

**FILLMORE CENTRAL
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

**FILLMORE CENTRAL SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019
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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Fillmore Central School District
Fillmore, New York 14735

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fillmore Central School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Fillmore Central School District's basic financial statements as listed in the table of contents. We have also audited the fiduciary fund types of the Fillmore Central School District as of June 30, 2019, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fillmore Central School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fillmore Central School District's basic financial statements. The accompanying financial information listed as supplementary schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule 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 of Federal Awards* and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2019, on our consideration of the Fillmore Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fillmore Central School District's internal control over financial reporting and compliance.

R. A. MERCER & CO., P.C.

RA Mercer + Co, P.C.

Sardinia, New York
October 9, 2019

**FILLMORE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

As management of the Fillmore Central School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Fillmore Central School District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the balance of our annual report.

Financial Highlights

The following are the financial highlights experienced by the Fillmore Central School District during the fiscal year ending June 30, 2019:

- Overall net position from operations of the District increased during the current year in the amount of \$365,911 as compared to an increase of \$1,626,182 during the prior fiscal year.
- The District's total revenue decreased approximately 5% from \$17,307,740 during June 30, 2018 to \$16,498,392 during June 30, 2019. The prior year included Smart Bond Act state revenue that was not received in the current year.
- The District's total expenses increased approximately 3% from \$15,681,558 during the year ended June 30, 2018 to \$16,132,481 during the year ended June 30, 2019. This increase was primarily due to an increase in salaries.
- The District had capital outlays during the current year in the amount of \$318,192, which primarily related to its vehicle purchases.

Overview of the Financial Statement

This annual report consists of three parts: the Management Discussion and Analysis (this section), the basic financial statements, and the required supplementary information. The basic financial statements include two types of statements that present different views of the School District:

- The first two statements are *district-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. The fund financial statements report the School District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the School District's most significant funds listing them in a columnar format.
- The *governmental fund statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain information contained in the statements. In addition, the notes provide additional data about the District. The financial statements are followed by a section of required supplementary information that further explain and support the financial statements.

Figure A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this section highlights the structure and contents of each statement.

Major Features of the District-Wide and Fund Financial Statements

Figure A-1		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as regular education programs and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activity funds.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities and changes in net position 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

The two district-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and liabilities, 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. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" 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. Some funds are required by State law and by bond covenants. The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants). The 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 that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements can explain the relationship (or differences) between them.
- **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 district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the School District Taken as a Whole

Figure A-2 presents a Condensed Statement of Net Position showing the School District has a net position of approximately \$18,248,000. The components of the net position include; net investment in capital assets of \$11,237,000; restricted net position of \$5,497,000; and, unrestricted net position of \$1,514,000.

Figure A-2 Condensed Statement of Net Position				
	2018-2019	2017-2018	% Change	
Current and Other Assets	\$ 8,438,788	\$ 7,308,399	16%	
Net Pension Asset	475,082	197,093	43%	
Capital Assets	23,764,823	25,362,471	-6%	
Total Assets	32,678,693	32,867,963	-1%	
Deferred Outflows of Resources	2,661,161	3,502,664	-24%	
Total Assets and Deferred Outflows of Resources	\$ 35,339,854	\$ 36,370,627	-3%	
Long-Term Liabilities	\$ 14,450,635	\$ 16,070,531	-10%	
Other Liabilities	1,484,811	1,310,700	13%	
Total Liabilities	15,935,446	17,381,231	-8%	
Deferred Inflows of Resources	1,156,798	1,107,697	4%	
Total Liabilities and Deferred Inflows of Resources	\$ 17,092,244	\$ 18,488,928	-8%	
Net Position				
Net Investment in Capital Assets	11,236,347	11,237,732	0%	
Restricted	5,497,050	4,644,443	16%	
Unrestricted (Deficit)	1,514,213	1,999,524	-19%	
Total Net Position	\$ 18,247,610	\$ 17,881,699	2%	

Figure A-3 presents the Changes in Net Position from Operating Results. The total change for the 2018-2019 fiscal year was an increase of \$365,911, a combination of an approximate 5% decrease in revenue and an approximate 3% increase in expenses. The changes were a result of the following:

Revenues

- Property tax revenue which represents approximately 15% of the District's total revenue for governmental activities increased approximately 1% during the year ended June 30, 2019 related to an increase in the tax levy.
- The District's most significant revenue is state sources which represent \$12,715,000 or 75% of total governmental revenue. The District State sources decreased 6% which was primarily related to not having Smart Bond Act state funding during the year.
- During the year ended June 30, 2019, the District saw an increase in program revenue, which mostly resulted from an increase in operating grants and contributions which increased \$70,549 as compared with the prior year revenue. This increase was mostly as a result of two additional Title IV grants.

