

WAPPINGERS CENTRAL SCHOOL DISTRICT

**Financial Statements and Required Reports
As of and For the Year Ended
June 30, 2018
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

WAPPINGERS CENTRAL SCHOOL DISTRICT

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WAPPINGERS CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

October 4, 2018

The Board of Education of
Wappingers Central School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wappingers Central School District (School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2018 the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on Required Supplementary Information

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

Report on Supplementary Information

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

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

The supplementary information required by the New York State Education Department has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

WAPPINGERS CENTRAL SCHOOL DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2018

This section of the Wappingers Central District's (School District) annual financial report presents its discussion and analysis of financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District's 2018 actual revenue per the government-wide financial statements increased by \$2.8 million to \$234.5 million. The majority of the increase was in real property taxes and state aid, which increased \$1.6 million or 1% and \$2.2 million or 3.8%, respectively.
- Total net position decreased by \$45.6 million during 2018. The decrease in net position was primarily caused by the effect of adjusting pension plan expense in accordance with GASB 68 and 71 and the implementation of GASB 75 for other postemployment benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the operation in more detail than the entity-wide statements.
- The governmental fund statements tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others, including the employees of the School District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-1 Organization of the School District's Annual Financial Report

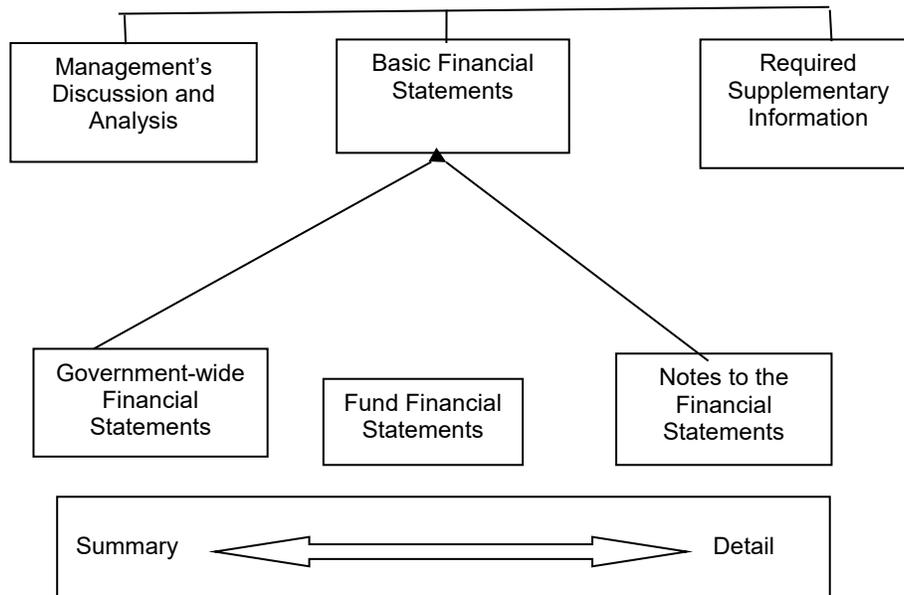


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

Table A-2 Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements	
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenue, expenditures, and change in fund balance 	<ul style="list-style-type: none"> Statement of 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, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; 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 revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after year end; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statements

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

The two government-wide statements report the School District's *net position* and how they have changed. Net position - the difference between the School District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources - is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors, such as changes in the property tax bases and the condition of buildings and other facilities, should be considered.

Net position of the governmental activities differ from the governmental fund balance because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Special Aid Fund, School Lunch Fund, Debt Service and the Capital Projects Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

Financial Analysis of the School District as a Whole

The School District's net position as of June 30, 2018, is detailed in Tables A-3 and A-4.

Table A-3 Condensed Statements of Net Position - Governmental Activities (In Millions)

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Percent <u>Change</u>
Current assets	\$ 39.6	\$ 38.0	4%
Non-current assets	<u>95.8</u>	<u>92.3</u>	4%
Total assets	<u>135.4</u>	<u>130.3</u>	4%
Deferred outflows of resources	<u>66.1</u>	<u>66.0</u>	0%
Current liabilities	36.2	63.2	-43%
Long-term liabilities	<u>715.2</u>	<u>654.5</u>	9%
Total liabilities	<u>751.4</u>	<u>717.7</u>	5%
Deferred inflows of resources	<u>20.7</u>	<u>3.7</u>	459%
Net position:			
Net investment in capital assets	22.2	34.9	-36%
Restricted	1.80	1.3	38%
Unrestricted	<u>(594.7)</u>	<u>(561.3)</u>	6%
Total net position	<u>\$ (570.7)</u>	<u>\$ (525.1)</u>	9%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the School District as a Whole (Continued)

In Table A-3, The School District's total liabilities and deferred inflows of resources exceeded its total assets and deferred outflows of resources by \$376.8 million, indicative of an unfavorable financial position. The deficit is primarily attributable to the postemployment benefits obligation liability of \$621.2 million. Although the School District continues to improve overall financial condition, financial diligence is still needed for long-term financial stability.

Table A-4 Changes in Net Position from Operating Results Governmental Activities Only (In Millions) (2017 restated for effect of GASB 75)

	Fiscal Year 2018	Fiscal Year 2017	Total % Change
Revenue:			
Charges for services	\$ 2.5	\$ 2.5	0%
Operating grants	7.2	7.2	0%
General revenue:			
Real property taxes	146.9	144.8	1%
Other tax items	15.7	16.2	-3%
Use of money and property	0.1	-	0%
Sale of property/compensation for loss	0.2	0.2	0%
Other	1.1	2.0	-45%
State sources	60.5	58.3	4%
Federal sources	0.4	0.5	-20%
Total revenue	<u>\$ 234.6</u>	<u>\$ 231.7</u>	1%
Expenses:			
General support	\$ 31.6	\$ 28.9	9%
Instruction	214.7	194.1	11%
Pupil transportation	23.1	21.0	10%
Debt service	2.2	1.1	100%
Cost of sales	8.6	4.0	115%
Total expenses	<u>\$ 280.1</u>	<u>\$ 249.1</u>	12%
Change in net position	<u>\$ (45.6)</u>	<u>\$ (17.4)</u>	162%

Changes in Net Position

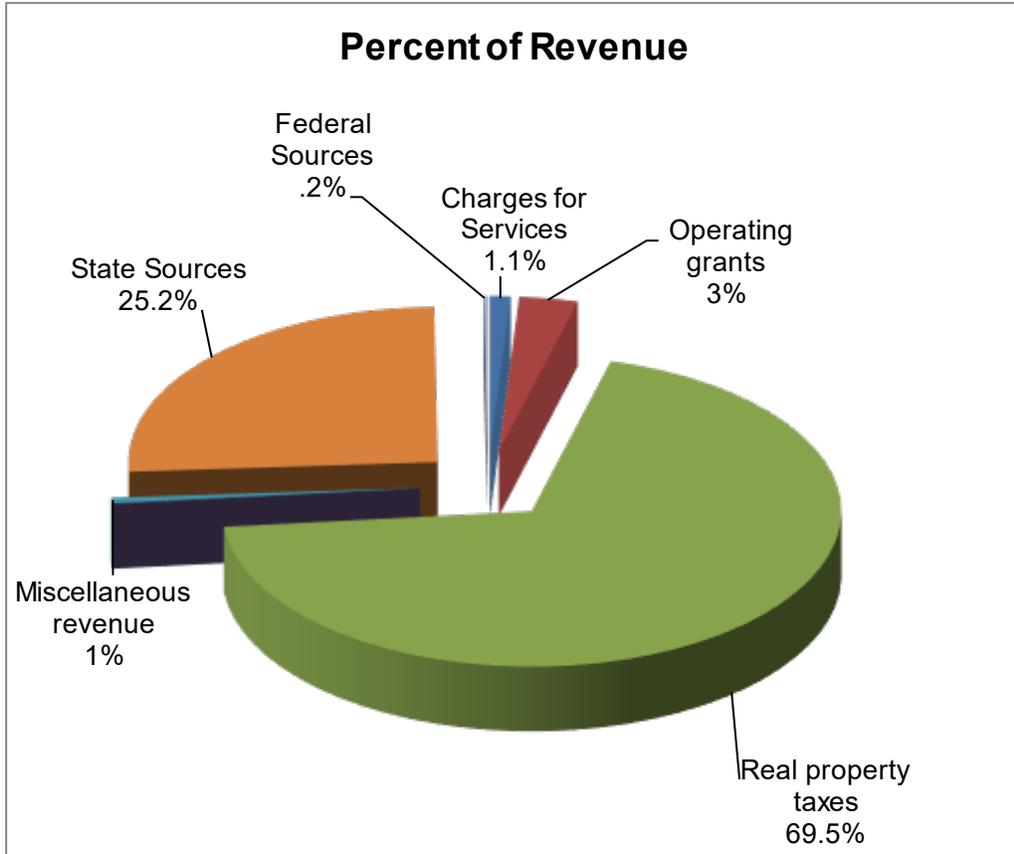
In Table A-4, the School District's fiscal year 2018 revenue totaled \$234.6 million. Property and other taxes, along with state aid accounted for the majority of the School District's revenue by contributing 69% and 26%, respectively, of every dollar raised (see Table A-5).

