17,377,537 |
| Receivables | 15,748 |
| Due from Agency Fund | 44 |
| Intergovernmental receivables | 2,592,620 |
| Prepaid items | 42,500 |
| Inventories | 7,741 |
| Noncurrent net pension asset | 472,458 |
| Capital assets not being depreciated | 15,088,557 |
| Capital assets, net of accumulated depreciation | <u>14,383,079</u> |
| Total assets | <u>51,785,994</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows—relating to pension plans | 7,392,325 |
| Deferred outflows—relating to OPEB | 260,148 |
| Deferred charge on refunding | <u>63,294</u> |
| Total deferred outflows of resources | <u>7,715,767</u> |
| LIABILITIES | |
| Accounts payable | 1,444,291 |
| Accrued liabilities | 109,802 |
| Due to retirement systems | 1,113,098 |
| Intergovernmental payables | 27,893 |
| Unearned revenue | 16,058 |
| Retainages payable | 682,404 |
| Bond anticipation notes payable | 20,150,000 |
| Noncurrent liabilities: | |
| Due within one year | 856,496 |
| Due within more than one year | <u>7,274,887</u> |
| Total liabilities | <u>31,674,929</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows—relating to pension plans | 2,363,512 |
| Deferred inflows—relating to OPEB | <u>81,640</u> |
| Total deferred inflows of resources | <u>2,445,152</u> |
| NET POSITION | |
| Net investment in capital assets | 11,293,684 |
| Restricted: | |
| Unemployment insurance | 629,451 |
| Retirement contribution | 3,056,130 |
| Tax certiorari | 7,395 |
| Employee benefits | 1,186,636 |
| Repairs | 211,328 |
| Workers' Comp | 418,762 |
| Liability Claims | 250,000 |
| Capital projects | 4,275,617 |
| Unrestricted | <u>4,052,677</u> |
| Total net position | <u>\$ 25,381,680</u> |

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2018

| Function/Program | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|---------------------------------|---|--|
| | | Charges for Services | Operating Grants and Contributions | Primary Governmental Activities |
| Governmental activities: | | | | |
| General support | \$ 3,897,551 | \$ - | \$ - | \$ (3,897,551) |
| Instruction | 19,764,420 | 408,328 | 1,014,656 | (18,341,436) |
| Pupil transportation | 2,036,889 | - | - | (2,036,889) |
| School food service | 479,894 | 179,256 | 190,115 | (110,523) |
| Interest and other fiscal charges | <u>516,725</u> | <u>-</u> | <u>-</u> | <u>(516,725)</u> |
| Total primary government | <u>\$ 26,695,479</u> | <u>\$ 587,584</u> | <u>\$ 1,204,771</u> | <u>(24,903,124)</u> |
| General revenues: | | | | |
| Real property taxes and other tax items | | | | 14,296,274 |
| Non property tax items | | | | 1,571,844 |
| Use of money and property | | | | 57,860 |
| Sale of property and compensation for loss | | | | 36,408 |
| State sources—unrestricted | | | | 11,174,851 |
| Miscellaneous | | | | 617,105 |
| Transfer to Private Purpose Trust | | | | <u>(7,681)</u> |
| Total general revenues and transfers | | | | <u>27,746,661</u> |
| Change in net position | | | | 2,843,537 |
| Net position—beginning | | | | <u>22,538,143</u> |
| Net position—ending | | | | <u>\$ 25,381,680</u> |

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2018

| | General | Special Revenue | | | Capital Projects | Total Governmental Funds |
|--|----------------------|-------------------|------------------|-------------------|---------------------|--------------------------|
| | | Special Aid | School Lunch | Debt Service | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,805,710 | \$ - | \$ - | \$ - | \$ - | \$ 1,805,710 |
| Restricted cash and cash equivalents | 10,042,369 | - | 9,008 | 370,762 | 6,955,398 | 17,377,537 |
| Receivables | 13,863 | 1,885 | - | - | - | 15,748 |
| Due from other funds | 736,260 | - | - | 1,061 | 131,406 | 868,727 |
| Intergovernmental receivables | 1,824,864 | 478,021 | 9,372 | - | - | 2,312,257 |
| Prepaid items | 42,395 | - | - | - | 105 | 42,500 |
| Inventories | - | - | 7,741 | - | - | 7,741 |
| Total assets | <u>\$ 14,465,461</u> | <u>\$ 479,906</u> | <u>\$ 26,121</u> | <u>\$ 371,823</u> | <u>\$ 7,086,909</u> | <u>\$ 22,430,220</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 187,031 | \$ 14,885 | \$ - | \$ - | \$ 1,242,375 | \$ 1,444,291 |
| Accrued liabilities | 20,994 | - | - | - | 8,834 | 29,828 |
| Due to other funds | 131,406 | 465,021 | 9,147 | - | 263,109 | 868,683 |
| Due to retirement systems | 1,113,098 | - | - | - | - | 1,113,098 |
| Intergovernmental payables | 27,668 | - | 225 | - | - | 27,893 |
| Unearned revenue | 7,050 | - | 9,008 | - | - | 16,058 |
| Bond anticipation notes payable | - | - | - | - | 20,150,000 | 20,150,000 |
| Total liabilities | <u>1,487,247</u> | <u>479,906</u> | <u>18,380</u> | <u>-</u> | <u>21,664,318</u> | <u>23,649,851</u> |
| FUND BALANCES (DEFICIT) | | | | | | |
| Nonspendable | 42,395 | - | 7,741 | - | - | 50,136 |
| Restricted | 10,035,319 | - | - | 371,823 | - | 10,407,142 |
| Assigned | 1,696,895 | - | - | - | - | 1,696,895 |
| Unassigned | 1,203,605 | - | - | - | (14,577,409) | (13,373,804) |
| Total fund balances (deficit) | <u>12,978,214</u> | <u>-</u> | <u>7,741</u> | <u>371,823</u> | <u>(14,577,409)</u> | <u>(1,219,631)</u> |
| Total liabilities, deferred inflows of resources and fund balances (deficit) | <u>\$ 14,465,461</u> | <u>\$ 479,906</u> | <u>\$ 26,121</u> | <u>\$ 371,823</u> | <u>\$ 7,086,909</u> | <u>\$ 22,430,220</u> |

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2018

Amounts reported for governmental activities in the statement of net position (page 11) are different because:

| | | |
|--|--------------------|---------------------|
| Total fund balances—governmental funds (page 13) | | \$ (1,219,631) |
| Net pension assets are not current financial resources and, therefore, are not reported in the funds. | | 472,458 |
| Other long-term items relating to state aid are not available to pay for current period expenditures and, therefore, are not recorded in the funds but are considered government-wide revenues. | | 280,363 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$54,175,478 and the accumulated depreciation is \$24,703,842. | | 29,471,636 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements: | | |
| Deferred outflows related to employer contributions | \$ 1,089,607 | |
| Deferred outflows related to experience, changes of investment earnings, and changes in proportion | 6,302,718 | |
| Deferred inflows of resources related to pension plans | <u>(2,363,512)</u> | 5,028,813 |
| Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements: | | |
| Deferred outflows related to experience | \$ 260,148 | |
| Deferred inflows related to changes of assumptions | <u>(81,640)</u> | 178,508 |
| For refunding bonds, the difference between the reacquisition price and the net carrying amount of the refunded debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements. | | 63,294 |
| Retained percentages are not a current liability and, therefore are not reported in the funds. | | (682,404) |
| Net accrued interest expense for serial bonds, bond anticipation notes and the energy performance contract is not reported in the funds. | | (79,974) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effect of these items are: | | |
| Serial bonds | \$ (3,270,000) | |
| Premium on serial bonds | (176,902) | |
| Compensated absences | (1,412,750) | |
| Other postemployment benefits obligation | (2,909,178) | |
| Energy performance contract | (36,891) | |
| Net pension liability | <u>(325,662)</u> | <u>(8,131,383)</u> |
| Net position of governmental activities | | <u>\$25,381,680</u> |