Expenses

- The District's general support increased by approximately \$164,000 or 9% which was primarily due to an increase in contractual services, materials and supplies, and compensated absences.
- The District's instruction costs increased by approximately \$535,000 or 5%.
- Debt service of the District decreased by approximately \$186,000 or 32% during the year ended June 30, 2019.
- Transportation costs of the District decreased \$66,000 or 5% during the year ended June 30, 2019 primarily as a result of an increase in salaries and contractual expenses.
- The District's cost of sales (food service fund) totaled \$275,000 during the year ended June 30, 2019 compared to \$270,000 during the year ended June 30, 2018.
- The District received approximately \$1,254,000 of operating grants and charges for services from its state and federal grants which subsidized certain programs of the District.
- Most of the District's net costs (\$14.9 million) were financed by real property taxes and state aid.

Figure A-3 Changes in Net Position from Operating Results					
Revenues	2018-2019		2017-2018	% Change	
Program Revenues					
Charges for Services	\$	56,293	\$	66,682	-16%
Operating Grants		1,189,149		1,108,211	7%
General Revenues					
Property Taxes		2,562,518		2,541,389	1%
Use of Money and Property		32,336		24,515	32%
Sale of Property – Comp for loss		-		5,587	-100%
State Sources		12,449,961		13,144,443	-5%
Federal Aid and Medicaid		82,257		30,179	172%
Miscellaneous/Sale of Property		125,878		386,734	-68%
Total Revenues		16,498,392		17,307,740	-5%
Expenses					
General Support		2,051,800		1,888,187	9%
Instruction		12,052,793		11,518,244	5%
Transportation		1,358,247		1,424,154	-5%
Debt Service		395,114		581,025	-32%
Cost of Sales - Cafeteria		274,527		269,948	2%
Total Expenses		16,132,481		15,681,558	3%
Increase (Decrease) in Net Position	\$	365,911	\$	1,626,182	-78%

Figures A-4 and A-5 further depict the various sources of revenue and expense in the government-wide financial statements:

Figure A-4 Sources of Revenue for the Year Ended June 30, 2019

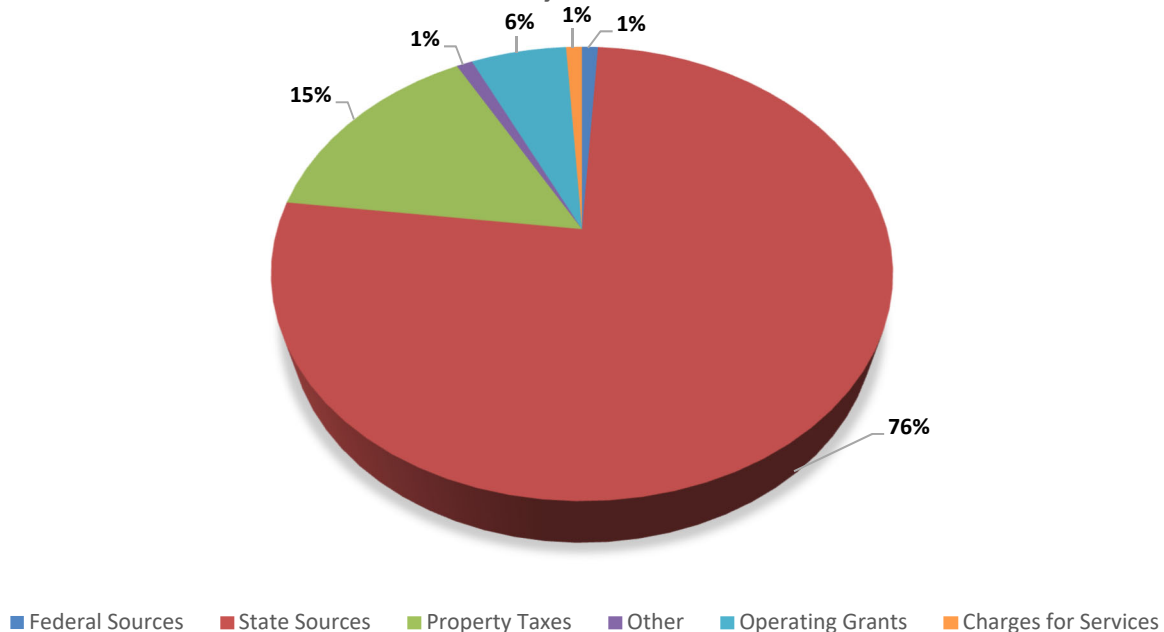
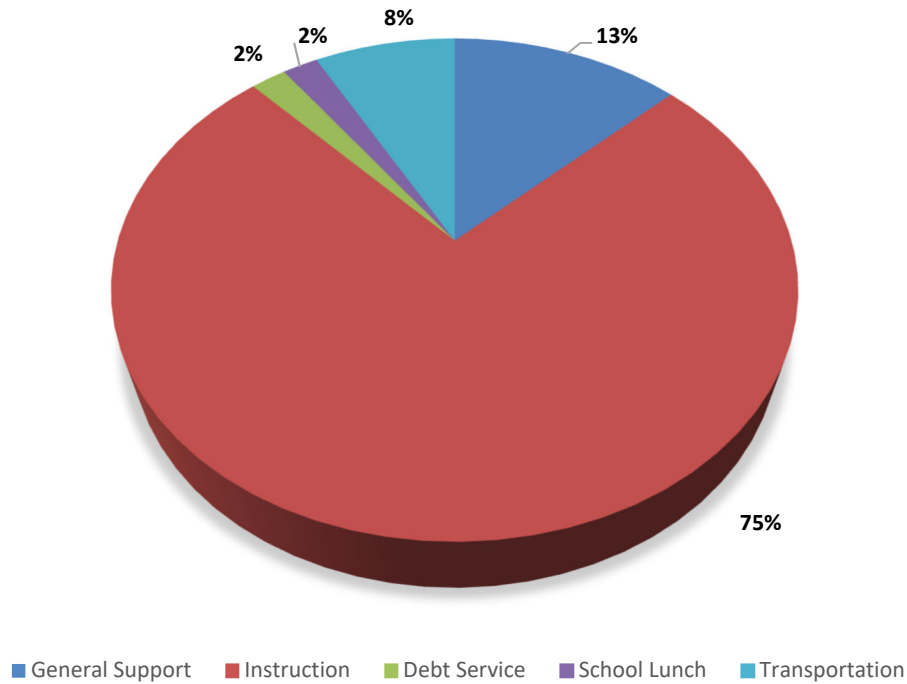