The total cost of all programs and services totaled \$259.2 million for fiscal year 2018. 85% of this amount is used to support general instruction, the provision of services to students with disabilities, and student transportation (see Table A-6). The School District's board of education, administrative, and business activities accounted for 11% of total costs.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Changes in Net position (Continued)

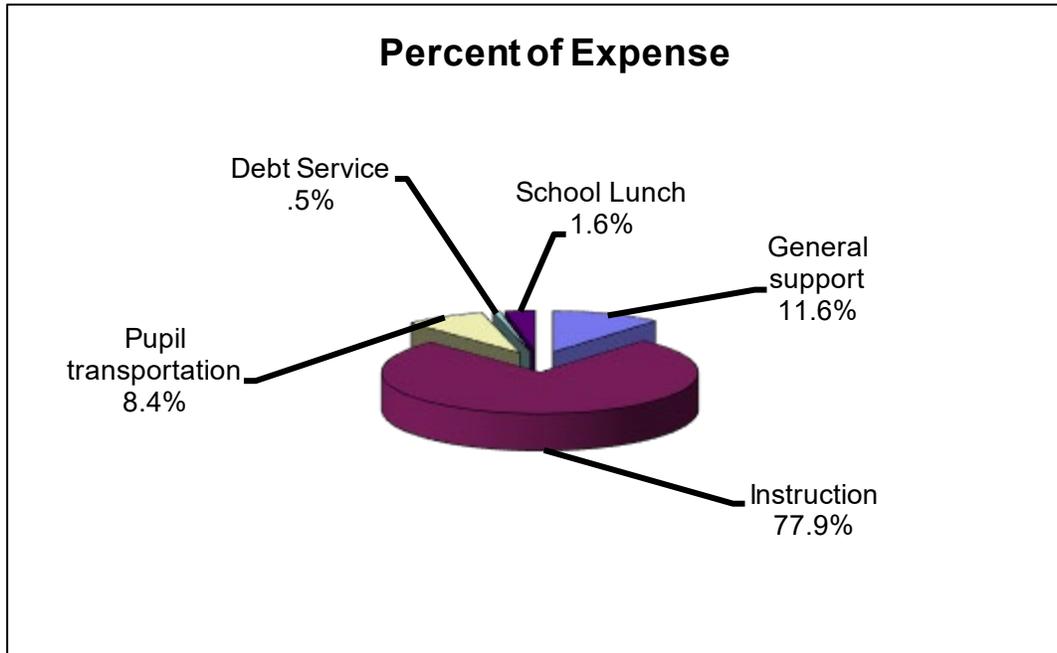
Table A-5 Sources of Revenue for Fiscal Year 2018



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Changes in Net Position (Continued)

Table A-6 Expenditures for Fiscal Year 2018



Governmental Activities

Table A-7 presents the cost of five major District activities: General support (administration), instruction, transportation, debt service and school lunch. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Table A-7 Net Cost of Governmental Activities (In Millions)

<u>Category</u>	<u>Total Cost Services 2018</u>	<u>Net Cost of Services 2018</u>	<u>Total Cost Services 2017</u>	<u>Net Cost of Services 2017</u>
General support	\$ 31.6	\$ 31.6	\$ 28.9	\$ 28.9
Instruction	214.7	208.4	194.1	187.8
Pupil transportation	23.1	23.1	21.0	21.0
Debt service	2.2	2.2	1.1	1.1
School lunch	<u>8.58</u>	<u>5.2</u>	<u>4.02</u>	<u>0.6</u>
Total	<u>\$ 280.1</u>	<u>\$ 270.5</u>	<u>\$ 249.1</u>	<u>\$ 239.4</u>

As shown in Table A-7, the cost of all governmental activities in 2018 was \$259.2 million, of which charges for services and program operating grants from state and federal sources contributed \$9.7 million while the remainder of the cost was financed by District taxpayers and general state and federal aid.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the School District's Funds

Variances between years for the governmental fund financial statements are not the same as variances between years for the Government-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the 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.

The current year financial performance of the School District is reflected in its governmental funds. The School District completed its year with the governmental funds reporting a combined fund balance of \$9.4 million, representing a \$30.7 million increase in fund balance in 2018.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Results vs. Budget (In Thousands of Dollars)

	Original Budget	Final Budget	Actual	Encumbrances	Variance (Actual/Budget)
Revenue:					
Local sources	\$ 164,340	\$ 164,928	\$ 164,438	\$ -	\$ (490)
State sources	56,916	56,916	60,523	-	3,607
Federal Sources	175	175	441	-	266
Total	<u>221,432</u>	<u>222,020</u>	<u>225,402</u>	<u>-</u>	<u>3,383</u>
Expenditures:					
General support	18,588	18,379	17,743	502	134
Instruction	118,014	119,892	119,457	173	262
Transportation	13,101	12,916	12,864	-	52
Employee benefits	66,565	64,416	64,377	-	39
Debt service	1,619	1,918	1,918	-	-
Transfer to other fund	7,295	9,042	7,464	-	1,578
Total	<u>225,182</u>	<u>226,563</u>	<u>223,823</u>	<u>675</u>	<u>2,064</u>
Net change in fund balance	<u>\$ (3,750)</u>	<u>\$ (4,544)</u>	<u>\$ 1,579</u>	<u>\$ (675)</u>	<u>\$ 5,447</u>

The general fund is the only fund for which a budget is legally adopted. For the purposes of the above analysis the budget columns do not include appropriated fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Capital Assets

By the end of 2018, the School District had an investment of \$91.4 million in a broad range of capital assets.

Table A-8 Capital Assets (net of depreciation) (In Millions)

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Category:			
Land	\$ 0.7	\$ 0.7	0%
Construction in progress	10.8	26.3	-59%
Buildings and improvements	70.8	57.6	23%
Equipment and furniture	9.1	7.7	18%
Total	<u>\$ 91.4</u>	<u>\$ 92.3</u>	<u>-1%</u>

Long-Term Liabilities

At year-end, the School District had \$680.4 million in long-term liabilities, of which, \$661.8 million relates to other postemployment benefits obligation. More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements.

Table A-9 Outstanding Long-Term Liabilities (In Millions)

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Category:			
General obligation bonds	\$ 56.0	\$ 22.9	145%
Other general obligation debt	0.7	0.7	0%
Other postemployment benefits obligation	661.8	621.2	7%
Net pension liability - TRS	-	6.1	N/A
Net pension liability - ERS	2.5	7.4	-66%
Total	<u>\$ 721.0</u>	<u>\$ 658.3</u>	<u>10%</u>

During 2018, the School District repaid \$5.8 million of outstanding bonds and issued new bonds relating to capital projects in the amount of \$37.7 million. See footnotes for additional information.

FACTORS BEARING ON THE FUTURE OF THE SCHOOL DISTRICT

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

- Increase in health insurance, retirement costs, and other postemployment costs will continue to increase and could potentially affect the School District's financial health.
- The School District receives approximately 25% of its funding through state and federal sources.
- Expected deficits in both Federal and New York State government finances could reduce future funding from these sources that could affect the School District's financial health. In addition, continued decline in the fair market value of real property tax assessments in New York State could also affect the School District's long-term financial health as well as the implementation of the New York State 2% tax cap regulation.

CONTACTING THE SCHOOL 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 School District and to demonstrate the School District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Wappingers Central School District Business Office
25 Corporate Park Drive
Hopewell Junction, NY 12533
(845) 298-5000.

WAPPINGERS CENTRAL SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2018****ASSETS**

CURRENT ASSETS:

Cash - unrestricted	\$	29,369,737
Cash - restricted		377,123
Due from fiduciary funds		602,143
Due from other governments		282,292
State and federal aid receivable		5,204,619
Other receivables		35,493
Inventory		60,481
Prepaid expenses		<u>3,665,156</u>
Total current assets		<u>39,597,044</u>

NON-CURRENT ASSETS:

Capital assets, net		91,410,516
Net pension asset - TRS		<u>4,365,098</u>
Total non-current assets		<u>95,775,614</u>
Total assets		<u>135,372,658</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred outflows of resources - ERS pension		8,120,117
Deferred outflows of resources - TRS pension		57,758,042
Deferred loss on bond refundings		<u>229,207</u>
Total deferred outflows of resources		<u>66,107,366</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities		2,095,518
Due to fiduciary funds		(395)
Due to other governments		111
Due to Teachers' Retirement System		9,750,914
Due to Employees' Retirement System		900,708
Unearned revenue		161,069
Accrued interest payable		201,268
Bond anticipation note payable		17,325,645
Bonds payable, due within one year		<u>5,809,134</u>
Total current liabilities		<u>36,243,972</u>

LONG-TERM LIABILITIES:

Compensated absences		732,367
Other postemployment benefits obligation		661,785,203
Bonds payable and unamortized premiums		50,158,583
Net pension liability - ERS		<u>2,511,480</u>
Total long-term liabilities		<u>715,187,633</u>
Total liabilities		<u>751,431,605</u>

DEFERRED INFLOW OF RESOURCES

Deferred inflows of resources - TRS pension		12,620,929
Deferred inflows of resources - ERS pension		<u>8,057,062</u>
Total deferred outflows of resources		<u>20,677,991</u>

NET POSITION

Net investment in capital assets		22,171,681
Restricted		1,854,101
Unrestricted		<u>(594,655,354)</u>
Total net position	\$	<u>(570,629,572)</u>

The accompanying notes are an integral part of these statements.

WAPPINGERS CENTRAL SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 31,579,713	\$ -	\$ -	\$ (31,579,713)
Instruction	214,698,189	582,764	5,692,702	(208,422,723)
Pupil transportation	23,092,145	-	-	(23,092,145)
Debt service - interest	2,179,736	-	-	(2,179,736)
School lunch program	<u>8,575,080</u>	<u>1,913,383</u>	<u>1,463,698</u>	<u>(5,197,999)</u>
Total functions/programs	<u>\$ 280,124,863</u>	<u>\$ 2,496,147</u>	<u>\$ 7,156,400</u>	<u>(270,472,316)</u>
GENERAL REVENUE:				
Real property taxes				146,874,518
Other tax items				15,636,883
Use of money and property				100,414
Sale of property and compensation for loss				165,972
Miscellaneous				1,138,656
State sources				60,523,139
Federal sources				<u>441,279</u>
Total general revenue				<u>224,880,861</u>
CHANGE IN NET POSITION				<u>(45,591,455)</u>
TOTAL NET POSITION - beginning of year, as previously reported				(103,215,236)
PRIOR PERIOD ADJUSTMENT (Note 2)				<u>(421,822,881)</u>
NET POSITION - beginning of year, as restated				<u>(525,038,117)</u>
TOTAL NET POSITION - end of year				<u>\$ (570,629,572)</u>

The accompanying notes are an integral part of these statements.