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended June 30, 2018

| | <u>Special Revenue</u> | | | | | Total Governmental Funds |
|--|------------------------|------------------------|-------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Aid</u> | <u>School Lunch</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| REVENUES | | | | | | |
| Real property taxes | \$ 12,089,406 | \$ - | \$ - | \$ - | \$ - | \$ 12,089,406 |
| Real property tax items | 2,206,868 | - | - | - | - | 2,206,868 |
| Non property tax items | 1,571,844 | - | - | - | - | 1,571,844 |
| Charges for services | 393,149 | 15,052 | - | - | - | 408,201 |
| Use of money and property | 46,686 | - | - | 11,174 | - | 57,860 |
| Sale of property and compensation for loss | 36,408 | - | - | - | - | 36,408 |
| Interfund revenues | 127 | - | - | - | - | 127 |
| Miscellaneous | 335,153 | - | 33 | 221,852 | 1,100 | 558,138 |
| State sources | 11,422,142 | 213,310 | 7,067 | - | - | 11,642,519 |
| Federal sources | 91,698 | 488,515 | 183,048 | - | - | 763,261 |
| Sales—food service | - | - | 179,256 | - | - | 179,256 |
| Total revenues | <u>28,193,481</u> | <u>716,877</u> | <u>369,404</u> | <u>233,026</u> | <u>1,100</u> | <u>29,513,888</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General support | 3,396,098 | 127 | - | - | - | 3,396,225 |
| Instruction | 13,288,499 | 592,917 | - | - | - | 13,881,416 |
| Pupil transportation | 1,769,087 | 33,699 | - | - | - | 1,802,786 |
| Employee benefits | 5,234,607 | 108,653 | 19,016 | - | - | 5,362,276 |
| Debt service: | | | | | | |
| Principal | 145,386 | - | - | 1,050,000 | - | 1,195,386 |
| Interest | 279,060 | - | - | 179,440 | - | 458,500 |
| Cost of sales | - | - | 451,742 | - | - | 451,742 |
| Capital outlay | - | - | - | - | 12,777,389 | 12,777,389 |
| Total expenditures | <u>24,112,737</u> | <u>735,396</u> | <u>470,758</u> | <u>1,229,440</u> | <u>12,777,389</u> | <u>39,325,720</u> |
| Excess (deficiency) of revenues over expenditures | <u>4,080,744</u> | <u>(18,519)</u> | <u>(101,354)</u> | <u>(996,414)</u> | <u>(12,776,289)</u> | <u>(9,811,832)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | 18,519 | 172,304 | 1,229,440 | 100,000 | 1,520,263 |
| Transfers out | <u>(1,527,944)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,527,944)</u> |
| Total other financing sources (uses) | <u>(1,527,944)</u> | <u>18,519</u> | <u>172,304</u> | <u>1,229,440</u> | <u>100,000</u> | <u>(7,681)</u> |
| Net change in fund balances | 2,552,800 | - | 70,950 | 233,026 | (12,676,289) | (9,819,513) |
| Fund balances (deficits)—beginning | 10,425,414 | - | (63,209) | 138,797 | (1,901,120) | 8,599,882 |
| Fund balances (deficit)—ending | <u>\$ 12,978,214</u> | <u>\$ -</u> | <u>\$ 7,741</u> | <u>\$ 371,823</u> | <u>\$ (14,577,409)</u> | <u>\$ (1,219,631)</u> |

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances—total governmental funds (page 15) \$ (9,819,513)

Certain revenue for state aid in the governmental funds is not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected. (26,158)

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. This is the amount by which capital outlays exceeded depreciation in the

| | | |
|----------------------------|--------------------|------------|
| Capital asset additions | \$ 13,761,728 | |
| Loss on disposal of assets | (14,032) | |
| Depreciation expense | <u>(1,410,858)</u> | 12,336,838 |

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

| | | |
|---|--------------------|-----------|
| District pension contributions | \$ 1,667,035 | |
| Cost of benefits earned net of employee contributions | <u>(1,897,218)</u> | (230,183) |

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year

| | | |
|------------------------------------|---------------|--------|
| Deferred outflows—relating to OPEB | \$ 87,743 | |
| Deferred inflows—relating to OPEB | <u>10,079</u> | 97,822 |

Governmental funds report retained percentages expenditures on construction contracts when such a retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues. (554,957)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (37,127)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

| | | |
|--|----------------|------------------|
| Principal repayment of serial bonds | 1,050,000 | |
| Amortization of premium on serial bonds | 58,967 | |
| Amortization of deferred loss on refunding | (21,098) | |
| Change in compensated absences | 36,899 | |
| Change in other postemployment benefits obligation | (193,339) | |
| Principal payment of energy performance contract | <u>145,386</u> | <u>1,076,815</u> |

Change in net position of governmental activities \$ 2,843,537

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Net Position—Fiduciary Funds
June 30, 2018

| | <u>Private Purpose Trust</u> | <u>Agency Fund</u> |
|--|--------------------------------------|------------------------|
| ASSETS | | |
| Restricted cash and cash equivalents | \$ 31,865 | \$ 350,076 |
| Due from other funds | - | - |
| Total assets | <u>31,865</u> | <u>\$ 350,076</u> |
| LIABILITIES | | |
| Extraclassroom activity funds | - | \$ 59,501 |
| Due to other funds | - | 44 |
| Other liabilities | <u>400</u> | <u>290,531</u> |
| Total liabilities | <u>400</u> | <u>\$ 350,076</u> |
| NET POSITION | | |
| Restricted for scholarships and other purposes | <u>31,465</u> | |
| Total net position | <u>\$ 31,465</u> | |

The notes to the financial statements are an integral part of this statement.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Changes in Net Position—Fiduciary Funds
Year Ended June 30, 2018

| | Private Purpose Trust |
|----------------------------|--------------------------------------|
| ADDITIONS | |
| Gifts and contributions | \$ 32,174 |
| Investment earnings | 60 |
| Transfer from General Fund | <u>7,681</u> |
| Total additions | <u>39,915</u> |
| DEDUCTIONS | |
| Scholarships and awards | <u>21,001</u> |
| Change in net position | 18,914 |
| Net position—beginning | <u>12,551</u> |
| Net position—ending | <u>\$ 31,465</u> |

The notes to the financial statements are an integral part of this statement.

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EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Eden Central School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental 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.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable. The District reports no business-type activities or component units.

Reporting Entity

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food service, administration, finance, and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

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 agent for various student organizations in an agency fund.

Joint Venture—The District is one of 27 participating school districts in the Erie No. 2—Chautauqua—Cattaraugus Board of Cooperative Educational Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a

component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2018 there was no debt issued by the District on behalf of BOCES.

During the year ended June 30, 2018, the District was billed \$2,880,490 for BOCES administrative and program costs and recognized \$97,167 in revenue as a refund from prior years' expenditures paid to BOCES. Audited financial statements are available from the BOCES administrative offices.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's 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 of the District's funds are considered major funds.

The District reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Special Aid Fund*—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.
- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District's food service operations.
- *Debt Service Fund*—The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

- *Capital Projects Fund*—The Capital Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Additionally, the District reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary Funds of the District includes a *Private Purpose Trust Fund* and an *Agency Fund*.

- *Private Purpose Trust Fund*—The Private Purpose Trust Fund is used to account for assets held by the District for scholarships.
- *Agency Fund*—The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, various student groups and clubs and/or other governmental units. Included within the Agency Fund are the extraclassroom activity funds of the District, which represent funds of the students of the District. The Board of Education exercises general oversight of these funds.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The 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 government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of

the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Private Purpose Trust Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The District’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the District’s investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The District had no investments at June 30, 2018; however, it is the District’s policy to report investments at fair value when applicable.

Restricted Cash and Cash Equivalents—Restricted cash represents amounts to support restricted fund balances, unspent proceeds of debt and unearned revenue.