Figure A-5 Expenses for the Year Ended June 30, 2019



Financial Analysis of the School District's Funds

General Fund

In 2018-2019 General Fund revenues exceeded its expenses by \$1,028,685. In addition, \$694 was transferred to the School Lunch Fund to cover negative balances in student accounts. As a result, General Fund equity increased by \$1,028,685 resulting in beginning fund equity of \$5,201,977 increasing to \$6,230,662 for the year ended June 30, 2019. The following table represents the components of fund equity:

	2018-2019	2017-2018
Restricted for Unemployment	110,492	120,719
Restricted for Capital	2,282,000	1,782,000
Restricted for Employee Benefits	190,316	190,316
Restricted for Tax Certiorari	101,946	101,946
Restricted for Insurance	368,161	368,129
Restricted for Retirement System	801,682	716,091
Restricted for Workers Compensation	100,000	100,000
Restricted for Repairs	250,000	0
Assigned for Encumbrances	23,747	0
Assigned for Subsequent Year's Expenses	341,533	306,530
Unassigned	1,660,785	1,516,246
Total General Fund Equity	\$ 6,230,662	\$ 5,201,977

Special Aid Fund

The District's Special Aid Fund which receives its funding from Federal, State, and local grants recognized revenues in the amount of \$966,533. In order to recognize these revenues, the District must expend an equal amount to support the specific programs for which the grant monies are received.

Cafeteria Fund

The District's cafeteria revenues exceeded its expenses by \$9,660. A transfer from the General Fund of \$694 covered negative student accounts for the year. Total Cafeteria Fund equity at June 30, 2019 is \$101,457.

Capital Fund

The beginning fund deficit of \$537,623 increased to a deficit balance of \$634,595 for the year ending June 30, 2019. The fund deficit is the net result of school bus purchases, capital improvement project expenses, revenues recognized to account for debt service payments made on school bus purchases. Over time fund balances are increased and decreased as capital outlays are made and revenues are recognized for debt service payments made in the General Fund.