WAPPINGERS CENTRAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash - unrestricted	28,272,133	\$ 390,584	\$ 380,767	\$ 326,253	\$ -	\$ 29,369,737
Cash - restricted	330,009	-	-	-	47,114	377,123
Due from other funds	2,722,386	-	1,037,752	-	1,434,603	5,194,741
Due from other governments	282,292	-	-	-	-	282,292
State and federal aid receivable	3,626,144	1,496,872	-	81,603	-	5,204,619
Other receivables	33,712	-	-	1,781	-	35,493
Inventory	-	-	-	60,481	-	60,481
Prepaid expenditures	3,665,156	-	-	-	-	3,665,156
Total assets	\$ 38,931,832	\$ 1,887,456	\$ 1,418,519	\$ 470,118	\$ 1,481,717	\$ 44,189,642
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 1,735,001	\$ 20,725	\$ 310,916	\$ 28,876	\$ -	\$ 2,095,518
Due to other funds	1,037,752	1,865,757	1,434,603	254,091	-	4,592,203
Due to other governments	-	-	-	111	-	111
Due to Teachers' Retirement System	9,750,914	-	-	-	-	9,750,914
Due to Employees' Retirement System	900,708	-	-	-	-	900,708
Bond anticipation note payable	-	-	17,325,645	-	-	17,325,645
Unearned revenue	78,105	-	-	82,964	-	161,069
Total liabilities	13,502,480	1,886,482	19,071,164	366,042	-	34,826,168
FUND BALANCE:						
Nonspendable:						
Inventory	-	-	-	60,481	-	60,481
Prepaid expenditures	3,665,156	-	-	-	-	3,665,156
Total nonspendable fund balance	3,665,156	-	-	60,481	-	3,725,637
Restricted for:						
Liability claims and property loss	43,309	-	-	-	-	43,309
Repairs	329,075	-	-	-	-	329,075
Debt service	-	-	-	-	1,481,717	1,481,717
Total restricted fund balance	372,384	-	-	-	1,481,717	1,854,101
Assigned to:						
Designated for subsequent year's expenditures	3,750,000	-	-	-	-	3,750,000
Other	675,419	974	-	43,595	-	719,988
Total assigned fund balance	4,425,419	974	-	43,595	-	4,469,988
Unassigned	16,966,393	-	(17,652,645)	-	-	(686,252)
Total fund balance (deficit)	25,429,352	974	(17,652,645)	104,076	1,481,717	9,363,474
Total liabilities and fund balance	\$ 38,931,832	\$ 1,887,456	\$ 1,418,519	\$ 470,118	\$ 1,481,717	\$ 44,189,642

WAPPINGERS CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2018

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

Fund balance (deficit) - Total governmental funds	\$ 9,363,474
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	91,410,516
Deferred loss on bond refundings at June 30, 2018, in government-wide statements using the full accrual method of accounting, not recognized on the fund financial statements, which use the modified accrual method	229,207
Pension plans' activity required to be recorded in the government-wide statements:	
Deferred outflows of resources	65,878,159
Net pension asset - TRS	4,365,098
Net pension liability - ERS	(2,511,480)
Deferred inflows of resources	(20,677,991)
Accrued liabilities at June 30, 2018, in district-wide statements using the full accrual method of accounting, not recognized on the fund financial statements, which use the modified accrual method, as follows:	
Interest payable	(201,268)
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(732,367)
Bonds payable	(55,967,717)
Other postemployment benefits obligation	<u>(661,785,203)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (570,629,572)</u>

The accompanying notes are an integral part of these statements.

WAPPINGERS CENTRAL SCHOOL DISTRICT

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

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUE:						
Real property taxes	\$ 146,874,518	\$ -	\$ -	\$ -	\$ -	\$ 146,874,518
Other tax items	15,636,883	-	-	-	-	15,636,883
Charges for services	582,764	-	-	1,913,383	-	2,496,147
Use of money and property	99,343	-	-	-	1,071	100,414
Sale of property and compensation for loss	165,972	-	-	-	-	165,972
Miscellaneous	1,078,559	-	10,100	14,150	-	1,102,809
State sources	60,523,139	1,578,778	-	51,016	-	62,152,933
Federal sources	441,279	4,113,924	-	1,412,682	-	5,967,885
	<u>225,402,457</u>	<u>5,692,702</u>	<u>10,100</u>	<u>3,391,231</u>	<u>1,071</u>	<u>234,497,561</u>
Total revenue						
EXPENDITURES:						
General support	17,742,843	-	-	-	-	17,742,843
Instruction	119,456,783	5,742,227	10,998,610	-	-	136,197,620
Pupil transportation	12,864,244	285,682	-	-	-	13,149,926
Employee benefits	64,376,584	-	-	592,150	-	64,968,734
Debt service -						
Principal	1,886,139	-	-	-	5,814,608	7,700,747
Interest	31,417	-	-	-	2,201,885	2,233,302
Cost of sales	-	-	-	2,799,209	-	2,799,209
	<u>216,358,010</u>	<u>6,027,909</u>	<u>10,998,610</u>	<u>3,391,359</u>	<u>8,016,493</u>	<u>244,792,381</u>
Total expenditures						
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>9,044,447</u>	<u>(335,207)</u>	<u>(10,988,510)</u>	<u>(128)</u>	<u>(8,015,422)</u>	<u>(10,294,820)</u>
OTHER SOURCES AND (USES):						
Proceeds from issuance of bonds	-	-	37,670,463	-	-	37,670,463
BANs redeemed from appropriations	-	-	1,886,139	-	-	1,886,139
Premium on issuance of debt	-	-	-	-	1,470,458	1,470,458
Transfers in	1,577,775	354,988	-	-	8,686,956	10,619,719
Transfers out	(9,041,944)	(18,807)	-	-	(1,558,968)	(10,619,719)
	<u>(7,464,169)</u>	<u>336,181</u>	<u>39,556,602</u>	<u>-</u>	<u>8,598,446</u>	<u>41,027,060</u>
Total other financing sources and (uses)						
CHANGE IN FUND BALANCE	1,580,278	974	28,568,092	(128)	583,024	30,732,240
FUND BALANCE (DEFICIT) - beginning of year	<u>23,849,074</u>	<u>-</u>	<u>(46,220,737)</u>	<u>104,204</u>	<u>898,693</u>	<u>(21,368,766)</u>
FUND BALANCE (DEFICIT) - end of year	<u>\$ 25,429,352</u>	<u>\$ 974</u>	<u>\$ (17,652,645)</u>	<u>\$ 104,076</u>	<u>\$ 1,481,717</u>	<u>\$ 9,363,474</u>

WAPPINGERS CENTRAL SCHOOL DISTRICT

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

Net change in fund balance - Total governmental funds	\$ 30,732,240
Capital outlays are expenditures in governmental funds, net of disposals, but are capitalized in the statement of net position	5,562,518
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(6,471,786)
Loss on disposal of fixed assets is not recorded in the governmental funds, but is recorded in the statement of activities	(4,764)
Other post employment expense resulting from GASB 75 related OPEB actuary reporting is not recorded as an expenditure in the governmental funds but is recorded in the Statement of Activities	(40,629,123)
Pension income (expense) resulting from GASB 68 related actuary reporting is not recorded as a revenue (expenditure) in the governmental funds, but is recorded in the statement of activities.	(1,536,627)
Proceeds of long-term debt are recorded as revenues in the governmental funds but are recorded as increases of liabilities in the statement of net position	(37,670,463)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	7,700,747
Proceeds from BANs redeemed from appropriations are recorded as revenue in the governmental funds, are not recognized as revenue in the statement of activities	(1,886,139)
Bond premium is recognized as revenue in the governmental funds but is amortized in the government-wide financial statements	(1,434,611)
Amortization of bond premiums and refunding costs, recognized on statement of activities in government-wide financial statements	123,140
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds:	
Accrued interest payable	(69,574)
Compensated absences	<u>(7,013)</u>
Change in net position - Governmental activities	<u>\$ (45,591,455)</u>

The accompanying notes are an integral part of these statements.

WAPPINGERS CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2018

	Trust and <u>Agency</u>
ASSETS:	
Cash	\$ 1,530,547
Due from other funds	-
Other assets	<u>-</u>
Total assets	<u>\$ 1,530,547</u>
LIABILITIES:	
Payroll taxes and related liabilities	\$ 590,178
Due to governmental funds	602,538
Extraclassroom activity balances	<u>337,831</u>
Total liabilities	<u>\$ 1,530,547</u>

The accompanying notes are an integral part of these statements.

WAPPINGERS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wappingers Central School District (School District) provides K-12 public education to students living within its geographic borders.

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the School District are described below.

Reporting Entity

The Wappingers Central School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the BOE serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management and accountability for all fiscal matters.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of the entity included in the School District's reporting entity.

Extraclassroom Activity Funds

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

Joint Venture

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture (Continued)

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

BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

Basis of Presentation

Government-wide Statements

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The fund financial statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds determined based on criteria established by GASB, each displayed in a separate column.

