

Preliminary

BELFAST CENTRAL SCHOOL DISTRICT
AUDIT REPORTING PACKAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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2018 REPORTING PACKAGE

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Preliminary

BELFAST CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

***WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS***

BELFAST CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Belfast Central School District
Belfast, New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of *Belfast Central School District* as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the *Belfast Central School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Belfast Central School District* as of June 30, 2018, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 aggregate remaining fund information of *Belfast Central School District* as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a matter

As discussed in Note 5 to the financial statements, a prior period adjustment was recorded to adjust compensated absences. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 9), budgetary comparison information (pages 38 through 39), schedule of changes in the District's net OPEB liability and related ratios (page 45), schedule of District's contributions – OPEB (page 46), schedule of the District's contributions for defined benefit pension plans on (page 47), and the schedule of the District's share of the net pension asset/liability (page 48), 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 **Belfast Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of **Belfast Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 **Belfast Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 9, 2018**

BELFAST CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Page 3

I. Discussion and Analysis

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

II. Financial Highlights

The following items are the financial highlights experienced by the **Belfast Central School District** during the fiscal year ended June 30, 2018:

- Overall net position of the District from operations increased during the current year in the amount of \$409,000 as compared to an increase of \$374,000 during the prior fiscal year.
- The District's total revenue increased 5% from \$9,805,000 during June 30, 2017 to \$10,309,000 during June 30, 2018. This increase was primarily the result of state aid, including aid related to the prior year emergency project.
- The District's total expenses increased 5% from \$9,431,000 during the year ended June 30, 2017 to \$9,900,000 during the year ended June 30, 2018. This was related to BOCES services for special education, occupational education, and the library.
- The District's had capital outlays during the current year in the amount of \$1,406,000, which primarily related to the athletic capital project started in April 2017.

III. Overview of the Financial Statements

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

III. Overview of the Financial Statements (continued)

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 10) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the District. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

BELFAST CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Page 4

III. Overview of the Financial Statements (continued)

B. Reporting the District's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds

III. Overview of the Financial Statements (continued)

B. Reporting the District's Most Significant Funds (Fund Financial Statements)(continued):

1. Governmental Funds (continued)

statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

2. Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

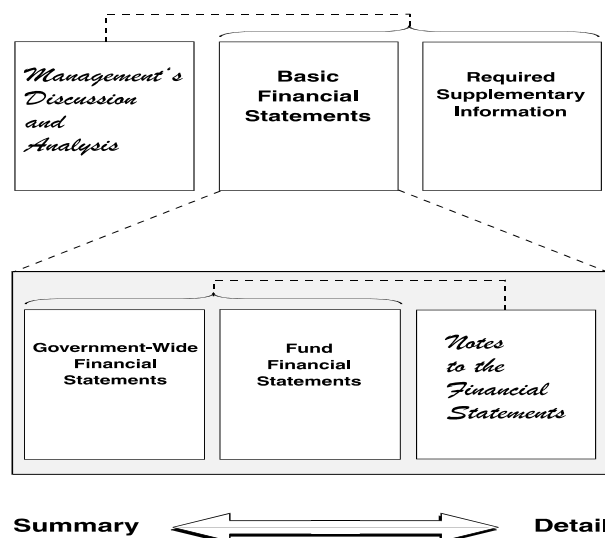
Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, all assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

BELFAST CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$8,734,000. The components of net position include: net investment in capital assets, of \$5,926,000; restricted net position of \$778,000; and unrestricted net position of \$2,030,000 as of June 30, 2018.

Changes in Net Position

The District's total government-wide revenue increased by approximately 5% to \$10,309,000. Approximately 18%, 7% and 72% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 3% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

The total cost of all programs and services of the District increased 5% to \$9,900,000. The District's expenses cover a range of services, with 67% related to instruction and 16% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities

Revenue of the District's governmental activities increased 5%, while total expenses increased 5%. The District's total net position increased approximately \$409,000 from operations during the fiscal year ended June 30, 2018.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$10,309,000 for the fiscal year ended June 30, 2018. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 18% of the District's total revenue for governmental activities increased approximately 2% during the year ended June 30, 2018. This increase was related to an increase in the tax levy.
- The District's most significant revenue is state sources which represent \$7,393,000 or 72% of total governmental revenue. The District's state sources increased approximately 2% which was primarily related to an increase in basic state aid.
- During the year ended June 30, 2018, the District saw an increase in program revenue in the amount of \$208,000 which primarily related to the classification of federal and state grants in the special aid fund as program revenue in the current year.

BELFAST CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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IV. Financial Analysis of the School District as a Whole (continued)

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, debt service and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$9,900,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$60,000 or 4% which was primarily due to BOCES expenditures.
- The District's instruction costs increased by approximately \$211,000 or 3%. This increase was the result of an increase BOCES expenditures related to special education, occupational education, and the library.
- Debt service of the District increased approximately \$89,000 during the year ended June 30, 2018.
- Transportation costs of the District decreased approximately \$48,000 during the year ended June 30, 2018. This decrease was related to a decrease in depreciation.
- The District's cost of sales (food service fund) totaled \$322,000 during the current year as compared to \$159,000 during the fiscal year ended June 30, 2017. This increase is related to the classification of cafeteria expenses, as a portion was included in general support in the prior year.
- The District received approximately \$756,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$9.1 million) were financed by real property taxes and state aid.

Figure A-3 – Condensed Statement of Net Position

Belfast Central School District Condensed Statement of Net Position (in thousands of dollars)			
	Governmental Activities and Total District-wide		
	2018	2017	% Change
Assets			
Current and other assets	\$ 2,518	\$ 2,164	16%
Capital assets	16,311	15,567	5%
Total assets	18,829	17,731	6%
Deferred outflows of resources			
Deferred outflows pensions, refunding, and OPEB	2,566	2,027	27%
Deferred outflows of resources and assets	\$ 21,395	\$ 19,758	8%
Liabilities			
Other liabilities	\$ 2,759	\$ 2,363	17%
Long-term debt outstanding	9,200	9,269	-1%
Total liabilities	11,959	11,632	3%
Deferred inflows of resources			
Deferred inflows related to pensions and OPEB	702	164	328%
Deferred inflows of resources and liabilities	12,661	11,796	7%
Net Position			
Net investment in capital assets	5,926	6,046	-2%
Restricted	778	1,026	-24%
Unrestricted	2,030	890	128%
Total net position	8,734	7,962	10%
Total liabilities, deferred inflows of resources and net position	\$ 21,395	\$ 19,758	8%

Figure A-4 – Changes in Net Position

Belfast Central School District Changes in Net Position from Operating Results (in thousands of Dollars)			
	Governmental Activities and Total District-wide		
	2018	2017	% Change
Revenue			
Program revenue			
Charges for services	\$ 73	\$ 81	-10%
Operating grants and contributions	683	467	46%
General revenue			
Real property taxes	1,887	1,847	2%
Use of money & property	5	4	8%
Sale of property & comp for loss	8	27	-73%
State sources	7,393	7,270	2%
Federal sources	37	12	218%
Miscellaneous	223	97	130%
Total revenue	10,309	9,805	5%
Expenses			
General support	1,646	1,586	4%
Instruction	6,662	6,451	3%
Transportation	679	727	-7%
Community services	48	54	100%
Debt service - interest	543	454	20%
Cost of sales	322	159	103%
Total expenses	9,900	9,431	5%
Change in net position	\$ 409	\$ 374	

BELFAST CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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Figure A-5 – Sources of Revenue

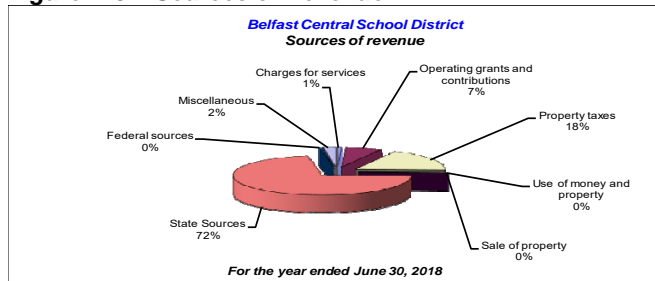


Figure A-6 - Expenses

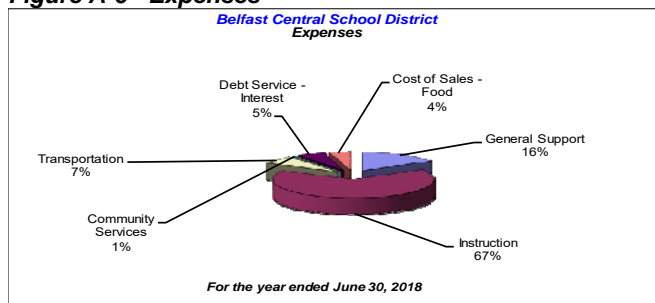


Figure A-7 – Expenditures Supported with Program Revenue

Belfast Central School District Expenditures supported with program revenue (in thousands of dollars)				
	Governmental Activities & Total District			
	2018		2017	
Expenditures supported with general revenue (from taxes & other sources)	\$ 9,144	92%	\$ 8,883	94%
Expenditures supported with program revenue	756	8%	548	6%
Total expenditures related to governmental activities	\$ 9,900	100%	\$ 9,431	100%

Figure A-8 – Net Cost of Governmental Activities

Belfast Central School District Net Cost of Governmental Activities (in thousands of dollars)						
	Total cost of services			Net cost of services		
	2018	2017	Change	2018	2017	Change
General support	\$ 1,646	\$ 1,586	\$ 60	\$ 1,646	\$ 1,586	\$ 60
Instruction	6,662	6,451	211	6,127	6,141	(14)
Transportation	679	727	(48)	679	727	(48)
Community Services	48	54	(6)	48	54	(6)
Debt service - interest	543	454	89	543	454	89
Cost of sales - food	322	159	163	101	(79)	180
Total	\$ 9,900	\$ 9,431	\$ 469	\$ 9,144	\$ 8,883	\$ 261

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund expenditures and other uses exceeded its revenue and other sources by approximately \$204,000.
- The District's general fund unassigned fund balance equated to approximately \$595,000 at June 30, 2018.
- The District established many fund balance reserves during the year ended June 30, 2018, and had a total restricted fund balance approximated \$451,000.
- The District's total assets decreased approximately \$70,000 as of June 30, 2018. The District's liabilities increased approximately \$134,000. The decrease in assets was primarily related to a decrease in due from other funds partially offset by an increase in cash. The increase in liabilities was the result of an increase in due to other funds.
- Total revenue in the District's general fund increased \$369,000, which was primarily related to an increase in state aid. Total expenditures in the District's general fund increased by \$554,000 primarily as a result of BOCES expenditures.