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. Amounts due from state and federal governments represent amounts owed to the District to reimburse it for expenditures incurred pursuant to state and federally funded programs.

Prepaid Items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

Inventories—Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets—Capital assets, which include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold for the type of asset and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that

do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

| Assets | Capitalization Threshold | Estimated Useful Life |
|---------------------------|-----------------------------|--------------------------|
| Land | \$ 1 | n/a |
| Land improvements | 50,000 | 15-20 |
| Building and improvements | 50,000 | 20-40 |
| Furniture and equipment | 1,000 | 5-20 |
| Vehicles | 14,000 | 8 |

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2018, the District has three items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the District’s proportion of the collective net pension liability/(asset), and the difference during the measurement period between the District’s contributions, its proportionate share of total contribution to the pension systems not included in pension expense, and any contributions to the pension systems subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the District’s proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The final item is a deferred charge on refunding which the District reports in the government-wide financial statements. 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.

In addition to liabilities, the statement of financial 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. At June 30, 2018, the District has two items that qualify for reporting in this category. The first item represents the effect of the net change in the District’s proportion of the collective net pension liability/(asset) and the difference during the measurement periods between the District’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide statements. The second item represents the effects of the change in the District’s

proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

Net Position Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Director of Finance to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually as of July 1st by the Board of Education and attached as an enforceable lien. Uncollected real property taxes are subsequently enforced by the

County of Erie. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than April 1st.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2018, the District reported \$7,050 and \$9,008 of unearned revenues in the General Fund and School Lunch Fund, respectively. The District received cash in advance but has not yet spent the money on the specified items and therefore recognizes a liability.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Pensions—The District is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Postemployment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees as discussed in Note 7.

Other

Estimates—The preparation of the 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 amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2018, the District implemented GASB Statements No. 81, *Irrevocable Split-Interest Agreements*, No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 81 improves accounting for financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for the situation in which a government is a beneficiary. GASB Statement No. 82 addresses the issues raised during implementation of Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB

Statements No. 81, 82, 85, and 86 did not have a material impact on the District’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 83, *Certain Asset Retirement Obligations*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Payments*, effective for the year ending June 30, 2019; No. 84, *Fiduciary Activities*; No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2020; No. 87, *Leases*, and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 87, 88, 89, and 90 will have on its financial position and results of operations when such statements are adopted.

Deficit Fund Balances—At June 30, 2018, the District’s Capital Projects Fund has a deficit fund balance of \$14,577,409. This primary reason for the deficit in this case is that the District issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenses, and fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District’s investment policies are governed by State statutes. District monies must be deposited in FDIC-Insured commercial banks or trust companies located within New York State. The District’s Director of Finance is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents reported by the District at June 30, 2018 are shown below.

| | Governmental Funds | Fiduciary Funds | Total |
|-------------------------------|-----------------------|--------------------|----------------------|
| Petty cash (uncollateralized) | \$ 400 | \$ - | \$ 400 |
| Deposits | <u>19,182,847</u> | <u>381,941</u> | <u>19,564,788</u> |
| Total | <u>\$ 19,183,247</u> | <u>\$ 381,941</u> | <u>\$ 19,565,188</u> |

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2018 as shown below:

| | <u>Bank Balance</u> | <u>Carrying Amount</u> |
|--|-------------------------|----------------------------|
| FDIC insured | \$ 750,000 | \$ 750,000 |
| Uninsured: | | |
| Collateral held by pledging bank's agent in the District's name | <u>19,194,040</u> | <u>18,814,788</u> |
| Total | <u>\$ 19,944,040</u> | <u>\$ 19,564,788</u> |

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2018, the District’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the District’s name.

Restricted Cash and Cash Equivalents—The District reports amounts to support restricted fund balances, unspent proceeds of debt, amounts held on behalf of others, and unearned revenue as restricted cash and cash equivalents. At June 30, 2018, the District reported \$17,377,532 of restricted cash within its governmental funds and \$381,941 within the Agency Fund.

Investments—The District had no investments at June 30, 2018.

Interest Rate Risk—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

3. RECEIVABLES

Major revenues accrued by the District at June 30, 2018 consisted of the following:

Receivables—The District reported a balance of \$13,863 and \$1,885 for receivables in the General Fund and the Special Aid Fund, respectively. The balances primarily represents amounts due from donations for year-end field trips and a miscellaneous refund receivable for child care services in the General Fund and Special Aid Fund, respectively.

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2018 are shown below:

| | | |
|--|----|-------------------------|
| General Fund: | | |
| Federal - Medicaid | \$ | 33,931 |
| New York State excess cost aid | | 162,673 |
| New York State tuition aid | | 47,933 |
| Erie County | | 375,649 |
| City of Buffalo Public School District | | 43,994 |
| Erie-Cattaraugus BOCES | | 38,107 |
| Friendship Central School District | | 54,719 |
| North Collins Central School District | | 92,268 |
| Orchard Park Central School District | | 81,389 |
| Springville - Griffith Institue | | 37,279 |
| East Aurora Union Free School District | | 33,274 |
| Ken-Ton Union Free School District | | 27,331 |
| Gowanda Central School District | | 3,400 |
| BOCES aid | | <u>792,917</u> |
| | \$ | 1,824,864 |
| Special Aid Fund: | | |
| New York State - Summer Handicap Programs | | 18,582 |
| New York State - various programs | | 67,308 |
| Springville - Griffith Institue | | 2,209 |
| Federal - various programs | | <u>389,922</u> |
| | | 478,021 |
| School Lunch Fund | | |
| New York State - breakfast and lunch program | | 396 |
| Federal - breakfast and lunch program | | <u>8,976</u> |
| | | <u>9,372</u> |
| | \$ | <u><u>2,312,257</u></u> |

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2018 was as follows:

| | Balance 7/1/2017 | Increases | Decreases | Balance 6/30/2018 |
|---|----------------------|----------------------|---------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 142,997 | \$ - | \$ - | \$ 142,997 |
| Construction in progress | 4,317,178 | 13,071,664 | 2,443,282 | 14,945,560 |
| Total capital assets, not being depreciated | <u>4,460,175</u> | <u>13,071,664</u> | <u>2,443,282</u> | <u>15,088,557</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 4,339,050 | - | - | 4,339,050 |
| Buildings and improvements | 23,332,434 | 2,284,976 | - | 25,617,410 |
| Furniture and equipment | 5,525,089 | 501,090 | 137,586 | 5,888,593 |
| Vehicles | 2,944,336 | 347,280 | 49,748 | 3,241,868 |
| Total capital assets, being depreciated | <u>36,140,909</u> | <u>3,133,346</u> | <u>187,334</u> | <u>39,086,921</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 2,689,292 | 149,877 | - | 2,839,169 |
| Buildings and improvements | 14,310,715 | 768,832 | - | 15,079,547 |
| Furniture and equipment | 4,514,115 | 241,942 | 136,304 | 4,619,753 |
| Vehicles | 1,952,164 | 250,207 | 36,998 | 2,165,373 |
| Total accumulated depreciation | <u>23,466,286</u> | <u>1,410,858</u> | <u>173,302</u> | <u>24,703,842</u> |
| Total capital assets being depreciated, net | <u>12,674,623</u> | <u>1,722,488</u> | <u>14,032</u> | <u>14,383,079</u> |
| Governmental activities capital assets, net | <u>\$ 17,134,798</u> | <u>\$ 14,794,152</u> | <u>\$ 2,457,314</u> | <u>\$ 29,471,636</u> |

Depreciation expense was charged to the functions and programs of governmental activities as follows:

| | |
|--------------------------|---------------------|
| Governmental activities: | |
| General support | \$ 150,352 |
| Instruction | 1,008,654 |
| Pupil transportation | 245,244 |
| School food service | 6,608 |
| | <u>\$ 1,410,858</u> |