The School District reports the following governmental funds:

- **General Fund** This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- **Special Revenue Funds** These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The School District uses two special revenue type funds - special aid and school lunch.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

- **Capital Projects Fund:** This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- **Debt Service Fund:** This fund is used to account for the financial resources used to make debt service payments on the School District's outstanding bonds and state loans.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the Government-wide financial statements because their resources do not belong to the School District and are not available to be used.

- **Trust & Agency Fund:** These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Measurement Focus and Basis of Accounting

The Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 School 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, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year.

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

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Cash

The School District's cash consists of cash on hand, demand, and non-demand deposits. New York State law governs the School District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on September 1. Taxes are collected during the period September 1 to early November each year.

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

Inventories and Prepaid Items

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the School District for which benefits extend beyond year-end.

Interfund Transactions

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenue to provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the School District's practice to settle these amounts at a net balance based upon the right of legal offset.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Capital Assets, net

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated fair market value at the time received.

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 Government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	N/A	N/A
Buildings and improvements	\$ 5,000	SL	15-50
Furniture and equipment	\$ 5,000	SL	5-20
Buses and other vehicles	\$ 5,000	SL	8-10

Vested Employee Benefits

School District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GAAP, an accrual for accumulated sick leave is included in the accrued liabilities at year-end. The accumulated sick leave liability is calculated based on the contractual rates in effect at year-end.

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

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The School District pays 0-100% of the cost of premiums to an insurance company that provided health care insurance. There are currently 996 retirees receiving benefits under the plan.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Premiums and Bond Refunding Costs

Bond premiums received and bond refunding losses incurred by the School District to issue serial bonds are capitalized and amortized over the term of the related bonds. Amortization expense is included in the expenses of the School District's government-wide financial statements.

Budgetary Procedures and Budgetary Accounting

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

- The voters of the School District approved the proposed appropriation budget for the general fund.
- Appropriations are adopted at the program line level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board of Education approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the previous year.

Unearned Revenue

Unearned revenue is reported 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 School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Restricted Resources

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the School District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the statement of net position.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the balance sheet and statement of net position will sometimes report a separate financial statement element, *deferred outflows of resources*, which is presented directly after assets and *deferred inflows of resources*, which is presented directly after liabilities. Deferred outflows of resources represent 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. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

Net Position/Fund Balance Classifications

Government-wide statements

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

Net Investment in capital assets - consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted net position consists of the nonspendable and restricted fund balance components of the School District at year end.

Unrestricted net position - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the School District.

Governmental Fund Statements

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

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or is legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school lunch fund and prepaid expenditures recorded in the general fund.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position/Fund Balance Classifications (Continued)

Governmental Fund Statements (Continued)

Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The School District has available the following restricted fund balances:

Capital

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

Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The board of education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position/Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the debt service fund under the restricted fund category.

Insurance

Insurance reserve is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.

Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by Districts, except city Districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position/Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted, committed, or assigned fund balance based on the constraints on the use of these funds.

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

Assigned fund balance – Includes amounts that are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. There was an amount designated for subsequent year’s expenditures in the general fund of \$3,750,000. As of June 30, 2018, the School District’s encumbrances were classified as follows:

Assigned fund balance:

General Support	\$ 502,359
Instruction	172,851
Transportation	<u>209</u>
Total encumbrances	<u>\$ 675,419</u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District’s budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy

The School District’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Classifications (Continued)

Governmental Fund Statements (Continued)

Order of Fund Balance Spending Policy (Continued)

In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Fund deficits

The capital projects fund has a fund deficit of \$17,652,645. The majority of this deficit relates to the purchases of buses and ongoing capital projects, financed by bond anticipation notes (BANs). The intent is to fund the repayment of these BANs and the deficit with appropriations from the general fund over the next five years.

Explanation of Certain Differences Between Governmental Fund Statements and Government-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-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.

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

Total fund balances of the School District's governmental funds differ from net position of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

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

The excess (deficiency) of revenues and other sources over expenditures and other uses of the School District's governmental funds differ from the change in net position of governmental activities reported on the statement of activities. The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus on the governmental funds.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered available, whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and 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.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities (Continued)

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.

Stewardship, Compliance, and Accountability

Budgets

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

The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures, (and encumbrances), that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget, (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the School District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

2. PRIOR PERIOD ADJSUTMENT - CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, beginning net position and other postemployment benefits on the statement of net position were adjusted as noted in the following table:

	<u>District Wide Statement of Net Position</u>	
	Other	
	Postemployment Benefits	Net Position
Balance at June 30, 2017, as previously reported	\$ 199,333,199	\$ (103,215,236)
Restatement of beginning balance - Adoption of GASB Statement No. 75 Increase to liability	<u>421,822,881</u>	<u>(421,822,881)</u>
Balance at June 30, 2017, as restated	<u>\$ 621,156,080</u>	<u>\$ (525,038,117)</u>

3. CASH

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies.

Custodial Credit Risk - Deposits

As of June 30, 2018, the carrying amount of the School District's cash was \$31,277,407 and was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	<u>\$ 40,732,742</u>	<u>\$ 31,277,407</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 39,123,254	
Covered by FDIC insurance	<u>1,609,488</u>	
Total	<u>\$ 40,732,742</u>	

3. CASH (Continued)

Collateral is required for time deposits and certificates of deposit at 102% of all deposits not covered by the 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 towns.

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

Restricted Cash

Restricted cash consists of the following:

General Fund	\$ 330,009
Debt Service Fund	<u>47,114</u>
Total Restricted Cash	<u>\$ 377,123</u>

4. PARTICIPATION IN BOCES

During the year, the School District was billed \$14,185,434 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$3,569,100. Financial statements for BOCES are available from the BOCES administrative office.

5. CAPITAL ASSETS, NET

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

	July 1, 2017 Balance	Additions/ Transfers In	Disposals/ Transfers Out	June 30, 2018 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 698,418	\$ -	\$ -	\$ 698,418
Construction in progress	<u>26,324,608</u>	<u>317,331</u>	<u>15,836,670</u>	<u>10,805,269</u>
Total nondepreciable cost	<u>27,023,026</u>	<u>317,331</u>	<u>15,836,670</u>	<u>11,503,687</u>
Capital assets that are depreciated:				
Buildings and improvements	103,762,289	16,280,951	895,837	119,147,403
Furniture and equipment	<u>24,556,357</u>	<u>4,800,906</u>	<u>2,132,169</u>	<u>27,225,094</u>
Total depreciable historical cost	<u>128,318,646</u>	<u>21,081,857</u>	<u>3,028,006</u>	<u>146,372,497</u>
Less accumulated depreciation:				
Buildings and improvements	46,140,039	2,233,974	43,035	48,330,978
Furniture and equipment	<u>16,877,085</u>	<u>4,237,812</u>	<u>2,980,207</u>	<u>18,134,690</u>
Total accumulated depreciation	<u>63,017,124</u>	<u>6,471,786</u>	<u>3,023,242</u>	<u>66,465,668</u>
Total depreciable cost, net	<u>65,301,522</u>	<u>14,610,071</u>	<u>(4,764)</u>	<u>79,906,829</u>
Total capital assets, net	<u>\$ 92,324,548</u>	<u>\$ 14,927,402</u>	<u>\$ 15,831,906</u>	<u>\$ 91,410,516</u>

5. CAPITAL ASSETS, NET (Continued)

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

General support	\$ 776,614
Instruction	5,047,993
Pupil transportation	517,743
Cost of sales	<u>129,436</u>
Total depreciation	<u>\$ 6,471,786</u>

6. SHORT-TERM DEBT

The School District may issue revenue anticipation notes (RANs) or tax anticipation notes (TANs), in anticipation of the receipt of revenue. These notes are recorded as a liability in the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds.

State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

	<u>Balance</u> <u>7/1/2017</u>	<u>New Issues</u>	<u>Redemptions</u>	<u>Balance</u> <u>6/30/2018</u>
Bond Anticipation Note - 2.00%, Due 07/07/17	43,321,860	-	43,321,860	-
Bond Anticipation Note - 2.25%, Due 08/15/18	-	13,560,383	-	13,560,383
Bond Anticipation Note - 2.25%, Due 07/05/18	-	<u>3,765,262</u>	-	<u>3,765,262</u>
	<u>\$ 43,321,860</u>	<u>\$ 17,325,645</u>	<u>\$ 43,321,860</u>	<u>\$ 17,325,645</u>

7. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid - long-term debt	\$ 1,575,941
Interest paid - short-term debt	657,361
Less: Interest accrued in the prior year	(131,694)
Amortization on bond premiums	(187,846)
Plus: Interest accrued in the current year	201,268
Amortization on loss on refunding	<u>64,706</u>
 Total expense	 <u>\$ 2,179,736</u>

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

	Original <u>Issue</u>	Beginning <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Bonds payable:						
2004 Serial Bonds	\$ 3,700,000	\$ 610,000	\$ -	\$ 300,000	\$ 310,000	\$ 310,000
2008 Serial Bonds	\$ 6,064,000	430,000	-	430,000	-	-
2011 Refunding Serial Bonds	\$ 7,945,000	4,145,000	-	785,000	3,360,000	805,000
2011 Serial Bonds	\$ 3,750,000	1,615,000	-	385,000	1,230,000	395,000
2012 Refunding Serial Bonds	\$ 3,780,000	2,155,000	-	410,000	1,745,000	420,000
2012 Serial Bonds	\$ 2,000,000	1,040,000	-	200,000	840,000	205,000
2013 Serial Bonds	\$ 2,800,000	1,740,000	-	290,000	1,450,000	290,000
2016 Refunding Serial Bonds	\$ 4,040,000	3,905,000	-	330,000	3,575,000	755,000
Ameresco Energy Bond	\$ 8,540,634	6,465,139	-	574,145	5,890,994	589,134
2017 Serial Bonds	\$ 4,040,000	-	37,670,463	2,110,463	35,560,000	2,040,000
		<u>22,105,139</u>	<u>37,670,463</u>	<u>5,814,608</u>	<u>53,960,994</u>	<u>5,809,134</u>
Plus - unamortized bond premiums		<u>759,958</u>	<u>1,434,611</u>	<u>187,846</u>	<u>2,006,723</u>	<u>-</u>
Total Bonds Payable		\$ 22,865,097	\$ 39,105,074	\$ 6,002,454	\$ 55,967,717	\$ 5,809,134
Other postemployment benefits		621,156,080	0	(40,629,123)	661,785,203	-
Compensated absences		<u>725,354</u>	<u>7,013</u>	<u>-</u>	<u>732,367</u>	<u>-</u>
Total long-term debt obligations		<u>\$644,746,531</u>	<u>\$ 39,112,087</u>	<u>\$ (34,626,669)</u>	<u>\$718,485,287</u>	<u>\$ 5,809,134</u>