Food Service Fund

- The District's food service fund experienced a \$3,000 increase in fund equity during the current year.
- Revenue in the District's food service fund was \$326,000 during 2018 as compared with \$314,000 in 2017. Expenditures increased approximately \$1,000.

Public Library Fund

- The District had revenue in the public library in the amount of approximately \$48,000 and expenses of approximately \$51,000.

BELFAST CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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V. Financial Analysis of the School District's Funds (continued)

Special Aid Fund

- The District's special aid fund revenue and expenditures increased approximately \$17,000 or 4% which was primarily a result of the addition of the Teachers For Tomorrow grant.

Capital Projects Fund

- The District had expenditures in the amount of \$1,279,000 in capital projects during the year ended June 30, 2018, which was primarily related to costs associated with the District's athletic capital project.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers, which is the common method utilized to manage the budget throughout the year. Actual expenditures were approximately \$11,000 below the revised budget. The most significant variances were in the areas of instruction, employee benefits, and debt service which totaled \$42,000, \$56,000 and \$46,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$105,000 above the final budgeted amount. Significant variances of revenue items consisted of state sources of revenue which was approximately \$89,000 below that budgeted. This was partially offset by local and federal sources which were \$181,000 and \$12,000 above that budgeted.

Figure A-9 – Budget vs. Actual Comparison

Belfast Central School District

General Fund - Budget vs Actual Comparison (in thousands of dollars)				
	Revised Budget	Actual	Difference	%
Revenue				
Local sources	\$ 1,855	\$ 2,036	\$ 181	10%
State sources	7,481	7,393	(89)	-1%
Federal sources	25	37	12	47%
Interfund revenue	-	1	1	n/a
Total revenue	\$ 9,361	\$ 9,466	\$ 105	1%
Expenditures				
General support	\$ 1,401	\$ 1,380	\$ 21	2%
Instruction	4,584	4,541	42	1%
Transportation	566	557	10	2%
Employee benefits	1,457	1,402	56	4%
Debt service	1,557	1,510	46	3%
Operating transfers	116	280	(164)	-142%
Total expenditures	\$ 9,681	\$ 9,670	\$ 11	0%

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2018, the District had invested approximately \$16,311,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2018, totaled approximately \$1,406,000 and consisted primarily of costs associated with the District's athletic capital project. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2018, the District had approximately \$9,200,000 in bonds, net pension liability, other post-employment benefits liability and compensated absences, a decrease of approximately 11% as compared with the previous year. The decrease in bonds payable was the result of the District making regularly scheduled principal payments. In addition, the District refunded a portion of its bonds during the current year. The District's NYS Employees' Retirement System net pension liability decreased during the year, whereas the NYS Teachers' Retirement System was a net pension liability in the prior year, as compared to a net pension asset in the current year. Lastly, the District's compensated absences decreased as a result of a prior period adjustment that was recorded during the current year.

Figure A-10 – Capital Assets

Belfast Central School District Capital Assets (net of depreciation)			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Land	\$ 83,860	\$ 53,232	58%
Buildings	19,811,141	19,723,975	0%
Construction in progress	2,385,606	1,224,004	95%
Equipment	2,141,762	2,015,530	6%
Accumulated depreciation	(8,110,965)	(7,448,908)	9%
Total Capital Assets, net	\$ 16,311,404	\$ 15,567,833	5%

Figure A-11 – Outstanding Long-term Debt

Belfast Central School District Outstanding Long-Term Debt and Liabilities			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Bonds payable	\$ 8,003,407	\$ 8,395,000	-5%
Energy performance contract	475,000	502,167	-5%
Net pension liabilities	78,544	425,013	-82%
Other post-employment benefits	539,134	594,372	-9%
Compensated absences	103,535	466,139	-78%
Total Long-Term Debt	\$ 9,199,620	\$ 10,382,691	-11%

**BELFAST CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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VIII. Factors Bearing on the District's Future

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

- The District continues to be uncertain to the level of state aid.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Belfast Central School District
Attention: Mr. Robert Lingenfelter
District Treasurer
1 King St
Belfast, NY 14711

BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Schedule 1

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	<u>2018</u>
Assets	
Cash	
Unrestricted	\$ 1,239,946
Restricted	777,649
Receivables	
State and federal aid	366,112
Due from other governments	350
Inventories	6,745
Net pension asset - NYS Teachers' Retirement System	126,682
Capital assets, net	16,311,404
Total assets	<u>18,828,888</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	1,964,380
Deferred outflows related to bond refunding	564,125
Deferred outflows related to OPEB	37,246
Total deferred outflows of resources	<u>2,565,751</u>
Total assets and deferred outflows of resources	<u>\$ 21,394,639</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 30,933
Accrued liabilities	8,137
Accrued interest	71,000
Due to fiduciary funds	1,238
Due to other governments	269
Due to retirement systems	339,086
Unearned revenue	9,618
Bond anticipation notes payable	2,299,144
Long-term liabilities	
Portion due or payable within one year	
Bonds payable	1,095,000
Energy performance contract	25,000
Portion due or payable after one year	
Bonds payable	6,908,407
Energy performance contract	450,000
Net pension liability - NYS Employees' Retirement System	78,544
Other post-employment benefits	539,134
Compensated absences	103,535
Total liabilities	<u>11,959,045</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	620,867
Deferred inflows related to OPEB	80,710
Total deferred inflows of resources	<u>701,577</u>
Total liabilities and deferred inflows of resources	<u>12,660,622</u>
Net Position	
Net investment in capital assets	5,925,875
Restricted	777,649
Unrestricted	2,030,493
Total net position	<u>8,734,017</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 21,394,639</u>

BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

Page 11

					2018 Net (Expense) Revenue and Changes in Net Position
	Expenses	Indirect Expenses Allocation	Program Revenues Charges for Services	Operating Grants	
Functions/Programs					
General support	\$ 1,516,013	\$ 129,663	\$ -	\$ -	\$ (1,645,676)
Instruction	6,266,632	395,264	7,889	526,530	(6,127,477)
Pupil transportation	541,457	137,131	-	-	(678,588)
Community services	48,301	-	-	-	(48,301)
Debt service	542,675	-	-	-	(542,675)
Food service program	322,374	-	65,242	156,191	(100,941)
Depreciation	662,058	(662,058)	-	-	-
Total functions and programs	\$ 9,899,510	\$ -	\$ 73,131	\$ 682,721	(9,143,658)
General Revenues					
Real property taxes					1,886,836
Use of money and property					4,657
Sale of property and compensation for loss					7,527
Miscellaneous					224,268
State sources					7,392,541
Federal sources					36,802
Total general revenues					9,552,631
Change in net position					408,973
Net position - beginning of year					7,962,438
Prior period adjustment					362,606
Net position - end of year					\$ 8,734,017

BELFAST CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

Schedule 3

Page 12

	Governmental Funds						2018
	General	Special Aid	Public Library	Food Service	Debt Service	Capital Projects	(Memo only) Total
Assets							
Unrestricted cash	\$ 1,053,421	\$ -	\$ 98,638	\$ 18,313	\$ 50,620	\$ 340,074	\$ 1,561,066
Restricted cash	451,199	-	5,330	-	-	-	456,529
Due from other funds	241,738	729	-	-	327,968	51,948	622,383
State and federal aid receivable	233,922	132,190	-	-	-	-	366,112
Due from other governments	350	-	-	-	-	-	350
Inventories	-	-	-	6,745	-	-	6,745
Total assets	<u>\$ 1,980,630</u>	<u>\$ 132,919</u>	<u>\$ 103,968</u>	<u>\$ 25,058</u>	<u>\$ 378,588</u>	<u>\$ 392,022</u>	<u>\$ 3,013,185</u>
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 30,674	\$ -	\$ 117	\$ 142	\$ -	\$ -	\$ 30,933
Accrued liabilities	3,148	3,181	-	1,808	-	-	8,137
Bond anticipation notes payable	-	-	-	-	-	2,299,144	2,299,144
Due to other funds	350,750	123,807	27,574	69,352	52,138	-	623,621
Unearned revenue	-	4,288	5,330	-	-	-	9,618
Due to other governments	-	-	-	269	-	-	269
Due to Teachers' Retirement System	308,962	55	-	-	-	-	309,017
Due to Employees' Retirement System	24,755	1,588	-	3,726	-	-	30,069
Total liabilities	<u>718,289</u>	<u>132,919</u>	<u>33,021</u>	<u>75,297</u>	<u>52,138</u>	<u>2,299,144</u>	<u>3,310,808</u>
Fund Equity							
Nonspendable	-	-	-	6,745	-	-	6,745
Restricted	451,199	-	-	-	326,450	-	777,649
Assigned	216,431	-	70,947	-	-	-	287,378
Unassigned (deficit)	594,711	-	-	(56,984)	-	(1,907,122)	(1,369,395)
Total fund equity (deficit)	<u>1,262,341</u>	<u>-</u>	<u>70,947</u>	<u>(50,239)</u>	<u>326,450</u>	<u>(1,907,122)</u>	<u>(297,623)</u>
Total liabilities and fund equity	<u>\$ 1,980,630</u>	<u>\$ 132,919</u>	<u>\$ 103,968</u>	<u>\$ 25,058</u>	<u>\$ 378,588</u>	<u>\$ 392,022</u>	<u>\$ 3,013,185</u>