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2018, were as follows:

| | General Fund | Capital Projects Fund |
|------------------------------|------------------|--------------------------|
| Salary and employee benefits | <u>\$ 20,994</u> | <u>\$ 8,834</u> |

6. PENSION OBLIGATIONS

The District participates in the New York State Teachers' Retirement ("TRS") and the New York State and Local Employees' Retirement System ("ERS") (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution requirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Descriptions and Benefits Provided

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

Employees' Retirement System—This is a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. The net position of ERS 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 ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in ERS, 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. ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3%) 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 based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—The net pension liability/(asset) was measured as of June 30, 2017 for TRS and March 31, 2018 for ERS. The total pension liability/(asset) used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 and April 1, 2017, respectively, with update procedures used to roll forward the total pension liability/(asset) to the measurement dates. The District’s proportion of the net pension liability/(asset) 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.

| | <u>TRS</u> | <u>ERS</u> |
|--|---------------|----------------|
| Measurement date | June 30, 2017 | March 31, 2018 |
| Net pension liability/(asset) | \$ (472,458) | \$ 325,662 |
| District's portion of the Plan's total | | |
| Net pension liability/(asset) | 0.062157% | 0.0100904% |

For the year ended June 30, 2018, the District recognized pension expenses of \$1,200,881 and \$471,601 for TRS and ERS, respectively. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from sources below:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---------------------------------------|---------------------|--------------------------------------|---------------------|
| | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> |
| Differences between expected and actual experiences | \$ 388,717 | \$ 116,153 | \$ 184,206 | \$ 95,985 |
| Change of assumptions | 4,807,348 | 215,941 | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 472,999 | 1,112,774 | 933,652 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 83,120 | 218,440 | 27,180 | \$ 9,715 |
| District contributions subsequent to the measurement date | <u>952,179</u> | <u>137,428</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 6,231,364</u> | <u>\$ 1,160,961</u> | <u>\$ 1,324,160</u> | <u>\$ 1,039,352</u> |

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

| <u>Year Ending June 30,</u> | <u>TRS</u> | <u>ERS</u> |
|-----------------------------|------------|------------|
| 2019 | \$ 122,399 | \$ 147,607 |
| 2020 | 1,284,943 | 114,319 |
| 2021 | 923,242 | (194,364) |
| 2022 | 239,017 | (83,381) |
| 2023 | 920,594 | - |
| Thereafter | 464,830 | - |

Actuarial Assumptions—The total pension liability/(asset) 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/(asset) to the measurement date. The actuarial valuations used the following actuarial assumptions:

| | TRS | ERS |
|--------------------------|---------------------------------|-----------------------------------|
| Measurement date | June 30, 2017 | March 31, 2018 |
| Actuarial valuation date | June 30, 2016 | April 1, 2017 |
| Interest rate | 7.25% | 7.00% |
| Salary scale | 1.90%-4.72% | 3.80% |
| Decrement tables | July 1, 2009 - June 30, 2014 | April 1, 2010 - March 31, 2015 |
| Inflation rates | 2.50% | 2.50% |

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

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

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 presented on the following page.

| Measurement date | TRS | ERS | TRS | ERS |
|------------------------------------|-------------------|--------------|--|----------------|
| | Target Allocation | | Long-Term Expected Real Rate of Return | |
| | | | June 30, 2017 | March 31, 2018 |
| Asset class: | | | | |
| Domestic equities | 35.0 % | 36.0 % | 5.9 % | 4.6 % |
| International equities | 18.0 | 14.0 | 7.4 | 6.4 |
| Private equity | 8.0 | 10.0 | 9.0 | 7.5 |
| Real estate | 11.0 | 10.0 | 4.3 | 5.6 |
| Absolute return strategies | 0.0 | 2.0 | 0.0 | 3.8 |
| Domestic fixed income securities | 16.0 | 0.0 | 1.6 | 0.0 |
| Global fixed income securities | 2.0 | 0.0 | 1.3 | 0.0 |
| High-yield fixed income securities | 1.0 | 0.0 | 3.9 | 0.0 |
| Opportunistic portfolio | 0.0 | 3.0 | 0.0 | 5.7 |
| Real estate | 0.0 | 3.0 | 0.0 | 5.3 |
| Bonds and mortgages | 8.0 | 17.0 | 2.8 | 1.3 |
| Short-term | 1.0 | 1.0 | 0.6 | 0.0 |
| Inflation-indexed bonds | 0.0 | 4.0 | 0.0 | 1.3 |
| Total | <u>100 %</u> | <u>100 %</u> | | |

Discount Rate—The discount rate used to calculate the total pension liability was 7.25% for TRS and 7.0% for ERS. 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/(asset).

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.25% for TRS and 6.0% for ERS) or one percentage-point higher (8.25% for TRS and 8.0% for ERS) than the current assumption.

| TRS | 1% Decrease (6.25%) | Current Assumption (7.25%) | 1% Increase (8.25%) |
|---|---------------------|----------------------------|---------------------|
| Employer's proportionate share of the net pension liability/(asset) | \$ 8,139,045 | \$ (472,458) | \$ (7,684,163) |
| ERS | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
| Employer's proportionate share of the net pension liability/(asset) | \$ 2,464,049 | \$ 325,662 | \$ (1,483,327) |

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the respective valuation dates, were as follows:

| | (Dollar in Thousands) | |
|--|-----------------------|---------------------|
| | TRS | ERS |
| Valuation Date | June 30, 2016 | April 1, 2017 |
| Employers' total pension liability | \$ 114,708,261 | \$ 183,400,590 |
| Plan fiduciary net position | <u>115,468,360</u> | <u>180,173,145</u> |
| Employers' net position (asset)/liability | <u>\$ (760,099)</u> | <u>\$ 3,227,445</u> |
| System fiduciary net position as a percentage of total pension liability | 100.7% | 98.2% |

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer’s contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$975,670.

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, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$137,428.

7. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—The District provides postemployment (medical) coverage for current retirees with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District’s contractual agreements. The estimated cost of such benefits totaled \$122,419 for the year ended June 30, 2018.

Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various contracts, which were ratified by the District’s Board of Education. For certain retirees, the District pays a portion of the cost of the employee’s current coverage at the time of retirement until an employee reaches the age of 64. At age 65, retirees are required to elect post-65 coverage in the current plan and apply Medicare part B coverage. Retired employees are assumed to continue coverage currently elected.

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

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 75 |
| Active employees | <u>186</u> |
| | <u>261</u> |

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The District’s total OPEB liability of \$2,909,178 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the May 23, 2018 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.80% to 3.61% effective June 30, 2018. The salary scale remained unchanged at 3.31%. The 2016 New York State Teachers’ Retirement System rates were used for mortality rates and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 6.20%, while the ultimate healthcare cost trend rate is 3.80%.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 thru June 30, 2018.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| Balances at 6/30/2017 | <u>\$ 2,715,839</u> |
| Changes for the year: | |
| Service cost | 74,353 |
| Interest | 101,375 |
| Changes of assumptions | 52,843 |
| Differences between expected and actual experience | 87,187 |
| Benefit payments | <u>(122,419)</u> |
| Net changes | <u>193,339</u> |
| Balances at 6/30/2018 | <u>\$ 2,909,178</u> |

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the net OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability:

| | 1% Decrease (2.61%) | Current Discount Rate (3.61%) | 1% Increase (4.61%) |
|--------------------|---------------------------|-------------------------------------|---------------------------|
| Net OPEB liability | \$ 3,189,442 | \$ 2,909,178 | \$ 2,664,509 |

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (6.2%)/ ultimate (4.17%) healthcare cost trend rates.

| | | | |
|--------------------|-----------------------|--------------------------|-----------------------|
| | 1% | Healthcare Cost Trend | 1% |
| | Decrease | Rates | Decrease |
| | <u>(5.20%/ 3.17%)</u> | <u>(6.20%/ 4.17%)</u> | <u>(7.20%/ 5.17%)</u> |
| Net OPEB liability | \$ 2,584,211 | \$ 2,909,178 | \$ 3,299,979 |

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the District’s Board of Education. The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. District governmental funds contributed \$122,419 for the fiscal year ended June 30, 2018. While for the year ended June 30, 2018, the District’s governmental activities recognized OPEB expense of \$95,517. The District’s contributions to the OPEB plan are based on negotiated contracts with four bargaining units, as discussed in Note 14. Any amendments to the employer’s contributions are subject to the various contracts.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The District reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The table below presents the Districts deferred outflows and inflows of resources at June 30, 2018.