7. LONG-TERM DEBT (Continued)

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	June 30, 2018 <u>Balance</u>
\$3.700 Million Serial Bond	2004	2019	3.50%	\$ 310,000
\$7.945 Million Serial Bond	2011	2022	4.00%	3,360,000
\$3.75 Million Serial Bond	2011	2022	2.40%	1,230,000
\$2.0 Million Serial Bond	2012	2022	3.00%	1,745,000
\$3.78 Million Serial Bond	2012	2022	2.00%	840,000
\$2.8 Million Serial Bond	2013	2022	2.78%	1,450,000
\$4.040 Million Serial Bond	2016	2023	5.00%	3,575,000
\$8.54 Million Energy Bond	2013	2027	2.61%	5,890,994
\$37.670 Million Serial Bond	2017	2031	3.00%	<u>35,560,000</u>
Total bond issue				<u>\$ 53,960,994</u>

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

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 5,809,134	\$ 1,634,047
2020	5,654,515	1,442,137
2021	5,835,297	1,255,148
2022	5,451,490	1,057,715
2023	3,753,108	897,923
2024-2028	15,602,450	2,948,401
2029-2031	<u>11,855,000</u>	<u>725,775</u>
Totals	<u>\$ 53,960,994</u>	<u>\$ 9,961,146</u>

During 2017, the District issued \$4,040,000 par amount of new bonds to advance refund certain maturities of the 2006, 2007, and 2008 bond issues. The refunding transaction, while resulting in a lower estimated future debt service cost, resulted in a loss in the year incurred equivalent to the difference between the carrying amount the bonds refunded and the amount deposited into the irrevocable escrow account. This accounting loss on refunding of approximately \$153,000 has been recorded as a deferred outflow of resources and will be amortized into future interest costs over 3 years in the statement of activities.

8. INTERFUND BALANCES AND ACTIVITY

	<u>Payable</u>	<u>Receivable</u>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 1,037,752	\$ 2,722,386	\$ 1,577,775	\$ 9,041,944
Special aid fund	1,865,757	-	354,988	18,807
Debt service	-	1,434,603	8,686,956	1,558,968
Capital projects	1,434,603	1,037,752	-	-
School lunch	254,091	-	-	-
Trust and agency	<u>602,538</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total government activities	<u>\$ 5,194,741</u>	<u>\$ 5,194,741</u>	<u>\$ 10,619,719</u>	<u>\$ 10,619,719</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

9. PENSION PLANS

New York State Employees' Retirement System

The School District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an 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 School 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.

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27th, 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 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, 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. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2018	\$ 3,650,453
2017	\$ 3,610,117
2016	\$ 3,679,988

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

At June 30, 2018, the School District reported a liability of \$2,511,480 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2017. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the School District's proportion was 0.0778163%, which was a decrease of .0007050% from its proportion measured at June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$3,806,583. At June 30, 2018, the School District 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
Differences between expected and actual experience	\$ 895,763	\$ 740,225
Changes of Assumptions	1,665,318	-
Net difference between projected and actual earnings on pension plan investments	3,647,725	7,200,244
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,010,603	116,593
Contributions subsequent to the measurement date	900,708	-
	<u>\$ 8,120,117</u>	<u>\$ 8,057,062</u>

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Of the total reported as deferred outflows of resources, \$900,708 related to the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Plan's Year Ended March 31:

2019	\$	883,944
2020		681,491
2021		(1,652,737)
2022		(750,349)
2023		-
Thereafter		-
	\$	<u>(837,651)</u>

Actuarial Assumptions

The total pension liability at March 31, 2018, was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.75%
Real Estate	10.0%	5.80%
Absolute Return Strategies	2.0%	4.00%
Opportunistic Portfolio	3.0%	5.89%
Real Assets	3.0%	5.54%
Bonds and Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation-indexed Bonds	<u>4.0%</u>	1.50%
	<u>100.0%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) or 1 percent higher (8.0%) than the current rate:

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

	1 % Decrease <u>(6.0%)</u>	Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 19,002,531	\$ 2,511,480	\$ (11,439,291)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2018, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 183,400,590,000	\$ 142,715,552	0.0778163%
Net position	<u>(180,173,145,000)</u>	<u>(140,204,072)</u>	0.0778163%
Net pension liability (asset)	<u>\$ 3,227,445,000</u>	<u>\$ 2,511,480</u>	0.0778163%
Fiduciary net position as a percentage of total pension liability	98.24%	98.24%	

New York State Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

Contributions - Continued

The School District is required to contribute at an actuarially determined rate. The School District contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2018	\$ 9,217,742	
2017	\$ 11,664,616	
2016	\$ 14,937,467	

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

At June 30, 2018, the School District reported an asset \$4,365,098 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2016. The School District's proportion of the net pension asset was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, the School District's proportion was 0.5742800%, which was an increase of 0.0042040% from its proportion measured at June 30, 2016.

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

For the year ended June 30, 2018, the School District recognized pension expense of \$10,704,794. At June 30, 2018, the School District 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
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ 3,591,404	\$ 1,701,901
Changes of Assumptions	44,415,724	-
Net difference between projected and actual earnings on pension plan investments	-	10,281,069
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	637,959
Contributions subsequent to the measurement date	9,750,914	-
	<u>\$ 57,758,042</u>	<u>\$ 12,620,929</u>

Of the total reported as deferred outflows of resources, \$9,750,914 related to the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Plan's Year Ended June 30:	
2018	\$ 925,815
2019	11,666,721
2020	8,324,912
2021	2,003,269
2022	8,300,447
Thereafter	4,165,035
	<u>\$ 35,386,199</u>

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions

The total pension liability at the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. The actuarial valuation used the following actuarial assumptions:

Inflation	2.50%										
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table><thead><tr><th>Service</th><th>Rate</th></tr></thead><tbody><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></tbody></table>	Service	Rate	5	4.72%	15	3.46%	25	2.37%	35	1.90%
Service	Rate										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLAs	1.5% compounded annually										
Investment Rate of Return	7.25% compounded annually, net of pension plan investment expense, including inflation.										

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale MP2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Domestic Equities	35.0%	6.1%
International Equities	18.0%	7.3%
Real Estate	11.0%	5.4%
Private Equities	8.0%	9.2%
Domestic fixed Income Securities	16.0%	1.0%
Global Fixed Income Securities	2.0%	0.8%
High-yield Fixed Income Securities	1.0%	3.9%
Mortgages	8.0%	3.1%
Short-term	<u>1.0%</u>	0.1%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The following presents the net pension liability (asset) of the school districts calculated using the discount rate of 7.25%, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Proportionate Share of Net Pension liability (asset)	1% Decrease (6.25%)	Assumption (7.25%)	1% Increase (8.25%)
Pension liability (asset)	\$ 75,197,714	\$ (4,365,098)	\$ (70,995,004)

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers as June 30, 2017, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 114,708,261,032	\$ 658,746,657	0.5742800%
Net position	<u>(115,468,360,316)</u>	<u>(663,111,756)</u>	0.5742800%
Net pension liability (asset)	<u>\$ (760,099,284)</u>	<u>\$ (4,365,098)</u>	0.5742800%
Fiduciary net position as a percentage of total pension asset	100.66%	100.66%	

10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District provides for postretirement medical benefits to retiring employees after 10 years of service. When a retiree reaches age 65, Medicare will provide primary coverage, except as otherwise provided by law. The Plan can be amended by action of the School District through agreements with different bargaining units. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,176
Inactive employees or beneficiaries entitled to but not yet receiving benefits	-
Active employees	<u>1,663</u>
Total participants	<u><u>2,839</u></u>

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The District's total OPEB liability of \$661,785,203 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs

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

Inflation	Pre-65 Year 1 - 7.07%; Post-65 Year 1 - 6.19% Year 2 - 9.50%
Payroll Growth	2.00%
Discount Rate	3.58% as of July 1, 2017
Healthcare Cost Trend Rates	Pre-65 Medical - 7.07% for 2018, 9.50% year two, decreasing annually to an ultimate rate of 5.00% for 2028 Post-65 Medical - 6.19% for 2018, 9.50%, decreasing annually to an ultimate rate of 5.00% for 2028
Share of Benefit-Related Costs	The district pays between 80% and 93% of the retiree's and covered spouses medical premium depending on the employee group. For teaching assistants coverage stops at age 65. For all other employee groups coverage is for life. For all employee groups other than teaching assistants the district also reimburses the retiree and covered spouses the full cost of Medicare Part B.

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate as of July 1, 2017.

Mortality rates were based on the RP-2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA.

Changes in the Total OPEB Liability

Balance at June 30, 2017, as restated	\$621,156,080
Changes for the Year:	
Service cost	26,434,887
Interest cost	22,065,716
Changes of benefit terms	-
Differences between expected and actual experience	-
Assumption changes	2,063,359
Benefit payments	<u>(9,934,839)</u>
Balance at June 30, 2018	<u>\$661,785,203</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 5.00% in 2017 to 3.58% in 2018.