BELFAST CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 4

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	Governmental Funds						2018
	General	Special Aid	Public Library	Food Service	Debt Service	Capital Projects	(Memo only) Total
Revenue							
Real property taxes	\$ 1,841,596	\$ -	\$ 45,240	\$ -	\$ -	\$ -	\$ 1,886,836
Charges for services	7,375	-	514	-	-	-	7,889
Use of money and property	4,558	-	8	2	89	-	4,657
Sale of property compensation for loss	7,360	-	167	-	-	-	7,527
Miscellaneous	174,915	-	2,205	29,280	17,868	-	224,268
State sources	7,392,541	166,297	-	4,935	-	-	7,563,773
Federal sources	36,802	273,847	-	140,901	-	-	451,550
Surplus food	-	-	-	10,355	-	-	10,355
Sales (school food service)	-	-	-	65,242	-	-	65,242
Total revenue	9,465,147	440,144	48,134	250,715	17,957	-	10,222,097
Expenditures							
General support	1,379,753	-	-	140,063	4,453	-	1,524,269
Instruction	4,541,339	355,279	-	-	-	-	4,896,618
Pupil transportation	557,235	-	-	-	-	-	557,235
Community services	-	-	48,301	-	-	-	48,301
Employee benefits	1,402,096	86,386	2,406	70,261	-	-	1,561,149
Debt service							
Principal	1,137,991	-	-	-	-	-	1,137,991
Interest	372,210	-	-	-	-	-	372,210
Capital outlay	-	-	-	-	-	1,279,396	1,279,396
Cost of sales	-	-	-	112,050	-	-	112,050
Total expenditures	9,390,624	441,665	50,707	322,374	4,453	1,279,396	11,489,219
Excess (deficiency) of revenue over expenditures	74,523	(1,521)	(2,573)	(71,659)	13,504	(1,279,396)	(1,267,122)
Other sources and uses							
BANS redeemed from appropriations	-	-	-	-	-	25,384	25,384
Proceeds from advanced refunding	-	-	-	-	5,454,567	-	5,454,567
Payment to escrow agent - advance refunding	-	-	-	-	(5,454,567)	-	(5,454,567)
Operating transfers in	1,186	-	-	75,000	-	204,643	280,829
Operating transfers out	(279,643)	-	-	-	(1,186)	-	(280,829)
Total other sources (uses)	(278,457)	-	-	75,000	(1,186)	230,027	25,384
Excess (deficiency) of revenue and other sources over expenditures and other uses	(203,934)	(1,521)	(2,573)	3,341	12,318	(1,049,369)	(1,241,738)
Fund equity (deficit), beginning of year	1,466,275	1,521	73,520	(53,580)	314,132	(857,753)	944,115
Fund equity (deficit), end of year	\$ 1,262,341	\$ -	\$ 70,947	\$ (50,239)	\$ 326,450	\$ (1,907,122)	\$ (297,623)

BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	Total 6/30/2018
Assets			
Cash	\$ 11,662	\$ 83,283	\$ 94,945
Due from other funds	-	30,969	30,969
Total assets	\$ 11,662	\$ 114,252	\$ 125,914
Liabilities			
Accrued liabilities	\$ 1,000	\$ 17,595	\$ 18,595
Due to other funds	-	29,731	29,731
Student extraclassroom activity funds	-	66,926	66,926
Total liabilities	1,000	114,252	115,252
Net position			
Reserved for scholarships	10,662	-	10,662
Total liabilities and net position	\$ 11,662	\$ 114,252	\$ 125,914

BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 6

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	6/30/2018
Additions	
Gifts and contributions	\$ 4,114
Interest earnings	1
	<hr/>
Total additions	4,115
	<hr/>
Deductions	
Scholarships awarded	2,500
	<hr/>
Total deductions	2,500
	<hr/>
Change in net position	1,615
Net position - beginning of year	9,047
	<hr/>
Net position - end of year	<u><u>\$ 10,662</u></u>

BELFAST CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Total fund balances - governmental funds \$ (297,623)

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 24,422,369	
Accumulated depreciation	(8,110,965)	16,311,404

District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds pension costs are based on required contributions.	126,682
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(71,000)
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Deferred outflows from the refunding of debt is reported in the statement of net position and is amortized over the refunded debt. In the governmental funds the total sources and payments related to the refunding are recognized in statement of revenue, expenditures and changes in fund equity.	564,125
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Deferred inflows/outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds pension expense is based on required contributions.	1,343,513
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Deferred inflows/outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds OPEB expense is based on required contributions to OPEB plan.	(43,464)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable	(8,003,407)	
Energy performance contract	(475,000)	
Net pension liability - ERS	(78,544)	
Other post-employment benefits	(539,134)	
Compensated absences	(103,535)	(9,199,620)

Total net position - governmental activities \$ 8,734,017

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 2,017,595	\$ -	\$ -	\$ -	\$ 2,017,595
Due from other funds	622,383	-	-	(622,383)	-
State and federal aid receivable	366,112	-	-	-	366,112
Due from other governments	350	-	-	-	350
Inventories	6,745	-	-	-	6,745
Net pension asset	-	126,682	-	-	126,682
Capital assets, net	-	16,311,404	-	-	16,311,404
Total assets	3,013,185	16,438,086	-	(622,383)	18,828,888
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	1,964,380	-	-	1,964,380
Deferred outflows related to bond refunding	-	564,125	-	-	564,125
Deferred outflows related to OPEB	-	37,246	-	-	37,246
Total assets and deferred outflows of resources	\$ 3,013,185	\$ 19,003,837	\$ -	\$ (622,383)	\$ 21,394,639
Liabilities, Deferred inflows of resources and Fund Equity/Net Position					
Liabilities					
Accounts payable	\$ 30,933	\$ -	\$ -	\$ -	\$ 30,933
Accrued liabilities	8,137	-	-	-	8,137
Accrued interest	-	-	71,000	-	71,000
Due to other funds	623,621	-	-	(622,383)	1,238
Unearned revenue	9,618	-	-	-	9,618
Due to other governments	269	-	-	-	269
Due to retirement systems	339,086	-	-	-	339,086
Bond anticipation notes payable	2,299,144	-	-	-	2,299,144
Bonds payable	-	-	8,003,407	-	8,003,407
Energy performance contract	-	-	475,000	-	475,000
Net pension liability	-	-	78,544	-	78,544
Other post-employment benefits	-	-	539,134	-	539,134
Compensated absences	-	-	103,535	-	103,535
Total liabilities	3,310,808	-	9,270,620	(622,383)	11,959,045
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	-	620,867	-	620,867
Deferred inflows related to pensions	-	-	80,710	-	80,710
Total liabilities and deferred inflows of resources	3,310,808	-	9,972,197	(622,383)	12,660,622
Fund equity and net position					
	(297,623)	19,003,837	(9,972,197)	-	8,734,017
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 3,013,185	\$ 19,003,837	\$ -	\$ (622,383)	\$ 21,394,639

BELFAST CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds \$ (1,241,738)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 1,405,629	
Depreciation expense	<u>(662,058)</u>	743,571

Repayment of bond principal, including bond refunding's, capital lease principal and bond anticipation notes principal is an expenditure the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,572,118

Bond anticipation notes redeemed from appropriations is recorded as revenue and other sources in the governmental funds, whereas the repayment reduces short-term liabilities in the statement of net position. (25,384)

Proceeds from long-term debt, including bond refunding's and bond premiums, are recorded as revenue in governmental funds. However, in the statement of activities, proceeds from long-term debt are not recorded as revenue. Rather, long-term debt is recorded as a liability in the statement of net position. (5,454,567)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus required the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (150,025)

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans. (59,455)

District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows related to OPEB are recorded in the statement of activities, whereas in the governmental funds OPEB expense is based on District's required contribution to the OPEB plan. 24,453

Change in net position of governmental activities \$ 408,973

Preliminary

Schedule 8

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	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Asset and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 1,886,836	\$ -	\$ -	\$ -	\$ 1,886,836
Charges for services	7,889	-	-	(7,889)	-
Use of money and property	4,657	-	-	-	4,657
Sale of property compensation for loss	7,527	-	-	-	7,527
Miscellaneous	224,268	-	-	-	224,268
State sources	7,563,773	-	-	(171,232)	7,392,541
Federal sources	451,550	-	-	(414,748)	36,802
Surplus food	10,355	-	-	(10,355)	-
Sales (school food service)	65,242	-	-	(65,242)	-
Total revenue	10,222,097	-	-	(669,466)	9,552,631
Expenditures					
General support	1,524,269	129,663	-	(8,256)	1,645,676
Instruction	4,896,618	395,264	-	835,595	6,127,477
Pupil transportation	557,235	10,898	-	110,455	678,588
Community services	48,301	-	-	-	48,301
Employee benefits	1,561,149	-	35,002	(1,596,151)	-
Debt service	1,510,201	-	(967,526)	-	542,675
Capital outlay	1,279,396	(1,279,396)	-	-	-
Cost of sales	112,050	-	-	(11,109)	100,941
Total expenditures	11,489,219	(743,571)	(932,524)	(669,466)	9,143,658
Excess (deficiency) of revenue over expenditures	(1,267,122)	743,571	932,524	-	408,973
Other sources and uses					
BANs redeemed from appropriation	25,384	-	(25,384)	-	-
Proceeds from advanced refunding	5,454,567	-	(5,454,567)	-	-
Payment to escrow agent - advance refunding	(5,454,567)	-	5,454,567	-	-
Operating transfers in	280,829	-	-	(280,829)	-
Operating transfers out	(280,829)	-	-	280,829	-
Total other sources (uses)	25,384	-	(25,384)	-	-
Net change for year	\$ (1,241,738)	\$ 743,571	\$ 907,140	\$ -	\$ 408,973

BELFAST CENTRAL SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

The accompanying financial statements of the **Belfast Central School District** have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of the **Belfast Central School District** represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are available at the District's offices.

B. Joint Venture

The **Belfast Central School District** is a component school districts in the Cattaraugus-Allegany Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year, the District was billed approximately \$2,179,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$1,013,000 for the year ended June 30, 2018. Financial statements for the Cattaraugus-Allegany BOCES are available at the BOCES administrative offices in Olean, New York.

C. Basis of Presentation

1. District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District reports the following major governmental funds:

General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid - is used to account for the proceeds of specific revenue sources such as Federal and State grants, that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service - is used to account for all revenue and expenditures pertaining to the cafeteria operations.

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

Debt Service - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

Public Library - is used to account for transactions related to the public library in Belfast, New York.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

Fiduciary Fund Types - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. Included in the Fiduciary Fund are Private Purpose Trust Funds and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting. Private Purpose Trust Funds are accounted for on the accrual basis of accounting.

D. Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Non-expendable trust funds are accounted for on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.

BELFAST CENTRAL SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

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

E. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

F. Inventory

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase.

G. Investments

Investments are stated at current market value.