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 219,887 | \$ - |
| Changes of assumptions | <u>40,261</u> | <u>81,640</u> |
| Total | <u>\$ 260,148</u> | <u>\$ 81,640</u> |

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

| <u>Year ended June 30,</u> | |
|----------------------------|-----------|
| 2019 | \$ 42,208 |
| 2020 | 42,208 |
| 2021 | 42,208 |
| 2022 | 15,533 |
| 2023 | 8,867 |
| Thereafter | 27,484 |

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; vehicle liability; injuries to employees; and natural disasters. The District purchases commercial insurances to cover such potential risks. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years. The general liability, school board legal liability and automobile liability insurance is limited to \$11 million; a primary liability of \$1 million with a \$10 million umbrella. There is a \$2,500 deductible applicable to school board legal liability claims. The property insurance limit is about \$72.6 million and claims are subject to a \$1,000 deductible.

The District participates in Erie No. 2 Area Schools Self-Funded Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Erie No. 2 Area Schools Self-Funded Workers' Compensation Plan is considered a self-sustaining risk pool that will provide coverage for its members up to \$650,000 per event. The Consortium maintains independent coverage for events in excess of \$650,000. The District has essentially transferred all related risk to the Plan.

9. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the District's short-term debt for the fiscal year ended June 30, 2018 follows:

| Description | Interest Rate | Maturity Date | Balance 7/1/2017 | Additions | Reductions | Balance 6/30/2018 |
|--------------------------|---------------|---------------|------------------|----------------------|---------------|----------------------|
| Capital Projects Fund: | | | | | | |
| Various capital projects | 2.00% | 6/8/2018 | \$ 13,800,000 | \$ - | \$ 13,800,000 | \$ - |
| Various capital projects | 3.00% | 6/6/2019 | - | 20,150,000 | - | 20,150,000 |
| | | | <u>\$ -</u> | <u>\$ 20,150,000</u> | <u>\$ -</u> | <u>\$ 20,150,000</u> |

10. LONG-TERM LIABILITIES

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The District's outstanding long-term liabilities include serial bonds, compensated absences, other postemployment obligation, energy performance contract, and net pension liability. The bonds payable of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District's long-term liabilities at June 30, 2018 follows:

| | Balance 7/1/2017 | Additions | Reductions | Balance 6/30/2018 | Due Within One Year |
|-----------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Serial bonds | \$ 4,320,000 | \$ - | \$ 1,050,000 | \$ 3,270,000 | \$ 690,000 |
| Premium on serial bonds | 235,869 | - | 58,967 | 176,902 | 58,967 |
| Compensated absences | 1,449,649 | 870,312 | 907,211 | 1,412,750 | 70,638 |
| OPEB obligation | 2,715,839 | 315,758 | 122,419 | 2,909,178 | - |
| Energy performance contract | 182,277 | - | 145,386 | 36,891 | 36,891 |
| Net pension liability* | 1,591,495 | - | 1,265,833 | 325,662 | - |
| Total | <u>\$ 10,495,129</u> | <u>\$ 1,186,070</u> | <u>\$ 3,549,816</u> | <u>\$ 8,131,383</u> | <u>\$ 856,496</u> |

(*reductions to the net pension liability are shown net of additions.)

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction and renovations of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 6 to 16 years. The activity on the District’s outstanding bond issues, for the year ended June 30, 2018 is presented below:

| Description | Year of | Interest Rate (%) | Balance | | | Balance 6/30/2018 |
|----------------------|--------------------|----------------------|---------------------|-------------|---------------------|----------------------|
| | Issue/ Maturity | | 7/1/2017 | Additions | Reductions | |
| 2004 Bus garage bond | 2004/2020 | 1.50-5.25 | \$ 105,000 | \$ - | \$ 35,000 | \$ 70,000 |
| 2004 SDMT bond | 2004/2018 | 2.00-5.00 | 390,000 | - | 390,000 | - |
| 2009 Excel bond | 2009/2024 | 4.00-4.38 | 1,185,000 | - | 150,000 | 1,035,000 |
| 2016 Refunding bond | 2016/2022 | 2.00-5.00 | 2,640,000 | - | 475,000 | 2,165,000 |
| Total | | | <u>\$ 4,320,000</u> | <u>\$ -</u> | <u>\$ 1,050,000</u> | <u>\$ 3,270,000</u> |

Amortization of Bond Premiums—The premiums are being amortized on a straight-line basis over the life of their related bonds. The unamortized premium as of June 30, 2018 was \$176,902.

Compensated Absences—As explained in Note 1, the District records the value of compensated absences in the government-wide financial statements. The annual budgets of the operating funds provide funding for these benefits as they become due. The liability for compensated absences consists of unpaid accumulated annual sick and vacation time. The value recorded in the government-wide financial statements at June 30, 2018 for governmental activities \$1,412,750. Management estimates that \$70,638 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 7, the District provides health insurance coverage for certain retirees. The District’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The estimated long-term OPEB obligation is estimated to be \$2,909,178 at June 30, 2018.

Energy Performance Contract—The District has entered into an energy performance contract for the renovation of various facilities. The modifications were made to improve energy efficiency. The interest rate of the energy performance contract approximates 2.39 percent.

The District has purchased the following assets with the proceeds of the Energy Performance Contract:

| | | |
|--------------------------------|----------------|--------------------|
| Cogeneration Plant | \$ 1,342,199 | |
| GLP Building | <u>290,351</u> | \$ 1,632,550 |
| Less: Accumulated depreciation | | <u>(1,020,343)</u> |
| Total | | <u>\$ 612,207</u> |

The following is a maturity schedule of the District's Energy Performance Contract:

| <u>Year Ending June 30,</u> | <u>Total</u> |
|---|------------------|
| 2019 | \$ 37,111 |
| Less: amounts representing imputed interest costs | <u>(220)</u> |
| Present value of minimum lease payments | <u>\$ 36,891</u> |

Net Pension Liability—The District reported a liability, \$325,662, for its proportionate share of the net pension asset for the Employee Retirement System. Refer to Note 6 for additional information related to the District's net pension liability.

The following is a maturity schedule of the District's indebtedness:

| | Serial Bonds | Premium on Serial Bonds | Compensated Absences | OPEB Obligation | Energy Performance Contract | Net Pension Liability | Total |
|------------|---------------------|-------------------------------|-------------------------|---------------------|-----------------------------------|--------------------------|---------------------|
| 2019 | \$ 690,000 | \$ 58,967 | \$ 70,638 | \$ - | \$ 36,891 | \$ - | \$ 856,496 |
| 2020 | 725,000 | 58,968 | - | - | - | - | 783,968 |
| 2021 | 725,000 | 58,967 | - | - | - | - | 783,967 |
| 2022 | 760,000 | - | - | - | - | - | 760,000 |
| 2023 | 180,000 | - | - | - | - | - | 180,000 |
| 2024 | 190,000 | - | - | - | - | - | 190,000 |
| Thereafter | <u>-</u> | <u>-</u> | <u>1,342,112</u> | <u>2,909,178</u> | <u>-</u> | <u>325,662</u> | <u>4,576,952</u> |
| | <u>\$ 3,270,000</u> | <u>\$ 176,902</u> | <u>\$ 1,412,750</u> | <u>\$ 2,909,178</u> | <u>\$ 36,891</u> | <u>\$ 325,662</u> | <u>\$ 8,131,383</u> |

Interest requirements on serial bonds payable are as follows:

| Year Ending June 30, | Interest |
|-------------------------|-------------------|
| 2019 | \$ 137,771 |
| 2020 | 104,347 |
| 2021 | 70,165 |
| 2022 | 35,190 |
| 2023 | 16,053 |
| 2024 | 8,313 |
| | <u>\$ 371,839</u> |

11. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construct or improvement of these assets reduce the balance in this category.