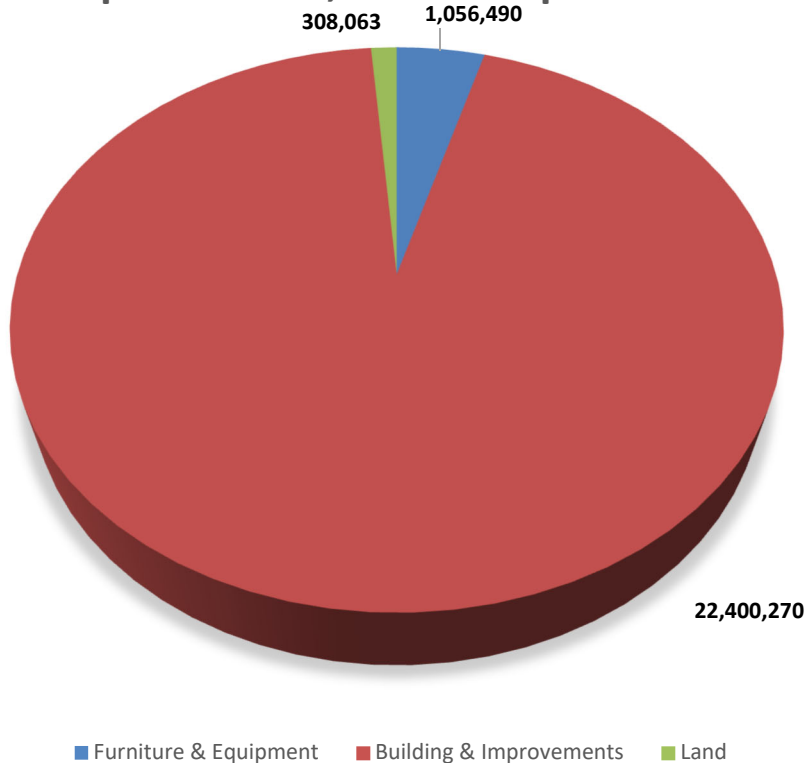
General Fund Budgetary Highlights

Figure A-6 General Fund – Budget vs. Actual (in thousands of dollars)							
		Revised Budget		Actual		Encumbrances	Over (Under)
Revenue							
Local sources	\$	2,927	\$	3,069	\$		\$ 141
State sources		12,654		12,450			(205)
Federal sources		37		82			45
Other sources		0		0			0
Operating transfers		388		0			(388)
Total Revenue	\$	16,006	\$	15,601	\$		\$ (407)
Expenditures							
General support	\$	1,664	\$	1,679	\$	8	\$ (23)
Instruction		8,068		7,343		16	709
Transportation		840		939			(99)
Employee benefits		3,002		2,365			637
Debt service		2,260		2,245			15
Operating transfers		172		1			171
Total Expenditures	\$	16,006	\$	14,572	\$	24	\$ 1,410

Capital Assets

The Fillmore Central School District's investment in capital assets for its governmental activities as of June 30, 2019 amounts to \$23,764,823, net of accumulated depreciation. The investment in capital assets includes land, building and building improvements, equipment, and vehicles. The decrease over the prior year was \$1,597,648. The following is a graphical depiction of the components of investment in capital assets, net of accumulated depreciation:

Capital Assets, Net of Depreciation



Long-Term and Short-Term Debt

As of June 30, 2019, the District's total outstanding bonded debt was \$11,893,881.

The District uses Bond Anticipation Notes to purchase buses. As of June 30, 2019, the total outstanding balance was \$786,980.

New York State Local Finance Law limits the amount of general obligation debt a school district can issue to 10% of its full valuation. The current debt limit for the District is \$19,007,061. Currently the District is at 67% of its debt limit.

Factors Bearing on the District's Future

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

- Uncertainty of revenues associated with school aid to be received from New York State in future years.

Request for Information

This financial report is designed to provide the Fillmore Central School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Fillmore Central School District, District Administrative Offices, Attention: Mr. Joseph Butler, Business Manager; 104 West Main Street, Fillmore, NY 14735.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FILLMORE CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Schedule 1

Assets

Cash	
Unrestricted Cash	\$ 3,800,840
Restricted Cash	4,244,713
Receivables	
State and Federal Aid Receivable	354,037
Due from Other Governments	33,024
Inventories	6,174
Net Pension Asset	475,082
Capital Assets, Net of Accumulated Depreciation	<u>23,764,823</u>

Total Assets	<u>32,678,693</u>
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Deferred Outflows of Resources

Deferred Outflows Related to Bonds	137,464
Deferred Outflows Related to OPEB	233,319
Deferred Outflows Related to Pensions	<u>2,290,378</u>

Total Deferred Outflows of Resources	<u>2,661,161</u>
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Total Assets and Deferred Outflows of Resources	<u>\$ 35,339,854</u>
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Liabilities

Payables	
Accounts Payable	\$ 43,666
Accrued Liabilities	2,123
Accrued Interest	36,000
Due to Fiduciary Funds	-
Due to Other Governments	60,114
Due to Retirement Systems	552,956
Notes Payable	
Bond Anticipation Notes Payable	786,980
Unearned Credits	
Unearned Revenues	2,972
Long-Term Liabilities	
Due and payable within one year	
Bonds Payable	1,545,000
Due and payable after one year	
Bonds Payable	10,348,881
Net Pension Liabilities	302,541
Compensated Absences	125,768
Other Postemployment Benefits Payable	<u>2,128,445</u>
Total Liabilities	<u>15,935,446</u>

Deferred Inflows of Resources

Deferred Inflows Related to Pensions	772,763
Deferred Inflows Related to OPEB	<u>384,035</u>

Total Deferred Inflows of Resources	<u>1,156,798</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	11,236,347
Restricted	5,497,050
Unrestricted (Deficit)	<u>1,514,213</u>
Total Net Position	<u>18,247,610</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 35,339,854</u>
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See Accompanying Independent Auditors' Report and Notes to Financial Statements.