H. Capital Assets

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 1,500	Straight-line	15-40 years
Land			15-40 years
improvements	1,500	Straight-line	years
Furniture and equipment	1,500	Straight-line	5-20 years
Transportation Vehicles	1,500	Straight-line	8 years

I. Due To/From Other Funds

The amounts reported on the Statement of Net Position for due to and from other funds represent amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

J. Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has four items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Next is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the district-wide Statement of Net Position. The last item is a deferred change on the refunding of bonds which results from the difference in carrying value of refunded debt and 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 net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

**J. Deferred Inflows and Outflows of Resources
(continued)**

The District has two items that qualify for reporting in this category. First is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS and TRS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position.

K. Compensated Absences

Sick leave and Retirement Incentive Pay - certain of the District's employee groups have negotiated retirement incentive benefits payable based on accumulated unused sick days. Generally the employee must have accumulated minimum years of service with the District and must be eligible for retirement under the provisions of either the teacher or employee retirement systems. The District has recorded an estimated liability in the District-wide financial statement amounting to \$103,535 to recognize the cost of the incentive benefits for those employees eligible to receive such a benefit. Payment of these benefits is dependent on many factors; therefore, the timing of future payments is not readily determinable.

The District believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the district-wide financial statements.

L. Post-Employment Benefits

In addition to the retirement benefits described in Note 3VIB, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Certain administrators, upon reaching normal retirement age while working for the District, will have the District pay their health insurance premiums from their retirement incentive benefits (until exhausted) in accordance with their respective employment contract.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Unearned Revenue

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. Unearned revenues recorded in the governmental funds are not recorded in the District-wide statements.

N. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

1. Inventory Reserve

This reserve is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Food Service Fund.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

1. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects and vehicles for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve.

2. Insurance Reserve

This reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following type of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. The reserve is recorded in the General Fund.

3. Reserve for Employee Benefits

The purpose of this reserve is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of service. This reserve fund may be established by a majority vote of the board of education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

4. Unemployment Reserve

Unemployment Insurance Reserve is used to pay the cost of reimbursement to the State Unemployment Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may be either 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 basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

5. Workers' Compensation Reserve

This reserve is used to accumulate funds for the purpose of paying for compensation benefits and other expenditures authorized under Article 2 of the New York State Workers' Compensation Law, and for payment of expenditures of administering this self-insurance program. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations for the next succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

6. Debt Service Reserve

This reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. The Board of Education, by resolution, has reserved fund equity to provide for debt service on retirement incentives, retirees' health insurance liabilities and compensated absences. These monies must be used to pay the debt service of the obligations from which they originated or were designated by Board resolution. These reserves are accounted for in the General Fund and Debt Service Fund.

7. Reserve for Repairs

This reserve is used to accumulate funds to finance future costs of major repairs to capital improvements or equipment. Voter authorization is required to fund the reserve. Expenditures from this reserve may be made only after a public hearing has been held. In an emergency, expenditures may be made from the reserve fund without a public hearing with approval of two-thirds of the Board of Education. The emergency expenditure must be repaid within the next two succeeding years. This reserve is accounted for in the General Fund.

8. Endowment Scholarships Reserve

This reserve is used to account for endowments, scholarships and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution.

9. Reserve for Retirement Contributions

This reserve is used to accumulate funds for employee retirement system contributions. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

N. Fund Equity (continued)

1. Governmental Funds (continued)

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2018.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Reserve

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund.

The cost of construction contract commitments generally is recorded as an encumbrance of Capital Projects Fund and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported as reservations of fund equity since they do not constitute expenditures or liabilities. Reserve for encumbrances totaled \$69,606 as of June 30, 2018.

2. Appropriated Fund Equity

General Fund - The amount of \$146,825 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2019 as allowed by Section 1318 of the Real Property Tax Law.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

N. Fund Equity (continued)

2. Government-wide financial statements

A. Net investment in capital assets

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

O. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District had no supplemental appropriations during the fiscal year ended June 30, 2018.

2. Budget Basis for Accounting

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for the Food Service Fund reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special revenue and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, expenditures and changes in fund equity - budget and actual.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

P. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on October 31.

2. Enforcement

Uncollected real property taxes are subsequently enforced by the Counties, in which the School District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

Q. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

R. Deferred Compensation Plan

Belfast Central School District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b) - Tax Sheltered Annuities (TSA). The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' TSA plan administrator. The TSA plans are owned by the individuals and held in trust by the plan administrator. The School District has a fiduciary responsibility for funds withheld and remittance to trustees.

S. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

Total fund balances of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

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

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

1. Long-term Revenue Differences

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

2. Capital Related Differences

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

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS AND
DISTRICT-WIDE STATEMENTS (continued)**

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (continued)

3. Long-term Debt Transaction Differences

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash

The *Belfast Central School District's* investment policies are governed by State statutes. School District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District treasurer is authorized to use demand accounts and certificates of deposits. 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 and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and School Districts.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2018, the District's deposits were fully collateralized.

A. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash (continued)

A. Deposits (continued)

Total financial institution (bank) balances at June 30, 2018 per the bank were approximately \$2,113,000. Deposits on hand at June 30, 2018 are categorized as follows:

Category 1	Category 2	Carrying Value
\$ 287,000	\$ 1,826,000	\$ 2,113,000

II. Interfund Transactions

Interfund balances and transactions as of and during the year ended June 30, 2018 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 241,738	\$ 350,750
Debt Service Fund	327,968	52,138
School Lunch Fund	-	69,352
Special Aid Fund	729	123,807
Agency Fund	30,969	29,731
Capital Fund	51,948	-
Library Fund	-	27,574
Total	\$ 653,352	\$ 653,352
	Interfund Revenue	Interfund Expenditures
General Fund	\$ 1,186	\$ 279,643
School Lunch Fund	75,000	-
Debt Service Fund	-	1,186
Capital Fund	204,643	-
Total	\$ 280,829	\$ 280,829

During the year ended June 30, 2018, the District transferred \$75,000 from the general fund to the school lunch fund to subsidize operations. The District also transferred \$204,643 from the general fund to the capital fund for the emergency brick wall project (\$174,015) and the purchase of land (\$30,628). The District also transferred \$1,186 from the debt service fund to the general fund for a prior year BAN premium.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Receivables

Receivables at June 30, 2018 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

Fund	Description	Amount
Special Aid	State and Federal Aid	\$ 132,190
Food Service	State and Federal Aid	-
Food Service	Other receivables	-
General	State and Federal Aid	233,922
General	Other Receivables	-
	Due from Other Governments	350
		<u>\$ 366,462</u>

V. Capital Assets

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

	Beginning Balance 06/30/17	Net change	Ending Balance 06/30/18
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 53,232	\$ 30,628	\$ 83,860
Construction-in-progress	1,224,004	1,161,602	2,385,606
Capital assets that are depreciated:			
Buildings and improvements	19,723,975	87,166	19,811,141
Furniture and equipment	2,015,529	126,233	2,141,762
Total historical cost	23,016,740	1,405,629	24,422,369
Less accumulated depreciation:			
Buildings and improvements	6,162,464	517,135	6,679,599
Furniture and equipment	1,286,443	144,923	1,431,366
Total accumulated depreciation	7,448,907	\$ 662,058	8,110,965
Total net book value	<u>\$ 15,567,833</u>		<u>\$ 16,311,404</u>

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

V. Capital Assets (continued)

Depreciation expense was charged to governmental functions during the current year as follows:

General support	\$	129,663
Instruction		395,264
Pupil transportation		137,131
	\$	<u>662,058</u>

VI. Liabilities

A. Pension Plans

1. Plan Descriptions and Benefits Provided

a. Teachers' Retirement System (TRS)

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

b. Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

b. Employees' Retirement System (ERS) (continued)

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

2. Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For 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. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

A. Pension Plans (continued)

2. Contributions (continued)

Year		TRS		ERS
2018	\$	263,000	\$	122,000
2017		310,000		127,000
2016		351,000		139,000

The School District contributions made to the Systems were equal to 100% of the contributions required for each year.

Since 1989, the TRS' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

Actuarial measurement date	ERS 3/31/2018	TRS 6/30/2017
Net pension asset (liability)	\$ (78,544)	\$ 126,682
District's portion of the Plan's total net pension asset (liability)	.0024336%	.016666%

For the year ended June 30, 2018, the District's recognized pension expense of \$104,486 for ERS and \$323,178 for TRS. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 28,014	\$ 104,228	\$ 23,150	\$ 49,392
Changes of assumptions	52,081	1,289,009	-	-
Net difference between projected and actual earnings on pension plan investments	114,079	-	225,180	298,372
Changes in proportion and differences between the District's contributions and proportionate share of contributions	44,618	38,948	12,753	12,020
District's contributions subsequent to the measurement date	30,069	263,334	-	-
Total	\$ 268,861	\$ 1,695,519	\$ 261,083	\$ 359,784

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

	ERS	TRS
Year ended:		
2019	\$ 56,414	\$ 297,336
2020	23,468	345,718
2021	(49,394)	248,734
2022	(22,710)	65,271
2023	-	248,024
Thereafter	-	130,652

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/18	6/30/17
Actuarial valuation date	4/1/17	6/30/16
Interest rate	7%	7.25%
Salary scale	3.8% average 4/1/10 – 3/31/15 System's	1.90% - 4.72% 7/1/09 – 6/30/14 System's
Decrement tables	Experience	Experience
Inflation rate	2.5%	2.5%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

A. Pension Plans (continued)

4. Actuarial Assumptions (continued)

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active members' mortality rates are based on plan members' experience.