10. OTHER POSTEMPLOYMENT 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 (2.58%) or 1 percentage point higher (4.58%) than the current discount rate:

	1% Decrease <u>(2.58%)</u>	Current Discount <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
Total OPEB Liability	<u>\$775,331,072</u>	<u>\$661,785,203</u>	<u>\$582,098,033</u>

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:

	Healthcare		
	1% Decrease (6.07% Pre 65/ 5.19% Post 65)	Baseline 7.07% Pre 65/ 6.19% Post 65	1% Increase (8.07% Pre 65/ 7.19% Post 65)
Total OPEB Liability	<u>\$550,239,845</u>	<u>\$661,785,203</u>	<u>\$817,221,075</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$40,629,123. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$ -	\$ -
Benefit payments subsequent to measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

Fiscal year ending June 30:	
2019	\$ 20,368,390
2020	20,368,390
2021	20,368,390
2022	20,368,390
2023	20,368,390
Thereafter	<u>36,480,252</u>
	<u>\$ 138,322,202</u>

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks are not expected to exceed commercial insurance coverage.

Health Insurance

The School District participates in a health consortium, a non-risk retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 27 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the School District has essentially transferred all related risk to the pool. The School District also offers to its employees and eligible retirees community rated insurance programs through commercial carriers.

Workers Compensation

The School District has chosen to establish a risk financing fund for risks associated with workers compensation coverage for claims prior to July 1, 1998. The risk financing fund is accounted for in the General Fund with any unfunded portions expected to be paid in future years accounted for in the long-term debt of the Government-wide financial statements. A premium is charged to each fund that accounts for part-time and full time employees. During 2018, the total costs incurred for these open workers compensation claims amounted to \$94,117. At June 30, 2018 the General Fund reported an accrued liability for future claims including an estimate for claims incurred but not reported of \$119,238.

12. CONTINGENCIES

Litigation

The School District has been named as defendant in several tax certiorari cases. A review by management and the School District's attorneys indicated that the total projected amount of refunds paid during the 2017-2018 fiscal year, or to be paid during the 2018-2019 fiscal years as the result of settlements about which the School District has been notified, is approximately \$500,000. The School District has financed or intends to finance all of these refunds by issuing obligations in accordance with its statutory authority; therefore, it is not anticipated these refunds will have a material, adverse financial impact on the School District.

Other Contingencies

The School District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, would be immaterial.

13. TAX ABATEMENT

All real property in New York is subject to taxation unless specific legal provisions grant it exempt status. Real property tax exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner's ability to pay taxes, the desire of the state and local governments to encourage certain economic or social activities, and other such considerations. Most exemptions are granted under Article 4 of the Real Property Tax Law, but others are authorized by a wide variety of statutes ranging from Article 18-A of the real property tax law, the Agriculture and Markets Law to the Transportation Law. Certain exemptions provide full relief from taxation (wholly exempt property) and others reduce the taxes which would otherwise be payable by varying degrees (partially exempt property). Some exemptions apply to taxes levied for District, city/town, and school purposes, whereas others pertain only to some of these purposes. Yet another difference involves the extent of local government autonomy: while some exemptions are mandated by state law, others are subject to local option and/or local determination of eligibility criteria.

The School District has two real property tax abatement agreements entered into by the IDA. These agreements provide for abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) in compliance with Tax Exemption Policy. PILOTs are granted in accordance with various activities such as new construction, purchasing of an existing facility, or the improvement or expansion of an existing facility. There are also policies for recapture of PILOTs should the applicant not meet certain criteria. The amount property tax abated in the School District for the year ended June 30, 2018 was approximately \$ 885,000.

14. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is required to adopt the provisions of this Statement for the year ending June 30, 2020, with early adoption encouraged.

In June 2017, GASB issue Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District is required to adopt the provisions of this Statement for the year ending June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

WAPPINGERS CENTRAL SCHOOL DISTRICT

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

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Final Budget Variance with Budgetary Actual</i>
REVENUE					
LOCAL SOURCES:					
Real property taxes	\$ 146,862,892	\$ 146,862,892	\$ 146,874,518	\$ -	\$ 11,626
Other tax items	15,418,699	15,418,699	15,636,883	-	218,184
Charges for services	508,680	763,956	582,764	-	(181,192)
Use of money and property	200,000	200,000	99,343	-	(100,657)
Sale of property and compensation for loss	200,000	288,734	165,972	-	(122,762)
Miscellaneous	<u>1,150,000</u>	<u>1,394,050</u>	<u>1,078,559</u>	-	<u>(315,491)</u>
Total local sources	164,340,271	164,928,331	164,438,039	-	(490,292)
State sources	56,916,336	56,916,336	60,523,139	-	3,606,803
Federal sources	<u>175,000</u>	<u>175,000</u>	<u>441,279</u>	-	<u>266,279</u>
Total revenue	<u>221,431,607</u>	<u>222,019,667</u>	<u>225,402,457</u>	-	<u>3,382,790</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	104,848	135,434	126,892	-	8,542
Central administration	301,412	303,747	301,717	40	1,990
Finance	1,120,838	1,249,418	1,197,533	34,390	17,495
Staff	1,047,240	1,235,725	1,155,533	4,525	75,667
Central services	13,407,432	12,919,804	12,437,628	463,404	18,772
Special items	<u>2,605,899</u>	<u>2,534,793</u>	<u>2,523,540</u>	-	<u>11,253</u>
Total general support	<u>18,587,669</u>	<u>18,378,921</u>	<u>17,742,843</u>	<u>502,359</u>	<u>133,719</u>
INSTRUCTION:					
Instruction, administration, and improvement	8,347,996	8,500,899	8,431,758	13,942	55,199
Teaching - regular school	64,184,953	64,688,728	64,504,362	63,821	120,545
Programs for children with handicapping conditions	29,582,666	30,065,568	30,007,980	47,832	9,756
Occupational education	1,184,800	1,184,800	1,184,500	-	300
Teaching - special school	736,818	937,473	932,959	597	3,917
Instructional media	3,268,425	3,357,127	3,340,289	1,198	15,640
Pupil services	<u>10,708,776</u>	<u>11,157,088</u>	<u>11,054,935</u>	<u>45,461</u>	<u>56,692</u>
Total instruction	<u>118,014,434</u>	<u>119,891,683</u>	<u>119,456,783</u>	<u>172,851</u>	<u>262,049</u>
Pupil transportation	13,101,006	12,916,204	12,864,244	209	51,751
Employee benefits	66,564,998	64,415,580	64,376,584	-	38,996
Debt service	<u>1,618,500</u>	<u>1,917,556</u>	<u>1,917,556</u>	-	-
Total expenditures	<u>217,886,607</u>	<u>217,519,944</u>	<u>216,358,010</u>	<u>675,419</u>	<u>486,515</u>
Excess (deficiency) of revenue over expenditures	<u>3,545,000</u>	<u>4,499,723</u>	<u>9,044,447</u>	<u>(675,419)</u>	<u>3,869,305</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	1,577,775	-	1,577,775
Transfers out	<u>(7,295,000)</u>	<u>(9,041,944)</u>	<u>(9,041,944)</u>	-	<u>-</u>
Total other financing sources (uses)	<u>(7,295,000)</u>	<u>(9,041,944)</u>	<u>(7,464,169)</u>	-	<u>1,577,775</u>
NET CHANGE IN FUND BALANCE	(3,750,000)	(4,542,221)	1,580,278	(675,419)	5,447,080
FUND BALANCE - beginning	<u>23,849,074</u>	<u>23,849,074</u>	<u>23,849,074</u>	-	-
FUND BALANCE - ending	<u>\$ 20,099,074</u>	<u>\$ 19,306,853</u>	<u>\$ 25,429,352</u>	<u>\$ (675,419)</u>	<u>\$ 5,447,080</u>

WAPPINGERS CENTRAL SCHOOL DISTRICT

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

	<u>2018</u>
Measurement date	July 1, 2017
Total other postemployment benefits (OPEB) liability	
Service cost	\$ 26,434,887
Interest	22,065,716
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	2,063,359
Changes of assumptions or other inputs	-
Change in actuarial cost method	-
Benefit payments	<u>(9,934,839)</u>
Net change in in total OPEB liability	40,629,123
Total OPEB liability - beginning	<u>621,156,080</u>
Total OPEB liability - ending	<u>\$ 661,785,203</u>
Covered payroll	<u>\$ 104,888,601</u>
Total OPEB liability as a percentage of covered payroll	630.94%

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

No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:
 Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable
 Plan assets must be dedicated to providing OPEB to plan members in accordance with the benefit terms
 Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the plan administrator and plan members

See independent auditors report.