- **Restricted Net Position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2018 includes:

- **Prepaid Items**—Representing the portion of fund balance, \$42,395 composed of prepaid expenditures. This balance is nonspendable as the balance does not represent an available resource.
- **Inventories**—Representing the portion of fund balance, \$7,741 composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the District at June 30, 2018 includes:

| | General Fund | Debt Service Fund | Total |
|-------------------------|----------------------|----------------------|----------------------|
| Unemployment insurance | \$ 629,451 | \$ - | \$ 629,451 |
| Retirement contribution | 3,056,130 | - | 3,056,130 |
| Tax certiorari | 7,395 | - | 7,395 |
| Employee benefits | 1,186,636 | - | 1,186,636 |
| Repairs | 211,328 | - | 211,328 |
| Workers' Compensation | 418,762 | - | 418,762 |
| Liability Claims | 250,000 | - | 250,000 |
| Debt service | - | 371,823 | 371,823 |
| Capital projects | 4,275,617 | - | 4,275,617 |
| Total | <u>\$ 10,035,319</u> | <u>\$ 371,823</u> | <u>\$ 10,407,142</u> |

- **Unemployment Insurance**—According to General Municipal Law Section 6-m, this restriction 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 restriction 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.

- **Retirement Contribution**—According to General Municipal Law Section 6-r, this restriction must be used to pay the cost of the New York State and Local Employees' Retirement System, pursuant to Sections 17 or 317 of the Retirement and Social Security Law. The restriction may be established by Board action and is funded by budgetary appropriations, revenues that are not required by law to be paid into any other fund or account, amounts from reserve funds established pursuant to Section 3651 of the Education Law, and such other funds as may be legally appropriated. The Board may authorize the transfer of a portion of the moneys in the retirement contribution reserve to a reserve fund established pursuant to Section 3651 of the Education Law. Such a transfer is subject to a public hearing. If the board determines that the retirement contribution reserve is no longer needed, the board may terminate the fund by resolution.
- **Employee Benefits**—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- **Workers' Compensation**—According to General Municipal Law Section 6-j, this restriction 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 may be legally appropriated. Within sixty days after the end of the 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.
- **Liability Claims**—According to Education Law Sections 1709[8-c] and 1950[4][cc], this restriction must be used to establish and maintain a program of reserves to cover property loss or liability claims. The creation of a property loss reserve requires resolution of the governing board; there are no referendum requirements to create the funds or expend money from the funds.
- **Repairs**—According to General Municipal Law Section 6-d, this restriction must be used to pay the cost of repairs to capital improvements or equipment, which repairs are a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this restriction may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.
- **Debt Service**—According to General Municipal Law Section 6-l, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The reserve may be funded by proceeds of the sale of District property or capital improvement, as well as unspent proceeds of debt and amounts restricted by Board resolution for debt service payments.

- **Capital Projects**—According to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority. As of June 30, 2018, the District has no committed fund balances.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2018 and include:

| | |
|--------------------------------|----------------------------|
| | General Fund |
| Subsequent year's expenditures | \$ 586,141 |
| Encumbrances | <u>1,110,754</u> |
| Total | <u><u>\$ 1,696,895</u></u> |

- **Assigned to Subsequent Year’s Expenditures**—Representing available fund balance being appropriated to meet expenditure requirements in the 2018-19 fiscal year.
- **Assigned to Encumbrances**—Representing amounts related to unperformed (executory) contracts for goods and services.

If the District must use funds for emergency expenditures the Board of Education shall authorize the Director of Finance to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

12. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2018 is shown on the following page.

| Fund | Interfund | |
|----------------------------|-------------------|-------------------|
| | Receivable | Payable |
| Governmental Funds: | | |
| General Fund | \$ 736,260 | \$ 131,406 |
| Special Aid Fund | - | 465,021 |
| School Lunch Fund | - | 9,147 |
| Debt Service Fund | 1,061 | - |
| Capital Projects Fund | 131,406 | 263,109 |
| Total governmental funds | <u>868,727</u> | <u>868,683</u> |
| Fiduciary Funds: | | |
| Agency Fund | - | 44 |
| Total fiduciary funds | <u>-</u> | <u>44</u> |
| Total | <u>\$ 868,727</u> | <u>\$ 868,727</u> |

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The District made the following transfers during the year ended June 30, 2018:

| Fund | Transfers in: | | | | | |
|----------------|------------------|-------------------|---------------------|-----------------------|-----------------------|---------------------|
| | Special Aid Fund | School Lunch Fund | Debt Service Fund | Capital Projects Fund | Private Purpose Trust | Total |
| Transfers out: | | | | | | |
| General Fund | \$ 18,519 | \$ 172,304 | \$ 1,229,440 | \$ 100,000 | \$ 7,681 | \$ 1,527,944 |
| Total | <u>\$ 18,519</u> | <u>\$ 172,304</u> | <u>\$ 1,229,440</u> | <u>\$ 100,000</u> | <u>\$ 7,681</u> | <u>\$ 1,527,944</u> |

Transfers are used primarily to finance certain special aid programs, to support school lunch activities and capital project expenditures and to finance long-term liabilities.

13. AGENCY FUND

An agency fund exists for employee withholding temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2018:

| | Balance 7/1/2017 | Increases | Decreases | Balance 6/30/2018 |
|-------------------------------|---------------------|----------------------|----------------------|----------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 347,264 | \$ 14,699,360 | \$ 14,696,548 | \$ 350,076 |
| Total assets | <u>\$ 347,264</u> | <u>\$ 14,699,360</u> | <u>\$ 14,696,548</u> | <u>\$ 350,076</u> |
| LIABILITIES: | | | | |
| Extraclassroom activity funds | \$ 63,324 | \$ 84,883 | \$ 88,706 | \$ 59,501 |
| Due to other funds | 82,594 | 85,464 | 168,014 | 44 |
| Other liabilities | 201,346 | 14,529,013 | 14,439,828 | 290,531 |
| Total liabilities | <u>\$ 347,264</u> | <u>\$ 14,699,360</u> | <u>\$ 14,696,548</u> | <u>\$ 350,076</u> |

14. LABOR RELATIONS

District employees are represented by four bargaining units with the balance governed by Board of Education rules and regulations. The Eden Administrative-Supervisory Association contract is in place through June 30, 2020; The Eden Supervisory Staff Organization contract is in place through June 30, 2019; The Civil Service Employees Association and Eden Teachers Association contracts are in place through June 30, 2018.

15. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations. The District considers encumbrances significant if they are in excess of \$10,000. As of June 30, 2018, the significant encumbrances are shown below:

| <u>Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|--------------|-------------------|---------------|
| General Fund | Contract services | \$ 526,302 |
| General Fund | Vehicle purchase | 42,811 |
| General Fund | Bus purchase | 444,108 |

16. TAX ABATEMENTS

The District is subject to tax abatements granted by the Erie County Industrial Development Agency (“ECIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the ECIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. As of June 30, 2018, the District does not have tax abatement agreements.