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

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

Measurement date	ERS 3/31/18	Expected Rate of Return	TRS 6/30/17	Expected Rate of Return
Asset Type:				
Domestic Equity	36%	4.55%	37%	6.10%
International Equity	14%	6.35%	18%	7.30%
Private Equity	10%	7.75%	7%	-%
Real Estate	10%	5.80%	10%	5.40%
Absolute return strategies	2%	4.00%	-%	-%
Opportunistic portfolio	3%	5.89%	-%	-%
Real Assets	3%	5.54%	-%	-%
Domestic fixed income securities	-%	-%	17%	1.00%
Global fixed income securities	-%	-%	2%	0.80%
Bonds and Mortgages	17%	1.31%	8%	3.10%
Cash and Short-term	1%	(.25%)	1%	0.10%
Inflation-indexed bond funds	4%	1.50%	-%	-%
Total:	100%		100%	

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

A. Pension Plans (continued)

5. Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1- percentage point lower (6% for ERS and 6.25% for TRS) or 1-percentage point higher (8% for ERS and 8.25% for TRS) than the current rate:

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (594,283)	\$ (78,544)	\$ 357,751

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

A. Pension Plans (continued)

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

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (2,182,348)	\$ 126,682	\$ 2,060,379

7. Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	ERS	TRS
Measurement date	3/31/18	6/30/17
Employers' total pension asset (liability)	\$ 183,400,590	\$ 114,708,261
Plan net position	\$ 180,173,145	\$ 115,468,360
Employers' net pension asset (liability)	\$ (3,227,445)	\$ 760,099
Ratio of plan net position to be Employers' total pension asset (liability)	98.24%	100.66%

BELFAST CENTRAL SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

A. Pension Plans (continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 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 \$30,069.

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 \$309,017 (employer contribution \$263,334 and employee contributions of \$45,683).

B. Other Post-Employment Benefits

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2018 the plan had total active employees of 64 and retirees of 15.

Total OPEB Liability

The District's total OPEB liability of \$539,134 was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Actuarial Assumptions and Other Inputs

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

Inflation	1.3% per year Based on NYSTRS and NYSERS valuations as of June 30, 2015
Salary increases	3.56% as of July 1, 2017 and 2.92% as of July 1, 2016
Discount rate	Range from 5.0% to 8.5% from 2018-2025+
Healthcare cost trend rates	Varies based on employment contracts
Retirees' share of benefit-related costs	

The discount rate was based on a yield for 20 year tax-exempt general obligation municipal bonds.

Mortality rates were based on the RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through July 1, 2016.

Changes in the Total OPEB Liability

Service cost	\$ 30,257
Interest	17,963
Differences between expected and actual experience	(60,964)
Changes in assumptions	(23,465)
Benefit payments	(19,029)
Net changes	\$ (55,238)
Net OPEB liability – beginning of year	594,372
Net OPEB liability – end of year	\$ 539,134

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92% in 2017 to 3.56% in 2018. Payroll growth rate from 2% in 2017 to NYSERS and NYSTRS valuations in 2018. Inflation rate from 2% in 2017 to 1.3% in 2018. Health care trend rate from 9.0%-5.0% in 2017 to 8.5%-5.0% in 2018. Mortality rates based on RP-2000 in 2017 to Scale MP-2015 in 2018.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56%) or 1 percentage point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Current Assumption (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 576,086	\$ 539,134	\$ 503,914

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

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

	1% Decrease (initial rate of 7.5% decreasing by .5% annually until reaching 4%)	Current Assumption (initial rate of 8.5% decreasing by .5% annually until reaching 5%)	1% Increase (initial rate of 9.5% decreasing by .5% annually until reaching 6%)
Total OPEB liability	\$ 483,173	\$ 539,134	\$ 603,663

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

For the year ended June 30, 2018, the District recognized OPEB expense in the amount of \$38,934. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 80,710
Benefits paid subsequent to measurement date	19,000	-
Changes in assumptions	18,246	-
Total	\$ 37,246	\$ 80,710

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

Year ended:	
2019	\$ 9,714
2020	(9,286)
2021	(9,286)
2022	(9,286)
2023	(9,286)
Thereafter	(16,034)

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds is recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. On August 3, 2016, the District issued a bond anticipation notes in the amount of \$624,528. The notes matured on August 3, 2017 and had an interest rate of 1.5%. The District redeemed notes in the amount of \$25,384. Below is a schedule of bond anticipation notes outstanding as of June 30, 2018.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

C. Indebtedness (continued)

1. Short-Term Debt (continued)

a. Bond Anticipation Notes (continued)

Description	Outstanding June 30, 2018
Bond anticipation note, issued 8/2/17 with maturity date of 8/2/18, and an interest rate of 2.5%	\$ 599,144
Bond anticipation note, issued 8/17/17 with maturity date of 8/2/18, and an interest rate of 2.25%	1,700,000
Total	<u>\$ 2,299,144</u>

b. Short-Term Debt Interest

Total interest incurred on short-term debt was \$9,368 during the fiscal year ended June 30, 2018.

2. Long-Term Debt

a. Serial bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the Statement of Net Position. The provisions to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. The District also has issued installment purchase debt over the years to finance the purchase of transportation vehicles and buses.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

b. Changes

The changes in the School District's indebtedness during the year ended June 30, 2018 and 2017 are as follows:

	Balance June 30, 2018	Balance June 30, 2017
Energy performance contract	\$ 475,000	\$ 502,167
2012 refunding bonds	345,000	675,000
2017 refunding bonds	5,363,407	-
DASNY 2011 bonds	2,295,000	7,720,000
Compensated absences	103,535	466,139
Net pension liabilities	78,544	425,013
Other postemployment benefits	539,134	594,372
	<u>\$ 9,199,620</u>	<u>\$ 10,382,691</u>

During the year, the District made principal payments on its serial bonds and energy performance contract in the amount of \$1,112,607. The District also refunded a portion of its bonds during the current year. The net change in compensated absences was a net decrease of \$362,604 during the fiscal year ended June 30, 2018, related to a prior period adjustment. The net change in other post-employment benefits was a decrease of \$55,238 during the fiscal year ended June 30, 2018. Lastly, the District's proportionate share of the NYSERS net pension liability - ERS decreased by \$162,820 during the current year, while TRS went from having a net pension liability of \$183,649 in the prior year to a net pension asset in the amount of \$126,682 in the current year.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Maturity

1. The following is a summary of long-term debt outstanding:

Description of Issue	June 30, 2018
Energy Performance Contract, issued in with a maturity date of September 2031, bonds carry interest at 3.0012%.	\$ 475,000
Serial Bonds, issued in 2012 with a maturity date of June 2019, bonds carry interest at 2.0-4.0%.	345,000
Serial Bonds, issued in 2017 through DASNY with a maturity date of June 2039, bonds carry interest at 2.0%-5.0%.	4,790,000
Plus: unamortized bond premium on bond issuance.	573,407
	<u>5,363,407</u>
Serial Bonds, issued 2011 through DASNY with a maturity date of June 2021, bonds carry interest at 3.25%-5.00%.	2,295,000
	<u>\$ 8,478,407</u>

2. The following is a summary of maturing debt service requirements for serial bonds:

Year	Energy Performance Contract Construction Bond	
	Principal	Interest
2019	\$ 25,000	\$ 14,256
2020	25,000	13,505
2021	30,000	12,755
2022	30,000	11,855
2023	30,000	10,954
2024-2028	170,000	40,366
2029-2032	165,000	12,605
Total	\$ 475,000	\$ 116,296

Year	Serial Bonds - 2012	
	Principal	Interest
2019	\$ 345,000	\$ 13,800
Total	\$ 345,000	\$ 13,800

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Maturity (continued)

Year	Serial Bonds - 2012	
	Principal	Interest
2019	\$ 15,000	\$ 214,156
2020	15,000	213,856
2021	15,000	213,406
2022	845,000	212,806
2023	880,000	179,006
2024-2028	1,700,000	400,281
2029-2033	535,000	198,282
2034-2038	640,000	88,550
2039	145,000	4,894
Total	\$ 4,790,000	\$ 1,725,237

Year	DASNY Serial Bonds - 2017	
	Principal	Interest
2019	\$ 740,000	\$ 94,200
2020	760,000	70,150
2021	795,000	39,750
Total	\$ 2,295,000	\$ 204,100

d. Refunding of Long-Term Debt

On October 17, 2017, the District issued DASNY serial bonds 2017 of \$4,815,000 (par value) with interest rates ranging from 2% to 5% to advance refund a portion of the 2011 DASNY serial bonds with interest rates ranging from 4.75% to 5.25%. The net proceeds of \$5,344,214 (after bond premium of \$639,567, bond issuance costs of \$109,700 and cash \$653) were used to purchase government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the 2011 DASNY serial bond. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements.

As a result of a difference between the carrying value of the refunded debt and reacquisition price of the new debt, a deferred outflows of resources in the amount of \$629,214 was recognized. During the current year \$65,089 was amortized during the current year, with the remaining balance of \$564,125 to be amortized through June 30, 2039.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

e. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$362,842 for the year ended June 30, 2018.

f. Premiums, Debt Issuance Costs and Amortization

Net premiums resulting from bond and other debt refinancing are being amortized over the life of the relating debt using the interest method. These premiums are accordingly included in the outstanding principal balances for the bonds. Debt issuance costs related to the bonds were expensed in accordance with GASB 65.

VII. Fund Equity

A. Deficit Fund Balance

School Lunch Fund

As of June 30, 2018, the District had an accumulated deficit in the amount of \$50,239 in the food service fund resulting from prior year losses from operations. Management is currently reviewing options to alleviate this deficit.

Capital Projects Fund

The District's capital project fund had an accumulated deficit in the amount of \$1,907,122 as of June 30, 2018. It is not uncommon for school districts to have deficit fund balances in the capital project funds as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or redeemed at which time such proceeds are recorded as other financing sources revenue.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Fund Equity (continued)

B. Classifications

The District's fund equity is comprised of the follow components:

Fund	Reservation Purposes	Balance June 30, 2018
Nonspendable:		
Food Service	Inventory	\$ 6,745
Restricted:		
General	Workers compensation	8,906
	Unemployment reserve	22,502
	Reserve for retirement system contributions	134,084
	Repair reserve	22,055
	Employee benefits reserve	263,652
		<u>\$ 2,784,146</u>
Debt Service	Reserve for debt service	<u>\$ 326,450</u>
Private Purpose	Reserve for endowment scholarships	<u>\$ 10,662</u>
Assigned:		
General	Appropriated fund balance	\$ 146,825
	Reserve for encumbrances	69,606
		<u>\$ 216,431</u>
Public Library	Fund equity	<u>\$ 70,947</u>

C. District-wide Net Position

Net position of the District include restricted net position of \$ 777,649 which represent restricted amounts in the general and debt service funds as presented above.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VIII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The **Belfast Central School District** is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

2. Risk Sharing Pools

For its employee health and accident coverage, **Belfast Central School District** is a participant in the Cattaraugus-Allegany Regional Medical Plan, a public entity risk pool operated for the benefit of 22 individual governmental units located within Allegany and Cattaraugus Counties. The School District pays monthly premiums to the Plan for this health coverage.