WAPPINGERS CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0778163%	0.0785213%	0.0812705%	0.0829886%						
Proportionate share of the net pension liability (asset)	\$ 2,511.5	\$ 7,378.0	\$ 13,044.1	\$ 2,803.6						
Covered-employee payroll	\$ 25,029.8	\$ 24,788.7	\$ 24,681.5	\$ 24,021.5						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.03%	29.76%	52.85%	11.67%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.68%	97.95%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.5742800%	0.5700760%	0.5672650%	0.5580400%						
Proportionate share of the net pension liability (asset)	\$ (4,365)	\$ 6,105.8	\$ (58,920.7)	\$ (62,162.1)						
Covered-employee payroll	\$ 94,058.6	\$ 91,004.6	\$ 93,553.3	\$ 81,698.4						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.64%	6.71%	-62.98%	-76.09%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.66%	99.01%	110.46%	111.48%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

WAPPINGERS CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 3,650.5	\$ 3,610.1	\$ 3,680.0	\$ 4,456.9	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.					
Contributions in relation to the contractually required contribution	3,650.5	3,610.1	3,680.0	4,456.9						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 25,029.8	\$ 24,788.7	\$ 24,681.5	\$ 24,021.5						
Contributions as a percentage of covered-employee payroll	14.58%	14.56%	14.91%	18.55%						

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 9,217.7	\$ 11,664.6	\$ 14,937.5	\$ 13,276.0	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.					
Contributions in relation to the contractually required contribution	9,217.7	11,664.6	14,937.5	13,276.0						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 94,058.6	\$ 91,004.6	\$ 93,553.3	\$ 81,698.4						
Contributions as a percentage of covered-employee payroll	9.80%	12.82%	15.97%	16.25%						

SUPPLEMENTARY INFORMATION (UNAUDITED)

WAPPINGERS CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 224,389,389
Add: Prior year's encumbrances	<u>792,218</u>
Original budget	225,181,607
Budget revisions	<u>1,380,281</u>
Final budget	<u><u>\$ 226,561,888</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	\$ 231,312,631
Maximum allowed (4% of 2018-19 budget)	9,252,505

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

Unrestricted fund balance:	
Committed fund balance	-
Assigned fund balance	4,425,419
Unassigned fund balance	<u>16,966,393</u>
Total unrestricted fund balance	<u>\$ 21,391,812</u>

Less:	
Appropriated fund balance	3,750,000
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>675,419</u>
Total adjustments	<u>\$ 4,425,419</u>

General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 16,966,393

Actual percentage 7.33%

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

WAPPINGERS CENTRAL SCHOOL DISTRICT

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

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance
			Prior Years' Expenditures	Current Year's Expenditures	Total	
Bus purchases 2013 - 2014	\$ 1,785,314	\$ 1,785,314	\$ 3,845,880	\$ -	\$ 3,845,880	\$ (2,060,566)
Bus purchases 2017 - 2018	2,066,208	2,066,208	-	2,060,384	2,060,384	5,824
PHASE I:						
Evans Abatement - 0003-019	214,272	214,094	214,094	-	214,094	-
Evans Windows - 0003-020	56,000	39,225	39,225	-	39,225	-
Gayhead Sewer Line - 0016-018	115,300	83,285	83,285	-	83,285	-
Brinckerhoff - 00013-019	75,810	80,494	80,494	-	78,990	1,504
Main Garage - 5011-005	219,100	220,259	219,291	-	219,291	968
Myers - 00019-018	115,235	170,161	166,895	-	166,895	3,266
Fishkill Plains - 0001-013	976,856	967,395	954,091	-	954,091	13,304
Kinry - 0002-015	112,775	-	-	-	-	-
Evans - 0003-021	512,250	506,922	509,613	-	509,613	(2,691)
Fishkill - 0005-015	864,268	863,024	855,058	-	855,058	7,966
Vassar - 0008-020	715,833	705,208	709,665	-	709,665	(4,457)
RCK HS - 0012-028	5,257,769	5,322,092	5,325,635	-	5,325,635	(3,543)
Oak Grove - 0014-018	736,603	736,382	723,118	-	723,118	13,264
Van Wyck JHS - 0017-021	4,071,973	4,102,857	4,070,391	-	4,070,391	32,466
John Jay HS - 0020-029	947,536	1,054,559	1,051,903	-	1,051,903	2,656
Security:						
Fishkill Plains - 0001-014	142,839	149,883	146,173	-	146,173	3,710
Kinry - 0002-016	160,311	167,975	164,102	-	164,102	3,873
Evans - 0003-022	171,506	183,724	172,219	-	172,219	11,505
Wappinger JHS - 0004-029	287,403	268,201	257,734	-	257,734	10,467
Fishkill - 0005-016	166,488	176,031	165,760	-	165,760	10,271
Vassar - 0008-021	154,535	166,316	157,145	-	157,145	9,171
RCK HS - 0012-029	493,687	512,697	576,396	-	576,396	(63,699)
Brinckerhoff - 00013-020	189,976	180,309	176,076	-	176,076	4,233
Oak Grove - 0014-019	177,906	171,982	168,648	-	168,648	3,334
Gayhead - 00016-020	280,954	240,983	235,539	-	235,539	5,444
Van Wyck JHS - 0017-022	323,196	291,991	288,302	-	288,302	3,689
Sheafe - 0018-015	182,286	195,662	185,632	-	185,632	10,030
Myers - 00019-019	228,194	210,384	196,694	-	196,694	13,690
John Jay HS - 0020-030	540,719	517,141	507,519	-	507,519	9,622
PHASE II:						
Fishkill Plains - 0001-015	64,810	71,027	64,237	-	64,237	6,790
Kinry - 0002-017	1,175,630	1,148,306	1,141,171	-	1,141,171	7,135
Evans - 0003-023	2,153,200	2,295,462	2,297,479	-	2,297,479	(2,017)
Wappinger JHS - 0004-030	2,230,450	2,348,432	2,314,516	-	2,314,516	33,916
Fishkill - 0005-017	66,700	73,833	67,458	-	67,458	6,375
Vassar - 0008-022	59,710	72,965	67,016	-	67,016	5,949
RCK HS - 0012-030	197,200	199,975	178,803	-	178,803	21,172
Brinckerhoff - 00013-021	62,760	67,764	66,206	-	66,206	1,558
Oak Grove - 0014-020	67,920	77,479	76,389	-	76,389	1,090
Gayhead - 00016-021	147,100	142,962	139,563	-	139,563	3,399
Van Wyck JHS - 0017-024	2,391,000	2,292,524	2,261,703	-	2,261,703	30,821
Sheafe - 0018-016	115,010	120,707	98,231	-	98,231	22,476
Myers - 00019-020	74,250	83,864	81,909	-	81,909	1,955
John Jay HS - 0020-031	151,090	147,550	130,058	-	130,058	17,492
Fishkill Plains Bus Garage - 5047-001	6,535,696	6,529,866	6,436,668	-	6,436,668	93,198
Trans Driver Check In - 7051-001	622,800	601,238	517,863	-	517,863	83,375
District Office Building - 1031-002	-	-	2,571,122	-	2,571,122	(2,571,122)
RCK HS Press Box - 7026-001	-	-	289,619	137,426	427,045	(427,045)
John Jay Home Dugout - 7053-001	123,353	123,353	130,957	-	130,957	(7,604)
John Jay Away Dugout - 7054-001	123,353	123,353	126,844	-	126,844	(3,491)
District Wide Locks - 7999SB1	-	-	546,746	-	546,746	(546,746)
Incidental reserve to be allocated	-	85,187	-	-	-	85,187

WAPPINGERS CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED) (Continued)