17. CONTINGENCIES

Litigation—Various legal actions are pending against the District. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

Grants—In the normal course of business, the District receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Other—The District is involved in litigation in the ordinary course of its operations. The District believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the District’s financial condition or results of operation.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2018, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)—
Teachers' Retirement System
Last Five Fiscal Years*

| | Year Ended June 30, | | | | |
|--|---------------------|-------------------|-----------------------|-----------------------|---------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Measurement date | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
| District's proportion of the net pension liability (asset) | 0.062157% | 0.062768% | 0.063569% | 0.062427% | 0.064115% |
| District's proportionate share of the net pension liability (asset) | <u>\$ (472,458)</u> | <u>\$ 672,274</u> | <u>\$ (6,602,805)</u> | <u>\$ (6,953,975)</u> | <u>\$ (422,041)</u> |
| District's covered payroll | 9,955,988 | 9,850,538 | 9,624,112 | 9,615,944 | 9,809,308 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | (4.75%) | 6.82% | (68.61%) | (72.32%) | (4.30%) |
| Plan fiduciary net position as a percentage of the total pension liability | 100.7% | 99.0% | 110.5% | 111.5% | 100.7% |

*Information prior to the year ended June 30, 2014 is not available.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions—
Teachers' Retirement System
Last Five Fiscal Years*

| | Year Ended June 30, | | | | |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 1,154,407 | \$ 1,284,332 | \$ 1,673,930 | \$ 1,498,483 | \$ 1,111,955 |
| Contribution in relation to the contractually required contribution | <u>(1,154,407)</u> | <u>(1,284,332)</u> | <u>(1,673,930)</u> | <u>(1,498,483)</u> | <u>(1,111,955)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 9,858,931 | \$ 9,955,988 | \$ 9,850,538 | \$ 9,624,112 | \$ 9,615,944 |
| Contributions as a percentage of covered payroll | 11.7% | 12.9% | 17.0% | 15.6% | 11.6% |

*Information prior to the year ended June 30, 2014 is not available.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability—
Employees' Retirement System
Last Five Fiscal Years*

| | Year Ended June 30, | | | | |
|--|---------------------|-------------------|---------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Measurement date | March 31, 2018 | March 31, 2017 | March 31, 2016 | March 31, 2015 | March 31, 2014 |
| District's proportionation of the net pension liability (asset) | 0.0100904% | 0.0097829% | 0.010073% | 0.0103172% | 0.0103172% |
| District's proportionate share of the net pension liability (asset) | <u>\$ 325,662</u> | <u>\$ 919,221</u> | <u>\$ 1,616,858</u> | <u>\$ 348,540</u> | <u>\$ 466,219</u> |
| District's covered payroll | 3,202,335 | 3,358,367 | 3,103,310 | 3,328,854 | 3,223,575 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 10.2% | 27.4% | 52.1% | 10.5% | 14.5% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.2% | 94.7% | 90.7% | 97.9% | 97.2% |

*Information prior to the year ended June 30, 2014 is not available.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions—
Employees' Retirement System
Last Four Fiscal Years*

| | Year Ended June 30, | | | | |
|--|---------------------|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 512,628 | \$ 490,061 | \$ 527,533 | \$ 608,104 | \$ 592,210 |
| Contribution in relation to the contractually required contribution | <u>(512,628)</u> | <u>(490,061)</u> | <u>(527,533)</u> | <u>(608,104)</u> | <u>(592,210)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 3,207,603 | \$ 3,254,911 | \$ 3,143,628 | \$ 3,074,160 | \$ 3,039,966 |
| Contributions as a percentage of covered payroll | 16.0% | 15.1% | 16.8% | 19.8% | 19.5% |

*Information prior to the year ended June 30, 2014 is not available.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Two Fiscal Years*

| | Year Ended June 30, | |
|---|---------------------|---------------------|
| | 2018 | 2017 |
| Total OPEB Liability | | |
| Service cost | \$ 74,353 | \$ 72,699 |
| Interest | 101,375 | 85,129 |
| Changes of assumptions | 87,187 | 191,351 |
| Differences between expected and actual experience | 52,843 | (101,798) |
| Benefit payments | <u>(122,419)</u> | <u>(102,958)</u> |
| Net changes in total OPEB liability | <u>193,339</u> | <u>144,423</u> |
| Total OPEB liability—beginning | <u>2,715,839</u> | <u>2,571,416</u> |
| Total OPEB liability—ending | <u>\$ 2,909,178</u> | <u>\$ 2,715,839</u> |
| Plan fiduciary net position | | |
| Contributions—employer | \$ 122,419 | \$ 102,958 |
| Benefit payments | (122,419) | (102,958) |
| Net change in plan fiduciary net position | - | - |
| Plan fiduciary net position—beginning | <u>-</u> | <u>-</u> |
| Plan fiduciary net position—ending | <u>\$ -</u> | <u>\$ -</u> |
| District's net OPEB liability—ending | | |
| Plan's fiduciary net position as a percentage of the total OPEB liability | 0.0% | 0.0% |
| Covered payroll | \$ 10,334,040 | \$ 10,334,040 |
| District's net OPEB liability as a percentage of covered-employee payroll | 28.2% | 26.3% |

*Information prior to the year ended June 30, 2017 is not available.

The notes to the Required Supplementary Information are an integral part of this schedule.

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EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|---|-------------------------|----------------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local sources: | | | | |
| Real property taxes | \$ 11,843,085 | \$ 11,843,085 | \$ 12,089,406 | \$ 246,321 |
| Real property tax items | 2,440,360 | 2,440,360 | 2,206,868 | (233,492) |
| Non property tax items | 1,573,520 | 1,573,520 | 1,571,844 | (1,676) |
| Charges for services | 254,657 | 254,657 | 393,149 | 138,492 |
| Use of money and property | 26,700 | 26,700 | 46,686 | 19,986 |
| Sale of property and compensation for loss | 1,800 | 9,371 | 36,408 | 27,037 |
| Interfund revenue | - | - | 127 | 127 |
| Miscellaneous | 147,231 | 152,853 | 335,153 | 182,300 |
| State sources: | | | | |
| Basic formula - general aid | 6,914,956 | 6,914,956 | 6,759,595 | (155,361) |
| Basic formula - excess cost aid | 1,133,539 | 1,133,539 | 1,126,181 | (7,358) |
| Lottery aid | 1,821,604 | 1,821,604 | 1,786,806 | (34,798) |
| Commercial gaming aid | - | - | 35,952 | 35,952 |
| BOCES aid | 1,194,298 | 1,194,298 | 1,453,456 | 259,158 |
| Tuition aid | - | - | 88,904 | 88,904 |
| Textbook aid | 82,600 | 82,600 | 82,133 | (467) |
| Computer software/hardware | 41,683 | 41,683 | 41,653 | (30) |
| Library loan program | 8,450 | 8,450 | 8,443 | (7) |
| Homeless aid | 25,710 | 40,710 | 39,019 | (1,691) |
| Federal sources: | | | | |
| Medicaid assistance | 18,088 | 18,088 | 91,698 | 73,610 |
| Total revenues | <u>27,528,281</u> | <u>27,556,474</u> | <u>28,193,481</u> | <u>637,007</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 29,452 | 29,452 | - | (29,452) |
| Appropriated reserves | <u>941,857</u> | <u>941,857</u> | <u>-</u> | <u>(941,857)</u> |
| Total other financing sources | <u>971,309</u> | <u>971,309</u> | <u>-</u> | <u>(971,309)</u> |
| Total revenues and other financing sources | <u>\$ 28,499,590</u> | <u>\$ 28,527,783</u> | <u>\$ 28,193,481</u> | <u>\$ (334,302)</u> |

(continued)

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2018

(concluded)