The Plan is authorized to assess supplemental premiums to the participating districts. The Plan provides coverage for its members up to \$100,000 per insured event. The Cattaraugus-Allegany Regional Medical Plan obtains independent coverage for insured events in excess of this amount.

The **Belfast Central School District** also participates in a risk sharing pool, Cattaraugus-Allegany BOCES, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VIII. Commitments and Contingencies (continued)

B. Federal and State Grants

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds.

Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

C. Compensated Absences

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$268,000 as of June 30, 2018 for accumulating non-vesting sick leave.

D. Contingencies

The District, in the normal course of its operations, is involved in various other litigation and arbitration cases. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the District's financial position.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 4 - CAPITAL PROJECTS

In 2016, *Belfast Central School District* held a public hearing at which time the voters of the District approved a \$1.7 million renovation to the athletic facility. The District had expenditures related to the capital project in the amount of \$1,008,304 during the year ended June 30, 2018. The District also had capital expenditures in the amount of \$141,452 and \$13,064 related to an excel project and bus garage project, respectively. In the prior year the District commenced on an energy performance contract. In the current year, expenditures in the amount of \$71,590 were incurred related to this project. Lastly, the District purchased land in the amount of \$30,628 which was authorized by the District's voters and incurred costs of \$14,358 related to an emergency project on the public address system during the current year.

NOTE 5 – PRIOR PERIOD ADJUSTMENTS

For the fiscal year ended June 30, 2018, the District recorded a prior period adjustment in the amount of \$362,604 related to compensated absences. The impact of the adjustment was a reduction in the compensated absences liability and an increase in net position. In the current year, the liability reflects only those employees who have vested sick leave and have reached age 55.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 9, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BELFAST CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 1,835,801	\$ 1,835,801	\$ 1,835,801	\$ -
Real property tax items	5,000	5,000	5,795	795
Charges for services	3,000	3,000	7,375	4,375
Use of money and property	1,750	1,750	4,558	2,808
Sale of property and compensation for loss	100	100	7,360	7,260
Miscellaneous	10,000	10,000	174,915	164,915
State Sources:				
Basic formula	4,177,653	4,177,653	5,027,926	850,273
BOCES	994,252	994,252	837,852	(156,400)
Textbooks	73,552	73,552	35,964	(37,588)
All other aid	2,235,178	2,235,178	1,490,799	(744,379)
Federal Sources:				
Medicaid reimbursement	25,000	25,000	20,797	(4,203)
Total revenue	9,361,286	9,361,286	9,465,147	103,861
Other Sources				
Operating transfer in	-	-	1,186	1,186
Total revenue and other sources	9,361,286	9,361,286	<u>\$ 9,466,333</u>	<u>\$ 105,047</u>
Appropriated fund equity and carryover encumbrances	301,325	319,257		
Total revenue, other sources and appropriated fund equity	<u>\$ 9,662,611</u>	<u>\$ 9,680,543</u>		

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 27,200	\$ 21,457	\$ 21,221	\$ 229	\$ 7
Central administration	171,122	155,709	155,181	485	43
Finance	231,915	239,678	239,430	-	248
Staff	145,599	167,107	167,107	-	-
Central services	617,345	692,100	671,990	23,003	(2,893)
Special items	139,643	124,828	124,824	-	4
Instructional:					
Instruction, administration and improvement	234,457	233,614	229,074	4,539	1
Teaching - regular school	2,337,285	2,520,003	2,494,096	24,094	1,813
Programs for children with handicapping conditions	1,116,381	979,347	977,240	342	1,765
Teaching - special schools	5,005	6,925	6,925	-	-
Occupational education	205,720	207,170	207,026	143	1
Instructional media	211,732	269,716	266,647	1,786	1,283
Pupil services	336,863	366,462	360,331	6,123	8
Pupil Transportation	555,135	566,202	557,235	8,862	105
Employee Benefits	1,694,810	1,457,279	1,402,096	-	55,183
Debt Service:					
Debt service principal	1,107,991	1,143,907	1,137,991	-	5,916
Debt service interest	449,408	413,492	372,210	-	41,282
Total expenditures	<u>9,587,611</u>	<u>9,564,996</u>	<u>9,390,624</u>	<u>69,606</u>	<u>104,766</u>
Other Uses:					
Transfer to other funds	75,000	115,547	279,643	-	(164,096)
Total other uses	<u>75,000</u>	<u>115,547</u>	<u>279,643</u>	<u>-</u>	<u>(164,096)</u>
Total expenditures and other uses	<u>\$ 9,662,611</u>	<u>\$ 9,680,543</u>	<u>9,670,267</u>	<u>\$ 69,606</u>	<u>\$ (59,330)</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses			<u>\$ (203,934)</u>		

BELFAST CENTRAL SCHOOL DISTRICT

Schedule SS1A

COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

Page 39

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
Interest income	\$ 5	\$ 2	\$ (3)
State sources	4,900	4,935	35
Federal sources	135,000	140,901	5,901
Sales	71,550	65,242	(6,308)
Miscellaneous	28,600	29,280	680
Surplus food	14,000	10,355	(3,645)
Total revenue	254,055	250,715	(3,340)
Expenditures			
General support	140,891	140,063	828
Employee benefits	79,541	70,261	9,280
Cost of sales	120,723	112,050	8,673
Total expenditures	341,155	322,374	18,781
Deficiency of revenue over expenditures	(87,100)	(71,659)	15,441
Other sources (uses)			
Transfer from general fund	75,000	75,000	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>\$ (12,100)</u>	3,341	<u>\$ 15,441</u>
Fund deficit, beginning of year		(53,580)	
Fund deficit, end of year		<u>\$ (50,239)</u>	

BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS2

Page 40

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 9,662,611
Additions:	
Prior year encumbrances	<u>17,932</u>
Original Budget	9,680,543
Budget Revisions:	
Supplemental appropriations	<u>-</u>
Final budget	<u><u>\$ 9,680,543</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	\$ 10,032,301
Maximum allowed (4% of 2018-19 budget)	\$ 401,292

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	216,431
Unassigned fund balance	<u>594,711</u>
Total unrestricted fund balance	<u>811,142</u>
Less:	
Appropriated fund balance	146,825
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>69,606</u>
Total adjustments	<u>216,431</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 594,711</u></u>
Actual percentage	<u><u>5.9%</u></u>

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

BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECTS EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS3

Page 41

Project Title	Original Appropriation	Revised Appropriation	Expenditures				Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2018
			Prior Years	Current Year	Interfund Transfer	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
EXCEL	\$ 9,977,550	\$ 10,127,550	\$ 10,034,022	\$ 141,452	\$ -	\$ 10,175,474	\$ (47,924)	\$ 10,000,000	\$ 332,299	\$ 92,337	\$ 10,424,636	\$ 249,162
Steel Building	18,750	18,750	19,894	-	-	19,894	(1,144)	-	-	-	-	(19,894)
Bus Garage	2,530,896	3,383,040	3,174,001	13,064	-	3,187,065	195,975	3,000,000	-	-	3,000,000	(187,065)
Athletic Project	1,700,000	1,700,000	304,812	1,008,304	-	1,313,116	386,884	1,700,000	-	-	1,700,000	386,884
Land Purchase	34,100	34,100	-	30,628	-	30,628	3,472	-	-	30,628	30,628	-
Emergency Project - PA System	50,000	50,000	-	14,358	-	14,358	35,642	-	-	-	-	(14,358)
Emergency Project - Brick Wall	174,015	174,015	174,015	-	-	174,015	-	-	164,096	9,919	174,015	-
Energy Performance Contract	502,167	502,167	430,577	71,590	-	502,167	-	502,167	-	-	502,167	-
Prior projects	-	-	-	-	-	-	-	-	-	-	-	(22,707)
	<u>\$ 14,987,478</u>	<u>\$ 15,989,622</u>	<u>\$ 14,137,321</u>	<u>\$ 1,279,396</u>	<u>\$ -</u>	<u>\$ 15,416,717</u>	<u>\$ 572,905</u>	<u>\$ 15,202,167</u>	<u>\$ 496,395</u>	<u>\$ 132,884</u>	<u>\$ 15,831,446</u>	<u>392,022</u>
Less: Bond anticipation notes outstanding												<u>(2,299,144)</u>
Ending fund equity (deficit) balance as of June 30, 2018												<u>\$ (1,907,122)</u>

See accompanying independent auditor's report.

BELFAST CENTRAL SCHOOL DISTRICT**Schedule SS4A****BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018****Page 42**

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school*	N/A	2018	\$ 15,931	\$ 15,931	\$ 15,931
Teachers of Tomorrow grant	0644-18-0034	2018	40,800	19,000	19,000
Universal Pre-kindergarten	0409-18-7042	2018	105,638	105,566	105,566
Elementary grant	N/A	2018	25,800	25,800	25,800
School breakfast programs	N/A	2018	1,701	1,701	1,701
School lunch programs	N/A	2018	3,234	3,234	3,234
			<u>\$ 193,104</u>	<u>\$ 171,232</u>	<u>\$ 171,232</u>

BELFAST CENTRAL SCHOOL DISTRICTSchedule SS4B**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Belfast Central School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Non-monetary Federal Program

The accompanying **Belfast Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2018, the District reported in the Schedule of Federal Awards \$10,355 of donated commodities at fair market value received and disbursed.