FILLMORE CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 2

	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
Functions/Programs					
General Support	\$ 1,701,298	\$ 350,502	\$ -	\$ 9,009	\$ (2,042,791)
Instruction	8,391,565	3,661,228	4,382	957,524	(11,090,887)
Pupil Transportation	952,737	405,510	-	-	(1,358,247)
Community Services	-	-	-	-	-
Employee Benefits	2,881,785	(2,881,785)	-	-	-
Debt Service	395,114	-	-	-	(395,114)
Cafeteria	274,527	-	51,911	222,616	-
Depreciation	1,535,455	(1,535,455)	-	-	-
Total Functions and Programs	\$ 16,132,481	\$ -	\$ 56,293	\$ 1,189,149	\$ (14,887,039)
General Revenues					
Property Taxes					2,562,518
Use of Money and Property					32,336
Sale of Property and Dispositions					(357,390)
Miscellaneous					473,608
State Sources					12,449,961
Medicaid Reimbursements					82,257
Sales (Cafeteria)					9,660
Total General Revenues					15,252,950
Change in Net Position					365,911
Total Net Position - Beginning of Year					17,881,699
Total Net Position - End of Year					\$ 18,247,610

See Accompanying Independent Auditors' Report and Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

**FILLMORE CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019**

Schedule 3

	GOVERNMENTAL FUND TYPES					
	General	Capital Projects	Special Aid	Cafeteria	Debt Service	(Memo Only) Total
ASSETS						
Cash						
Unrestricted Cash	\$ 2,157,934	\$ 166,170	\$ 97,149	\$ 87,134	\$ 1,292,453	\$ 3,800,840
Restricted Cash	4,244,713	-	-	-	-	4,244,713
Receivables						
State and Federal Aid Receivable	188,533	-	147,063	18,441	-	354,037
Due from Other Funds	222,499	-	-	-	-	222,499
Due from Other Governments	33,024	-	-	-	-	33,024
Inventory	-	-	-	6,174	-	6,174
Total Assets	6,846,703	166,170	244,212	111,749	1,292,453	8,661,287
LIABILITIES						
Payables						
Accounts Payable	30,753	-	12,913	-	-	43,666
Accrued Liabilities	-	-	-	2,123	-	2,123
Due to Other Governments	32,332	-	27,171	611	-	60,114
Due to Other Funds	-	13,785	201,156	7,558	-	222,499
Due to Employees' Retirement System	56,861	-	-	-	-	56,861
Due to Teachers' Retirement System	496,095	-	-	-	-	496,095
Notes Payable						
Bond Anticipation Notes Payable	-	786,980	-	-	-	786,980
Unearned Credits						
Unearned Revenues	-	-	2,972	-	-	2,972
Total Liabilities	616,041	800,765	244,212	10,292	-	1,671,310
FUND BALANCES						
Nonspendable						
Reserved for Inventories & Supplies	-	-	-	6,174	-	6,174
Restricted:						
Unemployment Insurance Reserve	110,492	-	-	-	-	110,492
Reserve for Debt Service	-	-	-	-	1,292,453	1,292,453
Insurance Reserve	368,161	-	-	-	-	368,161
Capital Reserve	2,282,000	-	-	-	-	2,282,000
Reserve for Employee Benefits	190,316	-	-	-	-	190,316
Reserve for Tax Certiorari	101,946	-	-	-	-	101,946
Reserve for Retirement	801,682	-	-	-	-	801,682
Reserve for Repairs	250,000	-	-	-	-	250,000
Worker's Compensation Reserve	100,000	-	-	-	-	100,000
Total Restricted	4,204,597	-	-	-	1,292,453	5,497,050
Assigned:						
Cafeteria	-	-	-	95,283	-	95,283
Central Services	7,732	-	-	-	-	7,732
Pupil Services	16,015	-	-	-	-	16,015
Appropriated Fund Balances	341,533	-	-	-	-	341,533
Total Assigned	365,280	-	-	95,283	-	460,563
Unassigned (Deficit)	1,660,785	(634,595)	-	-	-	1,026,190
Total Fund Balances	6,230,662	(634,595)	-	101,457	1,292,453	6,989,977
Total Liabilities and Fund Balances	\$ 6,846,703	\$ 166,170	\$ 244,212	\$ 111,749	\$ 1,292,453	\$ 8,661,287

See Accompanying Independent Auditors' Report and Notes to Financial Statements.