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Encumbrances</u> | <u>Variance with</u> <u>Final Budget</u> |
|---|-------------------------|---------------------|---------------------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | | |
| EXPENDITURES | | | | | |
| General support: | | | | | |
| Board of Education | \$ 11,625 | 23,708 | \$ 19,250 | \$ - | \$ 4,458 |
| Central administration | 252,562 | 250,247 | 246,077 | 109 | 4,061 |
| Finance | 402,997 | 422,254 | 363,843 | 19,267 | 39,144 |
| Staff | 114,279 | 113,689 | 72,954 | 269 | 40,466 |
| Central services | 2,558,387 | 2,545,911 | 1,945,858 | 375,450 | 224,603 |
| Special items | 475,916 | 795,942 | 748,116 | - | 47,826 |
| Instruction: | | | | | |
| Instruction, administration and improvement | 973,837 | 1,017,825 | 883,823 | 2,822 | 131,180 |
| Teaching—regular school | 7,871,084 | 7,838,370 | 6,892,373 | 143,580 | 802,417 |
| Programs for students with disabilities | 2,868,922 | 2,936,164 | 2,640,788 | 5,676 | 289,700 |
| Occupational education | 651,900 | 496,522 | 434,754 | - | 61,768 |
| Teaching—special schools | 22,418 | 22,419 | 13,768 | - | 8,651 |
| Instructional media | 1,219,968 | 1,247,874 | 1,083,513 | 61,831 | 102,530 |
| Pupil services | 1,466,707 | 1,501,196 | 1,339,480 | 2,170 | 159,546 |
| Pupil transportation | 2,429,442 | 2,561,440 | 1,769,087 | 495,830 | 296,523 |
| Community services | 11,000 | 11,000 | - | - | 11,000 |
| Employee benefits | 6,489,030 | 5,913,252 | 5,234,607 | 3,750 | 674,895 |
| Debt service: | | | | | |
| Principal | 353,386 | 145,386 | 145,386 | - | - |
| Interest | 3,060 | 279,060 | 279,060 | - | - |
| Total expenditures/encumbrances | <u>28,176,520</u> | <u>28,122,259</u> | <u>24,112,737</u> | <u>1,110,754</u> | <u>2,898,768</u> |
| OTHER FINANCING USES | | | | | |
| Transfers out | <u>1,477,471</u> | <u>1,559,925</u> | <u>1,527,944</u> | <u>-</u> | <u>31,981</u> |
| Total expenditures/encumbrances and other financing uses | <u>29,653,991</u> | <u>29,682,184</u> | <u>25,640,681</u> | <u>1,110,754</u> | <u>2,930,749</u> |
| Net change in fund balances* | (1,154,401) | (1,154,401) | 2,552,800 | | |
| Fund balance—beginning | <u>10,425,414</u> | <u>10,425,414</u> | <u>10,425,414</u> | | |
| Fund balance—ending | <u>\$ 9,271,013</u> | <u>\$ 9,271,013</u> | <u>\$ 12,978,214</u> | | |

*The net change in fund balances was included as appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

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EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2018

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date, which decreased from 3.80% to 3.61% at June 30, 2018. Mortality rates were updated to Adjusted RP-2014 combined mortality, fully generational using scale MP-2017. Finally, the healthcare cost trend rate increased from 5.3% at June 30, 2017 to 6.2% at June 30, 2018.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Special Aid, School Lunch, and Debt Service funds. Appropriation limits, where applicable, for the Debt Service Fund, Special Aid Fund and Special Purpose Fund are maintained based on debt schedules, individual grants and donations or fundraising revenues accepted by the Board of Education. The periods of such grants may vary from the District's fiscal year. A budget is maintained for the School Lunch Fund as a management tool for internal control purposes.

The appropriated budget is prepared by fund, function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations exceeding \$10,000 between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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SUPPLEMENTARY INFORMATION

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit—General Fund
Year Ended June 30, 2018

Change from Adopted Budget to Final Budget

| | | |
|--------------------------------|--------------|---------------------------------|
| Adopted budget 2017-2018 | | \$ 29,017,733 |
| Add: Prior year's encumbrances | | <u>636,258</u> |
| Original budget | | 29,653,991 |
| Budget revisions: | | |
| Bullet aid | \$ 15,000 | |
| Donations | 5,622 | |
| Insurance | <u>7,571</u> | <u>28,193</u> |
| Final budget 2017-2018 | | <u><u>\$ 29,682,184</u></u> |

Section 1318 of Real Property Tax Law Limit Calculation

| | | |
|---|--------------------|----------------------------|
| 2018-2019 voter approved expenditure budget | \$ 30,090,130 | |
| Maximum allowed (4% of 2017-2018 budget) | | \$ 1,203,605 |
| General Fund fund balance subject to Section 1318 of Real Property Tax Law*: | | |
| Unrestricted fund balance: | | |
| Assigned fund balance | \$ 1,696,895 | |
| Unassigned fund balance | <u>1,203,605</u> | |
| Total unrestricted fund balance | | 2,900,500 |
| Less: | | |
| Appropriated fund balance | \$ (586,141) | |
| Encumbrances included in assigned fund balance | <u>(1,110,754)</u> | |
| Total adjustments | | <u>(1,696,895)</u> |
| General Fund fund balance subject to Section 1318 of Real Property Tax Law | | <u><u>\$ 1,203,605</u></u> |
| Actual percentage | | 4.00% |

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", updated April 2011 (originally issued November 2010), the portion of General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Capital Projects Fund—Project Expenditures and Financing Resources
Year Ended June 30, 2018

| Project Title | Original Appropriation | Revised Appropriation | Expenditures to Date | | Total | Unexpended Balance | Proceeds of Obligations | Methods of Financing | | | Fund Balance* June 30, 2018 |
|---------------------------|---------------------------|--------------------------|----------------------|----------------------|-------------------------|-----------------------|----------------------------|----------------------|--------------------|---------------------|--------------------------------|
| | | | Prior Years | Current Year | Project Expenditures | | | State Aid | Local Sources | Total | |
| Excel project | \$ 2,849,065 | \$ 2,849,065 | \$2,810,509 | \$ - | \$ 2,810,509 | \$ 38,556 | \$ 2,276,402 | \$484,589 | \$ 88,074 | \$ 2,849,065 | \$ 38,556 |
| Emergency masonry repair | 72,590 | 72,590 | 63,470 | - | 63,470 | 9,120 | - | - | 72,590 | 72,590 | 9,120 |
| Capital outlay | 300,000 | 300,000 | 165,233 | 12,477 | 177,710 | 122,290 | - | - | 300,100 | 300,100 | 122,390 |
| 2017 Cogen repair project | 90,000 | 46,995 | 46,995 | - | 46,995 | - | - | - | 46,995 | 46,995 | - |
| Eden 2020 project | 22,150,000 | 22,150,000 | 3,984,363 | 12,504,230 | 16,488,593 | 5,661,407 | - | - | 2,001,800 | 2,001,800 | (14,486,793) |
| Smart School Bond | 265,086 | 265,086 | - | 260,682 | 260,682 | 4,404 | - | - | - | - | (260,682) |
| | <u>\$ 25,726,741</u> | <u>\$ 25,683,736</u> | <u>\$7,070,570</u> | <u>\$ 12,777,389</u> | <u>\$19,847,959</u> | <u>\$ 5,835,777</u> | <u>\$ 2,276,402</u> | <u>\$484,589</u> | <u>\$2,509,559</u> | <u>\$ 5,270,550</u> | <u>\$ (14,577,409)</u> |

*As discussed in the notes to the financial statements, the primary reason for the deficit is due to the issuance of bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenses, and fund balances.) When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

EDEN CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
June 30, 2018

| | | |
|---|------------------|----------------------|
| Capital assets, net of accumulated depreciation | | \$ 29,471,636 |
| Add: | | |
| Unspent debt proceeds | \$ 6,074,951 | |
| Deferred charge on refunding | <u>63,294</u> | 6,138,245 |
| Deduct: | | |
| Serial bonds | \$ (3,270,000) | |
| Premium on bonds payable | (176,902) | |
| Bond anticipation notes ("BANs") payable | (20,150,000) | |
| Energy performance contract | (36,891) | |
| Retainages payable | <u>(682,404)</u> | <u>(24,316,197)</u> |
| Net investment in capital assets | | <u>\$ 11,293,684</u> |

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Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

The Board of Education
Eden Central School District, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eden Central School District, New York (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Drescher & Malecki LLP

September 19, 2018