Note 3 - Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS4C

Page 43

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
U.S. Department of Education:					
<i>Passed through NYS</i>					
<i>Department of Education:</i>					
Title I	84.010A	0021-18-0090	\$ 141,115	\$ 141,115	\$ 141,115
Title II, Part A	84.367A	0147-18-0090	19,368	9,077	9,077
Title II, Part A	84.367A	0147-17-0090	16,140	16,140	16,140
Title VI - Part B - Rural Schools	84.358B	0006-17-0090	9,632	9,632	9,632
IDEA Part B, Section 611 *	84.027A	0032-18-0038	94,443	94,443	94,443
IDEA Part B, Section 619 *	84.173A	0033-18-0038	3,440	3,440	3,440
Total U.S. Department of Education				<u>273,847</u>	<u>273,847</u>
U.S. Department of Agriculture:					
<i>Passed through NYS</i>					
<i>Department of Education:</i>					
National School Breakfast Program **	10.553	N/A	N/A	33,253	33,253
National School Lunch Program **	10.555	N/A	N/A	104,977	104,977
National Summer Food Program **	10.559	N/A	N/A	2,671	2,671
<i>Passed through NYS Office of General Services (Division of Donated Foods):</i>					
National School Lunch Program					
Donated Commodities **	10.555	N/A	N/A	10,355	10,355
Total U.S. Department of Agriculture				<u>151,256</u>	<u>151,256</u>
Total expenditures and revenue				<u>\$ 425,103</u>	<u>\$ 425,103</u>

- * Constitutes a cluster of Federal programs named Special Education Cluster with revenue and expenditures of 97,883
- ** Constitutes a cluster of Federal programs named Child Nutrition Cluster with revenue and expenditures of 151,256

Total Federal expenditures did not exceed \$750,000 and therefore the District was not subjected to a single audit in accordance with the Uniform Guidance

BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2018

Schedule SS5

Page 44

Capital Assets	\$ 16,311,404
Less:	
Serial bonds	(8,003,407)
Energy performance contract	(475,000)
Bond anticipation notes	(2,299,144)
Plus:	
Capital project fund assets, less liabilities, excluding bond anticipation notes	<u>392,022</u>
Net investment in capital assets	<u><u>\$ 5,925,875</u></u>

BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Schedule SS6

Page 45

As of the measurement date of July 1,

Total OPEB Liability

	2017	2016
Service cost	\$ 30,257	\$ 29,777
Interest	17,963	16,072
Differences between expected and actual experience	(60,964)	(33,449)
Changes in assumptions	(23,465)	47,396
Benefit payments	(19,029)	(31,471)
Net change in total OPEB liability	(55,238)	28,325
Total OPEB liability - beginning	594,372	289,578
Prior period adjustment	-	276,469
Total OPEB liability - ending	<u>\$ 539,134</u>	<u>\$ 594,372</u>

Plan fiduciary net position

Contributions - employer	\$ 19,029	\$ 31,471
Net investment income	-	-
Benefit payments	(19,029)	(31,471)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>

District's net OPEB liability	<u>\$ 539,134</u>	<u>\$ 594,372</u>
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Plan fiduciary net position as a percentage of total OPEB liability	<u>0.00%</u>	<u>0.00%</u>
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Covered-employee payroll	<u>\$ 2,903,204</u>	<u>\$ 2,865,947</u>
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District's net OPEB liability as a percentage of covered-employee payroll	<u>18.57%</u>	<u>20.74%</u>
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Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate from 2.92% as of 7/1/16 to 3.56% as of 7/1/17
Health care trend rates from 9.0% through 5.0% as of 7/1/16 to 8.5% to 5.0% as 7/1/17

BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Schedule SS7

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For the year ended June 30,	2018	2017
Actuarially determined contributions	\$ 19,029	\$ 31,471
Contributions in relation to the actuarially determined contribution	(19,029)	(31,471)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 2,903,204	\$ 2,865,947
Contributions as a percentage of District's covered-employee payroll	0.66%	1.10%

Notes to Schedule:

Valuation date: 7/1/2016 and actuarially carried forward to 7/1/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.56% as of July 1, 2017
Inflation	1.3% per year
Healthcare cost trend rates	2018 - 8.5%. Rates expected to decrease 0.5% each year thereafter with an ultimate rate of 5.0% after 2025.
Salary increases	Based on NYSERS and NYSTRS valuation as of June 30, 2015. RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015
Mortality	
Retiree Cost Sharing	Based on employment contracts
Participants	64 Active and 15 Retirees

BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2015 THROUGH JUNE 30, 2018

Schedule SS8

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New York State Teachers' Retirement System

For the year ended June 30,	2018	2017	2016	2015
Contractually required contributions	\$ 263,334	\$ 309,535	\$ 350,848	\$ 446,015
Contributions in relation to the contractually required contribution	(263,334)	(309,535)	(350,848)	(446,015)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,687,082	\$ 2,641,084	\$ 2,645,913	\$ 2,544,295
Contributions as a percentage of District's covered-employee payroll	9.80%	11.72%	13.26%	17.53%

New York State Local Employees' Retirement System

For the year ended March 31,	2018	2017	2016	2015
Contractually required contributions	\$ 122,247	\$ 127,155	\$ 138,613	\$ 135,219
Contributions in relation to the contractually required contribution	(122,247)	(127,155)	(138,613)	(135,219)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 835,494	\$ 831,866	\$ 852,272	\$ 994,897
Contributions as a percentage of District's covered-employee payroll	14.63%	15.29%	16.26%	13.59%

BELFAST CENTRAL SCHOOL DISTRICT

Schedule SS9

SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY – NYSTRS AND PROPORTIONATE SHARE OF NET PENSION LIABILITY - NYSLERS

FOR THE YEARS ENDED JUNE 30, 2015 THROUGH JUNE 30, 2018

Page 48

New York State Teachers' Retirement System - Net Pension Asset (Liability)

As of the measurement date of June 30,	2018	2017	2016	2015
District's proportion of the net pension liability or asset	n/a	0.016666%	0.017147%	0.016938%
District's proportionate share of the net pension asset (liability)	n/a	\$ 126,682	\$ (183,649)	\$ 1,759,304
District's covered-employee payroll	n/a	\$ 2,641,084	\$ 2,645,913	\$ 2,544,295
District's proportionate share of the net pension liability or asset as a percentage of its covered employee payroll	n/a	4.80%	-6.94%	-69.15%
Plan fiduciary net position as a percentage of the total pension asset (liability)	n/a	100.70%	99.01%	110.46%

New York State Local Employees' Retirement System - Net Pension (Liability)

As of the measurement date of March 31,	2018	2017	2016	2015
District's proportion of the net pension (liability)	0.0024336%	0.0025679%	0.0027063%	0.0029017%
District's proportionate share of the net pension (liability)	\$ (78,544)	\$ (241,364)	\$ (434,361)	\$ (98,027)
District's covered-employee payroll	\$ 835,494	\$ 831,866	\$ 852,272	\$ 994,897
District's proportionate share of the net pension (liability) as a percentage of its covered employee payroll	-9.40%	-29.01%	-50.97%	-9.85%
Plan fiduciary net position as a percentage of the total pension (liability)	98.24%	94.70%	90.70%	97.90%



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

**To the President and
Members of the Board of Education
Belfast Central School District
Belfast, 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 and each major fund of *Belfast Central School District* as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise *Belfast Central School District's* basic financial statements and have issued our report thereon dated October 9, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as discussed below, we identified two deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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. We consider the deficiencies in the District's internal control described in the accompanying schedule of findings and questioned costs as items II.A.2018-001 and II.A.2018-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Belfast Central School's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2018-003.

Belfast Central School District's Responses to Findings

Belfast Central School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **Belfast Central School's** responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not provided 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Olean, New York
October 9, 2018

BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Page 51

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Belfast Central School District*.
2. Two material weaknesses relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". These material weaknesses are reported in the accompanying schedule of findings and questioned costs as items II.A.2018-001 and II.A.2018-002.
3. There was one instance of noncompliance material to the financial statements of *Belfast Central School District* reported in the 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". This instance of noncompliance is reported within the accompanying schedule of findings and questioned costs as item II.B.2018-003.
4. A single audit in accordance with Uniform Guidance was not required during the fiscal year ended June 30, 2018, as the District's expenditures of Federal Awards were below \$750,000.

**BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Page 52

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2018-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2018

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to the bond refunding, health insurance account, interfund transactions, classification of debt payments and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors.

Cause and Effect: AU-C Section 265 entitles Communicating Internal Control related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statement to be indicative of an internal controls deficiency. Without assistance, the potential risk exists of the District's financial statements not conforming to GAAP.

Auditor's Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

School District's Response: The District has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements.

2018-002 Capital Assets

Year ended June 30, 2018

Condition and Criteria: Under the governmental financial reporting model of GASB No. 34, capital assets of the District are to be reported in the government-wide financial statements at historical cost. The District has not updated its schedule of capital assets acquisition, historical cost, depreciation, or disposal since 2014-15.

Effect: Without detailed records of capital assets, the District has been required to report capital assets based upon updates of amounts reported in previous year's financial statements.

Auditor's Recommendation: The District should obtain an appraisal of its capital assets for financial statement reporting purposes. In addition, annual updates of the appraisal should be performed to account for additions, disposals, and annual depreciation expense.

School District's Response: The District will look to develop a system whereby capital assets balances are maintained and updated throughout the year.

**BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Page 53

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

B. COMPLIANCE AND OTHER MATTERS

2018-003 Unassigned Fund Balance

Year ended June 30, 2018

Conditions and criteria: **Belfast Central School District's** unassigned fund balance in the general fund as of June 30, 2018 amounted to \$594,711. This amount constitutes approximately 5.9% of the 2018-2019 school budget.

Cause and Effect: The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

In addition, dollar amounts of certain reserves were not substantiated.

Auditor's Recommendation: **Belfast Central School District** should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance. We recommend that the District ensure that as reserves are established and utilized, New York State required procedures are closely followed. Further, for existing and future reserves we recommend that the District document its rationale to support the purpose and dollar level of reserves.

School District's Response: The District has and will continue to closely monitor fund equity in the future and will review all options with regards to reservation and designation of fund balance. In addition, the District will review each of its reserves and document the rationale for their levels.

**BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS**

Page 54

I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2017

There were no findings related to internal control over financial reporting for the year ended June 30, 2017. Prior financial statements were audited by other auditors.

B. COMPLIANCE AND OTHER MATTERS

2017-002 Unassigned Fund Balance

Year Ended June 30, 2017

Summary of Prior Year Finding: *Belfast Central School District's* unassigned fund balance as of June 30, 2017 amounted to approximately 4.46% of the 2017-2018 school budget. The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Current Status: Similar finding related to compliance and other matters is being reported upon during the year ended June 30, 2018. Prior financial statements were audited by other auditors.