FILLMORE CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 4

	Governmental Fund Types					(Memo Only) Total
	General	Capital Projects	Special Aid	Cafeteria	Debt Service	
Revenues						
Real Property Taxes	\$ 2,562,518	\$ -	\$ -	\$ -	\$ -	\$ 2,562,518
Charges for Services	4,382	-	-	-	-	4,382
Use of Money and Property	5,125	-	-	-	27,211	32,336
Sale of Property and Dispositions	22,995	-	-	-	-	22,995
Miscellaneous	473,608	-	-	-	-	473,608
State Sources	12,449,961	-	258,164	6,808	-	12,714,933
Federal Sources	-	-	708,369	206,148	-	914,517
Medicaid Reimbursements	82,257	-	-	-	-	82,257
Surplus Food	-	-	-	9,660	-	9,660
Sales (Food Service)	-	-	-	61,571	-	61,571
Total Revenues	15,600,846	-	966,533	284,187	27,211	16,878,777
Expenditures						
General Support	1,678,953	-	9,009	-	-	1,687,962
Instruction	7,343,234	-	957,524	-	-	8,300,758
Pupil Transportation	939,115	-	-	-	-	939,115
Employee Benefits	2,365,383	-	-	-	-	2,365,383
Debt Service	2,244,782	-	-	-	-	2,244,782
Cost of Sales	-	-	-	274,527	-	274,527
Capital Outlay	-	318,192	-	-	-	318,192
Other Expenses	-	-	-	-	-	-
Total Expenditures	14,571,467	318,192	966,533	274,527	-	16,130,719
Excess (Deficit) of Revenues over Expenditures	1,029,379	(318,192)	-	9,660	27,211	748,058
OTHER SOURCES AND (USES)						
Bond Anticipation Notes Redeemed from Appropriations	-	221,220				221,220
Operating Transfers In	-	-	-	694	-	694
Operating Transfers Out	(694)	-	-	-	-	(694)
Total Other Sources and (Uses)	(694)	221,220	-	694	-	221,220
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	1,028,685	(96,972)	-	10,354	27,211	969,278
Fund Balance, Beginning of Year	5,201,977	(537,623)	-	91,103	1,265,242	6,020,699
Fund Balance, End of Year	\$ 6,230,662	\$ (634,595)	\$ -	\$ 101,457	\$ 1,292,453	\$ 6,989,977

See Accompanying Independent Auditors' Report and Notes to Financial Statements.

FILLMORE CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2019

Schedule 5

	Private Purpose Trusts	Agency Funds	(Memo Only) Total
	<hr/>	<hr/>	<hr/>
ASSETS			
Restricted Cash	\$ 36,479	\$ 97,635	\$ 134,114
Due from Other Funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	36,479	97,635	134,114
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Other Liabilities	-	39,380	39,380
Extraclassroom Activities Balances	-	58,255	58,255
	<hr/>	<hr/>	<hr/>
Total Liabilities	-	97,635	97,635
	<hr/>	<hr/>	<hr/>
NET POSITION			
Reserved for Scholarships	36,479	-	36,479
	<hr/>	<hr/>	<hr/>
Total Net Position	36,479	-	36,479
	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Position	\$ 36,479	\$ 97,635	\$ 134,114
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Independent Auditors' Report and Notes to Financial Statements.

FILLMORE CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 6

	Private Purpose Trusts
Additions	
Gifts and Donations	\$ 10,900
Total Additions	<u>10,900</u>
Deductions	
Scholarships Awarded	<u>7,150</u>
Total Deductions	<u>7,150</u>
Change in Net Position	3,750
Net Position - Beginning of Year	<u>32,729</u>
Net Position - End of Year	<u><u>\$ 36,479</u></u>

See Accompanying Independent Auditors' Report and Notes to Financial Statements.

FILLMORE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Schedule 7

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash				
Unrestricted Cash	\$ 3,800,840	\$ -	\$ -	\$ 3,800,840
Restricted Cash	4,244,713	-	-	4,244,713
Receivables				
Accounts Receivable, Other	-	-	-	-
State and Federal Aid Receivable	354,037	-	-	354,037
Due from Other Funds	222,499	-	(222,499)	-
Due from Other Governments	33,024	-	-	33,024
Inventories	6,174	-	-	6,174
Net Pension Asset	-	475,082	-	475,082
Cash to be Used Towards Capital Assets	-	-	-	-
Capital Assets, Net	-	23,764,823	-	23,764,823
Total Assets	8,661,287	24,239,905	(222,499)	32,678,693
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Bonds	-	137,464	-	137,464
Deferred Outflows Related to OPEB	-	233,319	-	233,319
Deferred Outflows Related to Pensions	-	2,290,378	-	2,290,378
Total Deferred Outflows of Resources	-	2,661,161	-	2,661,161
Total Assets and Deferred Outflows of Resources	\$ 8,661,287	\$ 26,901,066	\$ (222,499)	\$ 35,339,854
LIABILITIES				
Current Liabilities				
Payables				
Accounts Payable	\$ 43,666	\$ -	\$ -	\$ 43,666
Accrued Liabilities	2,123	-	-	2,123
Accrued Interest	-	36,000	-	36,000
Due to Other Funds	222,499	-	(222,499)	-
Due to Other Governments	60,114	-	-	60,114
Due to Retirement Systems	552,956	-	-	552,956
Bond Anticipation Notes Payable	786,980	-	-	786,980
Unearned Revenues	2,972	-	-	2,972
Long-Term Liabilities				
Bonds Payable	-	11,893,881	-	11,893,881
Net Pension Liabilities	-	302,541	-	302,541
Compensated Absences	-	125,768	-	125,768
Other Postemployment Benefits Payable	-	2,128,445	-	2,128,445
Total Liabilities	1,671,310	14,486,635	(222,499)	15,935,446
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	-	772,763	-	772,763
Deferred Inflows Related to OPEB	-	384,035	-	384,035
Total Deferred Inflows of Resources	-	1,156,798	-	1,156,798
FUND BALANCE/NET POSITION	6,989,977	11,257,633	-	18,247,610
Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	\$ 8,661,287	\$ 26,901,066	\$ (222,499)	\$ 35,339,854