District Office Relocation	-	-	33,000	-	33,000	(33,000)
District Appropriated Project:						
Van Wyck Pump House - 0017-023	95,000	95,000	80,492	-	80,492	14,508
Evans Roof - 0003-024	-	-	597,217	-	597,217	(597,217)
Wappingers JHS Floor - 0004-031	-	-	59,233	(1,425)	57,808	(57,808)
Fishkill HVAC - 0005-018	-	-	98,838	-	98,838	(98,838)
District Wide Carbon Monoxide Detectors - 7999-004	-	-	383,470	49,761	433,231	(433,231)
\$38mil Bond Projects						
John Jay Water System - 0020-033	-	-	24,448	82,307	106,755	(106,755)
John Jay Water System - 7021-0002	-	-	-	249,634	249,634	(249,634)
\$26mil Bond Projects - Phase 1						
Kinry Phase 1 - 0002-019	453,125	453,125	60,791	313,096	373,887	140,029
Evans Phase 1 - 0003-026	360,684	360,684	52,172	46,760	98,932	313,924
WJHS Phase 1 - 0004-033	2,072,900	2,072,900	115,088	1,736,785	1,851,873	336,115
Vassar Phase 1 - 0008-024	429,918	429,918	53,865	342,956	396,821	86,962
RCK Phase 1 - 0012-034	2,482,102	2,482,102	865,595	1,381,143	2,246,738	1,100,959
Gayhead Phase 1 - 0016-023	712,008	712,008	62,544	20,119	82,663	691,889
Myers Corners Phase 1 - 0019-024	376,117	376,117	30,725	270,072	300,797	106,045
John Jay Phase 1 - 0020-035	2,586,753	2,586,753	665,288	1,647,813	2,313,101	938,940
\$26mil Bond Projects - Phase 2						
Fishkill Plains Phase 2 - 0001-016	5,850	5,850	2,047	2,340	4,387	3,510
Kinry Phase 2 - 0002-018	5,265	5,265	1,843	2,106	3,949	3,159
Evans Phase 2 - 0003-025	40,950	40,950	14,333	16,380	30,713	24,570
WJHS Phase 2 - 0004-032	161,616	161,616	56,566	64,646	121,212	96,970
Fishkill Phase 2 - 0005-019	7,332	7,332	2,566	2,933	5,499	4,399
Vassar Phase 2 - 0008-023	4,095	4,095	1,433	1,638	3,071	2,457
RCK Phase 2 - 0012-033	350,263	350,263	132,430	145,605	278,035	204,658
Brinckerhoff Phase 2 - 0014-022	1,248	1,248	437	499	936	749
Oak Grove Phase 2 - 0014-021	15,759	15,759	8,878	3,619	12,497	12,140
Gayhead Phase 2 - 0016-022	28,236	28,236	9,883	11,294	21,177	16,942
Van Wyck Phase 2 - 0017-025	12,792	12,792	4,477	5,117	9,594	7,675
Sheafe Phase 2 - 0018-017	4,056	4,056	1,419	1,622	3,041	2,434
Myers Corners Phase 2 - 0019-023	60,528	60,528	21,185	24,211	45,396	36,317
John Jay Phase 2 - 0020-034	264,966	264,966	99,175	111,486	210,661	153,480
Main Garage Phase 2 - 5007-007	3,276	3,276	1,146	1,310	2,456	1,966
Smart School Bond Act						
District Wide Security Vestibules - 7999-005	963,120	963,120	880,862	-	880,862	963,120
SSBA 2 - 7999-SB2	-	-	-	11,864	11,864	(11,864)
SSBA 3 - 7999-SB3	-	-	-	395,765	395,765	(395,765)
2016-17 District Appropriated Projects						
Fishkill Plains Draperies - 00001DR	6,085	6,085	6,085	-	6,085	6,085
Kinry Draperies - 00002DR	7,269	7,269	7,269	-	7,269	7,269
Evans Paving - 00003PV	235,377	235,377	-	221,416	221,416	13,961
WJHS Bleachers - 00004BL	83,291	83,291	9,481	73,810	83,291	9,481
WJHS Draperies - 00004DR	7,269	7,269	-	7,269	7,269	-
WJHS Gym Floor - 00004FL	14,200	14,200	14,200	-	14,200	14,200
WJHS Lockers - 00004LO	162,647	162,647	40,662	106,035	146,697	56,612
Fishkill Draperies - 00005DR	7,045	7,045	7,045	-	7,045	7,045
Vassar Draperies - 00008DR	7,900	7,900	7,900	-	7,900	7,900
RCK Chain Link Fence - 00012FE	38,800	38,800	-	38,800	38,800	-
RCK Gym Floor - 00012FL	37,334	37,334	37,334	-	37,334	37,334
RCK Lockers - 00012LO	296,620	296,620	234,790	61,830	296,620	234,790
RCK Sports Field Lighting - 00012SF	110,200	110,200	8,550	103,150	111,700	7,050
Gayhead Paving - 00016PV	525,370	525,370	-	468,563	468,563	56,807
Gayhead Shades - 00016SH	31,371	31,371	26,555	4,816	31,371	26,555
Van Wyck Gym Floors - 00017FL	26,580	26,580	26,580	-	26,580	26,580
Van Wyck Lockers - 00017LO	191,312	191,312	47,828	143,484	191,312	47,828
Myers Corners Draperies - 00019DR	7,475	7,475	7,475	-	7,475	7,475
Myers Corners Heating Controls - 00019HC	393,200	393,200	-	393,200	393,200	-
Myers Corners Hot Water - 00019HW	9,309	9,309	-	9,309	9,309	-
Myers Corners Library Roof - 00019RT	7,941	7,941	-	7,941	7,941	-
Myers Corners Shades - 00019SH	22,315	22,315	22,315	-	22,315	22,315
Myers Corners Unit Ventilators - 00019UV	32,207	32,207	-	36,062	36,062	(3,855)
John Jay Lockers - 00020LO	245,617	245,617	245,617	-	245,617	245,617
John Jay Sports Field Lighting - 00020SF	4,100	4,100	4,370	35,130	39,500	(31,030)
John Jay Boys/Girls Locker Shower Dividers - 00020SH	19,504	19,504	15,398	-	15,398	19,504
WJHS Boys Locker Shower Dividers - 0004BLR	53,382	53,382	-	53,382	53,382	-
WJHS Girls Locker Shower Dividers - 0004GSH	5,375	5,375	5,375	-	5,375	5,375
RCK Boys Locker Shower Dividers - 0012BSH	15,792	15,792	-	15,792	15,792	-
Van Wyck Boys Locker Shower Dividers - 0017BSH	7,428	7,428	-	7,428	7,428	-
Van Wyck Girls Locker Rooms - 0017GLR	71,927	71,927	-	71,927	71,927	-
Van Wyck Girls Locker Shower Dividers - 0017GSH	9,342	9,342	9,342	-	9,342	9,342
Total	\$ 52,896,677	\$ 53,148,148	\$ 47,055,248	\$ 10,998,610	\$ 58,053,858	\$ (976,791)

See independent auditors report.

WAPPINGERS CENTRAL SCHOOL DISTRICT

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

Capital assets, net	<u>\$ 91,410,516</u>
Deduct:	
Short-term portion of bonds payable	5,809,134
Long-term portion of bonds payable	50,158,583
Bond anticipation notes related to capital assets	<u>17,325,645</u>
	<u>73,293,362</u>
Add:	
Unspent bond anticipation notes proceeds	380,767
Debt related to tax certiorari settlements	<u>3,673,760</u>
	<u>4,054,527</u>
Net investment in capital assets	<u><u>\$ 22,171,681</u></u>

See independent auditors report.

REQUIRED REPORTS UNDER UNIFORM GUIDANCE

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

October 4, 2018

The Board of Education of
Wappingers Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wappingers Central School District (School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's financial statements, and have issued our report thereon dated October 4, 2018.

Internal Control Over Financial Reporting

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

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

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

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(Continued)

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

District's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

October 4, 2018

To the Board of Education of the
Wappingers Central School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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(Continued)

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

(Continued)

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

WAPPINGERS CENTRAL SCHOOL DISTRICT

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

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grantor Number	Federal Expenditures
U.S. Department of Agriculture/ <i>Child Nutrition Cluster</i>			
National School Lunch Program - food donations	10.555*	N/A	\$ 218,952
Passed through NY State Education Department (Child Nutrition Services) / School Breakfast Program	10.553	N/A	196,524
National School Lunch Program	10.555*	N/A	<u>997,206</u>
Total U.S. Department of Agriculture			<u>1,412,682</u>
U.S. Department of Education/ Passed through NY State Education Department/			
Title I Grants to Local Educational Agencies	84.010	0021-18-0705	936,508
Title I Grants to Local Educational Agencies	84.010	0021-17-0705	<u>17,093</u>
<i>Subtotal Federal CFDA No. 84.010</i>			<u>953,601</u>
<i>Special Education Cluster</i>			
Special Education - Grants to states	84.027	0032-18-0192	2,796,324
Special Education - Grants to states	84.027	0032-17-0192	<u>2,439</u>
<i>Subtotal Federal CFDA No. 84.027</i>			<u>2,798,763</u>
Special Education - Preschool Grants	84.173	0033-18-0192	<u>112,526</u>
Total Special Education Cluster			<u>2,911,289</u>
English Language Acquisition Grants	84.365	0293-18-0705	8,233
Improving Teacher Quality State Grants	84.367	0147-18-0705	216,220
Improving Teacher Quality State Grants	84.367	0147-17-0705	<u>24,581</u>
<i>Subtotal Federal CFDA No. 84.367</i>			<u>240,801</u>
Total U.S. Department of Education			<u>4,113,924</u>
Total Expenditures of Federal Awards			<u>\$ 5,526,606</u>
* Subtotal Federal CFDA No. 10.555 - National School Lunch Program			<u>\$ 1,216,158</u>

WAPPINGERS CENTRAL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Wappingers Central School District (School District), under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of the School District, it is not intended to and does not present the governmental activities, each major fund and aggregate remaining fund information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

4. MATCHING COSTS

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

5. SUBRECIPIENTS

There were no amounts provided to subrecipients during the year ended June 30, 2018.

6. NON-CASH FEDERAL ASSISTANCE

The School District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed non-cash assistance. During the year ended June 30, 2018, the School District received food commodities, the fair value of which amounted to \$218,952 is presented in the Schedule as National School Lunch Program (Division of Donated Foods, CFDA#10.555) and was considered in the School District's single audit.

WAPPINGERS CENTRAL SCHOOL DISTRICT

SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2018

Section I – Financial statement Findings

2017-001. Stewardship and Compliance

Condition: The School District's unrestricted fund balance exceeded the limit of 4% of the subsequent year's expenditures budget in accordance with §1318 of the New York State Real Property Tax law

Recommendation: The School District should consider taking action to reduce the unrestricted fund balance to the allowable limit.

Current Status: The School District's unrestricted fund balance continues to exceed the 4% limit imposed by New York State. See current year finding 2017-001.

Section II – Federal Awards Findings and Questioned Costs

No findings were noted

WAPPINGERS CENTRAL SCHOOL DISTRICT

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

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness (es) identified? Yes No

Significant deficiency (ies) identified? Yes None noted

Noncompliance material to financial statements noted? Yes No

Federal Awards

Type of independent auditor's report issued on compliance for major programs Unmodified

Internal control over major programs:

Material weakness (es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes None noted

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? Yes No

WAPPINGERS CENTRAL SCHOOL DISTRICT

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

Section II - FINANCIAL STATEMENT FINDINGS

2018-001. Stewardship and Compliance

Criteria: Unrestricted fund balance of the General Fund is not to exceed 4% of the subsequent year's expenditures budget in accordance with §1318 of the New York State Real Property Tax law.

Condition: The School District's unrestricted fund balance exceeds the 4% allowable limit.

Effect: Noncompliance with New York State Law.

Recommendation: The School District should consider taking action to reduce the unrestricted fund balance to the allowable limit.

View of Responsible Officials and Corrective Action Plan: Based on the 2017-001 Stewardship and Compliance finding as presented to the School District in Section II Financial Statement Findings, the School District administration is actively working with the Board of Education to address excess fund balance. The creation and minimal funding of the Repair Reserve will be re-evaluated. The work continues on a large capital project and the District continues to review what if any relief can be found from using these funds instead of long term borrowing. There continues to be many smaller infra-structure needs that can be addressed using these funds and the District will look at the creation of a Capital Reserve as a funding mechanism for these specific needs. Balancing the need for fiscal prudence with a responsible view of fund balance continues to be a goal as we continue to provide sound budgets that meet the needs of WCSD students and community. This area will continue to be reviewed.

Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings were noted.