**To the President and Members of the
Board of Education
and School Administration
Belfast Central School District
Belfast, New York**

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2018 of the District's financial statements and have issued our reports thereon dated October 9, 2018. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Belfast Central School District* for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2014 through June 30, 2018. In addition, we have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Belfast Central School* has provided responses to the additional comments, however, we did not audit these responses and, accordingly, we express no opinion on them.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 9, 2018**

BELFAST CENTRAL SCHOOL DISTRICT

REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND

EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)

Page 2

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Revenue and other sources					
Property taxes	\$ 1,842	\$ 1,804	\$ 1,764	\$ 1,721	\$ 1,688
State aid	7,393	7,148	7,142	6,764	6,528
All other	232	146	226	249	264
	<u>9,466</u>	<u>9,098</u>	<u>9,133</u>	<u>8,733</u>	<u>8,479</u>
Expenditures and other uses					
General support	1,380	1,275	1,229	1,293	1,297
Instruction	4,541	4,313	3,802	3,951	3,739
Transportation	557	518	515	455	460
Benefits	1,402	1,476	1,471	1,586	1,653
Debt	1,510	1,483	1,438	1,438	1,493
Transfers	280	50	50	15	5
	<u>9,670</u>	<u>9,117</u>	<u>8,505</u>	<u>8,735</u>	<u>8,648</u>
Excess (deficiency) of revenue over expenditures	(204)	(18)	628	(2)	(169)
Fund equity					
Beginning of year	1,466	1,485	856	858	1,027
End of year	<u>\$ 1,262</u>	<u>\$ 1,466</u>	<u>\$ 1,485</u>	<u>\$ 856</u>	<u>\$ 858</u>
Analysis of fund equity					
Restricted					
Reserve for repairs	\$ 22	\$ 30	\$ -	\$ -	\$ -
Employee benefit reserve	264	437	400	235	273
Reserve for retirement system	134	190	-	-	-
Reserve for unemployment insurance	23	23	-	-	-
Assigned					
Reserve for encumbrances	70	-	-	-	-
Next year's budget	147	319	125	202	163
Unassigned	592	429	958	418	423
	<u>\$ 1,262</u>	<u>\$ 1,466</u>	<u>\$ 1,485</u>	<u>\$ 856</u>	<u>\$ 858</u>

BELFAST CENTRAL SCHOOL DISTRICT SUMMARY OF ADDITIONAL COMMENTS FOR THE YEAR ENDED JUNE 30, 2018

Page 3

Food Service Fund

During the fiscal year ended June 30, 2018, the District's Food Service Fund has an accumulated deficit of approximately \$50,000 at year end. The District should continue to evaluate this deficit and develop an approach to alleviate this deficit in the future. The District may consider transferring additional funds from the General Fund to the Food Service Fund as they did in the current year.

District response:

Reconciliation of Capital Projects Fund

We recommend the District complete a reconciliation of its capital project fund equity on an annual basis. This reconciliation will allow the District to monitor the status of ongoing capital projects. We noticed that the District has negative equity from prior projects in the amount of \$22,707 which will require a transfer from the general fund.

District response:

Fund Balance Reserves

During the current year, we noted that the District utilized funds in the workers compensation reserve, employee benefit accrued liability reserve, retirement system contribution reserve and repair reserve. The use of fund balance was, however, not included in the District's 2017-18 budget and was not approved by the Board of Education. We recommend that use of reserves is first authorized by the Board or when required, the taxpayers (i.e. capital reserve). In addition, use of the repair reserve requires a public hearing. Because a public hearing wasn't held prior to the use of such funds, State law requires that such funds be returned to the general fund within two years.

In June 2018, the Board approved the funding of certain reserves, however, such funding was not done.

District's response:

Excel/Bus Garage Project

Currently, the Excel/Bus Garage project has bond anticipation notes (BAN) outstanding as of June 30, 2018 in the amount of \$599,144 related to the Excel/Bus garage Project. If the notes are paid down through general fund appropriations in future years, the District would have approximately \$42,000 of equity left over in the capital projects fund, which would require a transfer to the debt service fund. Based on discussions with management, it is our understanding that in a prior year the District transferred remaining funds from the Excel/Bus Garage project to the debt service fund and later reopened the project. Currently, the debt service fund has approximately \$309,000 (not including current year BAN premium). The District should develop a plan for paying the outstanding bond anticipation notes. If it is determined that remaining funds in the capital project fund and the debt service fund will be utilized to pay down a portion of the BAN, we recommend that this be approved by the Board of Education.

District's response:

Reporting of Financial Documents on the District Website

The District will now be required to include on its website the following documents: external financial statement audit; management letter; corrective action plan; statement comptroller audit; final annual budget; and multi-year financial plan adopted by the Board of Education. The District should familiarize itself with the new website reporting requirements and begin to upload data as it becomes available.

District response: The District is aware of the new reporting requirements and will report such information when it becomes available.

**BELFAST CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Page 4

School Funding Transparency Reporting

In 2018, New York State passed a law requiring New York Schools to annually report a detailed statement of total funding allocation for each school in the District. A School Funding Transparency Form was created by New York State to capture this information which is required to be submitted annually by school districts. Beginning in 2020, the District will be required to submit this form annually to the Division of Budget and State Education Department. Because this is a new reporting model, we recommend that the District continue to review any new guidance issued by New York State and seek opportunities to attend future educational seminars if they arise.

District Response: The District is aware of this new regulation and will report such information when required.

Preliminary

BELFAST CENTRAL SCHOOL DISTRICT

**EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS**

BELFAST CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND

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Note to Financial Statement.....	3



Preliminary

INDEPENDENT AUDITOR'S REPORT

To the President and
Members of the Board of Education
Belfast Central School District
Belfast, New York

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the *Belfast Central School District* for the year ended June 30, 2018, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 statement is free from material misstatement.

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

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

Basis for Qualified Opinion

The records of the Extraclassroom funds of the *Belfast Central School District* were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

Qualified Opinion

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the basis for qualified opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the *Belfast Central School District* for the year ended June 30, 2018 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Olean, New York
October 9, 2018

BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
JULY 1, 2017 THROUGH JUNE 30, 2018

Page 2

	Balances July 1, 2017	Total Receipts 2017-18	Total Receipts & Balances	Total Payments 2017-18	Balances June 30, 2018
Class of 2015	\$ 2,236	\$ -	\$ 2,236	\$ 2,236	\$ -
Class of 2016	4,943	-	4,943	4,943	-
Class of 2017	2,564	519	3,083	3,083	-
Class of 2018	9,601	8,422	18,023	18,023	-
Class of 2019	12,379	5,013	17,392	1,398	15,994
Class of 2020	2,325	4,968	7,293	2,762	4,531
Class of 2021	-	7,260	7,260	3,644	3,616
Woody's Supper Club	-	1,453	1,453	154	1,299
Yearbook	387	7,859	8,246	7,531	715
Choir	4,955	-	4,955	209	4,746
Band	3,880	3,260	7,140	3,241	3,899
Middle School	21,124	29,167	50,291	23,252	27,039
National Honor Society	226	2,392	2,618	1,332	1,286
Student Council	1,591	13,663	15,254	11,453	3,801
	<u>\$ 66,211</u>	<u>\$ 83,976</u>	<u>\$ 150,187</u>	<u>\$ 83,261</u>	<u>\$ 66,926</u>

**BELFAST CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018**

Page 3

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of **Belfast Central School District**. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$66,926 are included in the Trust and Agency Fund as restricted cash and due from other funds with a corresponding amount recorded as a liability in the Fund.

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

**To the President and Members of the
Board of Education
and School Administration
Belfast Central School District
Belfast, New York**

Ladies and Gentlemen:

In planning and performing our audit of the statement of cash receipts and disbursements – cash basis of the Extraclassroom Activity Fund of *Belfast Central School District* as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered *Belfast Central School District's* internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Belfast Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Belfast Central School District's* internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in internal control to be material weaknesses:

Point of Sale Records

We noted several instances where the receipt of cash lacked point of sale records. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. Due to the lack of point of sale records, cash receipts are not adequate to permit the application of the necessary auditing procedures to indicate whether receipts were recorded. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer or teacher advisor, and be verified or reviewed by the central treasurer.

District's response:

Fundraiser Approval/ Gross Margin Analysis

The District should consider developing a form to document the approval of all fundraisers. This form should include a description of the fundraising activities, the timeframe for the activity, and the expected revenue and expenditures. At the conclusion of the fundraiser the Activity is expected to compare the actual revenue and expenditures to the expected results. We recommend that going forward these forms be required to be completed for each individual fundraiser. Further, we recommend that these forms be filed separate from the receipts and disbursements records and that they be analyzed by someone in an oversight role to ensure that fundraisers meet budgeted expectations and achieve appropriate margins.

District's response:

Documentation to Support Disbursements

During our testing, we noted that invoices or other vendor documentation could not be located for certain disbursements of student activity funds. We recommend that documentation to support disbursements be maintained in all instances and that payments are not made without such documentation being present.

District's response:

Additional Comments

The following is an additional comment for consideration.

Student Involvement

An activity fund is defined as “an organization within the School District whose activities are conducted by students and whose financial support is raised other than taxation or through charges of the Board of Education”. During our audit of the extraclassroom activities fund, we noticed certain instances a student’s signature was lacking from documentation relating to cash receipts. We recommend that students substantiate their involvement in the cash receipt process by signing off on all cash deposits.

District response:

Comptroller Audits

The New York State Comptroller’s Office has increased its scrutiny over student activity clubs as evidenced by recent audits. Areas of emphasis of these audits include cash receipts and disbursements, as well as recordkeeping and internal controls. The District should consider creating a faculty auditor position who is responsible for oversight of the student activity clubs. Finally, the District should consider formal training opportunities for advisors and central treasurers.

District response:

This communication is intended solely for the information and use of management, Board of Education, and others within **Belfast Central School District**, and is not intended to be, and should not be, used by anyone other than these specified parties.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 9, 2018**



October 9, 2018

To the Audit Committee
and Board of Education
Belfast Central School District
Belfast, New York

We have audited the financial statements of Belfast Central School District as of and for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Governmental Auditing standards and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 25, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Belfast Central School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of depreciation is based on estimates of useful lives of assets and cost basis of certain assets were derived from a third-party independent appraisal company. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

In addition, the District also has estimated future costs associated with pension and other post-employment benefits and has recorded a net pension liability (TRS & ERS) and an other post-employment benefit liability based on an actuarial study performed by a third-party actuary. We evaluated the key assumptions used to develop this study and its reasonableness in relation to the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures on long-term debt in Note 3 to the financial statements, due to their significance.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Belfast Central School
Page 2

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, including combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.