See Accompanying Independent Auditors' Report and Notes to Financial Statements

FILLMORE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 7

Total Fund Balances- Governmental Funds		\$ 6,989,977
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:		
Cost of the assets	38,814,669	
Accumulated Depreciation	<u>(15,049,846)</u>	23,764,823
District's proportionate share of the net pension asset is reported on the statement of net position, whereas the governmental funds pension costs are based on required contributions.		
		475,082
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		(36,000)
Deferred outflows from the refunding of debt is reported in the statement of net position and is amortized over the refunded debt. In the governmental funds the total sources and payments related to the refunding are recognized in the statement of revenue, expenditures and changes in fund equity at the time of refunding.		
		137,464
Deferred inflows/outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In governmental funds, pension expense is based on required contributions.		
		1,517,615
Deferred inflows/outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In governmental funds OPEB expense is based on required contributions.		
		(150,716)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:		
Bonds Payable	(11,893,881)	
Net Pension Liability	(302,541)	
Other Post-Employment Benefits Payable	(2,128,445)	
Compensated Absences	<u>(125,768)</u>	<u>(14,450,635)</u>
Total Net Position- Governmental Activities		<u>\$ 18,247,610</u>

See Accompanying Independent Auditors' Report and Notes to Financial Statements

FILLMORE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 8

	Total Governmental Funds	Long-Term Liability Transactions	Capital Related Items	Reclassification and Eliminations	Statement of Activities Total
Revenues					
Real Property Taxes	\$ 2,562,518	\$ -	\$ -	\$ -	\$ 2,562,518
Charges for Services	4,382	-	-	(4,382)	-
Use of Money and Property	32,336	-	-	-	32,336
Sale of Property and Dispositions	22,995	-	(380,385)	-	(357,390)
Miscellaneous	473,608	-	-	-	473,608
State Sources	12,714,933	-	-	(264,972)	12,449,961
Medicaid Reimbursements	82,257	-	-	-	82,257
Surplus Food	9,660	-	-	(9,660)	-
Federal Sources	914,517	-	-	(914,517)	-
Sales (Cafeteria)	61,571	-	-	(51,911)	9,660
Total Revenues	16,878,777	-	(380,385)	(1,245,442)	15,252,950
Expenditures					
General Support	1,687,962	13,336	-	341,493	2,042,791
Instruction	8,300,758	90,807	-	2,699,322	11,090,887
Pupil Transportation	939,115	13,622	-	405,510	1,358,247
Employee Benefits	2,365,383	516,402	-	(2,881,785)	-
Debt Service-Principal	1,726,220	(1,726,220)	-	-	-
Debt Service- Interest	518,562	(123,448)	-	-	395,114
Cost of Sales	274,527	-	-	(274,527)	-
Capital Outlay	318,192	-	(318,192)	-	-
Depreciation	-	-	1,535,455	(1,535,455)	-
Total Expenditures	16,130,719	(1,215,501)	1,217,263	(1,245,442)	14,887,039
Excess Revenues Over (Under) Expenditures	748,058	1,215,501	(1,597,648)	-	365,911
Other Sources and (Uses)					
Bond Anticipation Notes Redeemed from Appropriations	221,220	(221,220)	-	-	-
Operating Transfers In	694	-	-	(694)	-
Operating Transfers Out	(694)	-	-	694	-
Total Other Sources (Uses)	221,220	(221,220)	-	-	-
Net Change For the Year	\$ 969,278	\$ 994,281	\$ (1,597,648)	\$ -	\$ 365,911

See Accompanying Independent Auditors' Report and Notes to Financial Statements.

FILLMORE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 8

Total Net Change in Fund Balances- Governmental Funds **\$ 969,278**

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

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

Capital Outlays	318,192	
Disposals	(380,385)	
Depreciation Expense	<u>(1,535,455)</u>	
		(1,597,648)

Repayment of bond principal, including bond refundings, and bond anticipation notes is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

1,505,000

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

123,448

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

(516,402)

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

(111,432)

In the statement of activities, certain operating expenses- compensated absences and special termination benefits- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences and special termination benefits changed by this amount.

(6,333)

Total Net Position- Governmental Activities

\$ 365,911

See Accompanying Independent Auditors' Report and Notes to Financial Statements

**FILLMORE CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Certain significant accounting principles utilized by the District are described below:

A. Reporting Entity

The **Fillmore Central School District** is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of five members. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statements 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*, and GASB Statement 61, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the **Fillmore Central 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. The cash and investment balances are reported in the Agency Funds of the School District. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds are included at the end of these financial statements.

B. Joint Venture

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

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

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

During the year ended June 30, 2019 the **Fillmore Central School District** was billed \$3,325,609 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year ended June 30, 2019, the **Fillmore Central School District** issued no serial bonds on behalf of BOCES. As of June 30, 2019, the School District had no outstanding BOCES debt.

General-purpose financial statements for Cattaraugus-Allegany BOCES are available from the BOCES administrative office.

The School District's share of BOCES aid amounted to \$1,589,027.

C. Basis of Presentation

1. District-wide statements:

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

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

2. Fund financial statements:

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

The District reports the following major Governmental Funds.

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

Capital Projects - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported separately or in the aggregate.

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

Cafeteria – is used to account for the operations of the cafeteria. Inventory of purchased food is stated at cost, determined on the first in-first out basis.

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

3. Fiduciary Fund Types:

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

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students.

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

D. Basis of Accounting and Measurement Focus

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within 60 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.

E. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on October 31. Taxes were collected during the period September 1, 2018 through October 31, 2018.

2. Enforcement

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

The Governmental Funds report all inter-fund transactions as originally recorded. Inter-fund receivables and payables may be netted on the accompanying Governmental Funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note V for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.

H. Estimates

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

I. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value.

J. Receivables

All receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventories and Prepaid Items

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

L. Other Assets

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

M. Capital Assets

During the year ended June 30, 2019, the District had a full independent appraisal of its fixed assets conducted by an independent third party professional at which time estimated historical costs and accumulated depreciation was determined.

Donated assets are reported at estimated fair market value at the time received.

The District's capitalization threshold, the dollar value above which asset acquisitions are added to the capital asset accounts, is \$2,000. Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 2,000	Straight-Line	40
Building Improvements	2,000	Straight-Line	25-30
Site Improvements	2,000	Straight-Line	25-30
Furniture and Equipment	2,000	Straight-Line	5-20
Vehicles	2,000	Straight-Line	8

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The fourth item relates to OPEB reporting in the district wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and the difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

O. Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

P. Vested Employee Benefits – Compensated Absences

The 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. Sick leave use is based on a last-in first-out (LIFO) basis.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end. The District has recorded an estimated liability in the District-wide financial statements amounting to \$125,768.

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

Q. Other Benefits

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

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Service Code Section 403(b) – Tax Sheltered Annuities. The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' plan administrator. The plans are owned by the individuals and held in trust by the plan administrator. The District has a fiduciary responsibility for the funds withheld and remittance to trustees. The assets in the plan remain the property of the District until paid subject only to the claims of the District's creditors.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. In certain cases the cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditure.

R. Short-Term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. See Note VII for more information.

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

S. Accrued Liabilities and Long-Term Obligations

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

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

T. Equity Classifications

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

Net investment in capital assets – consists of the net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position – reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Funds 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 are legally or contractually required to be maintained intact. Nonspendable fund balance includes inventory recorded in the Cafeteria Fund of \$6,174.

Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

1. Unemployment Insurance Reserve

According to General Municipal Law Section 6-m, the reserve must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess of fund over sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund and was \$110,492 as of June 30, 2019. \$10,245 of this reserve was used during the year ended June 30, 2019, and interest of \$19 was earned during the year.

2. Reserve for Debt Service

According to General Municipal Law Section 6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund and was \$1,292,453 as of June 30, 2019.

3. Reserve for Insurance

This reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following type of insurance may be purchased: life, accident, health, annuities, fidelity, and surety, credit, title residual value and mortgage guarantee. The reserve is recorded in the General Fund, and had a balance of \$368,161 at June 30, 2019.

4. Capital Reserve

According to General Municipal Law Section 3651, the reserve must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law. This reserve is accounted for in the General Fund under Restricted Fund Balance and was \$2,282,000 as of June 30, 2019.

5. Employee Benefit Accrued Liability Reserve

According to General Municipal law Section 6-p, the reserve must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund and was \$190,316 as of June 30, 2019.

6. Tax Certiorari Reserve

According to Education Law Section 3651.1a, the reserve must be 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 and was \$101,946 as of June 30, 2019.

7. Retirement Contribution Reserves

According to General Municipal Law Section 6-r, the reserves must be used for the purpose of financing retirement contributions. The Retirement Contribution reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the General Fund and was \$801,682 as of June 30, 2019.

8. Reserve for Repairs

According to General Municipal Law Section 6-d, the reserve must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund, and was \$250,000 at June 30, 2019.

9. Workers' Compensation Reserve

According to General Municipal Law Section 6-m, the reserve must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for the 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 and was \$100,000 as of June 30, 2019.

Committed - Includes amounts that can only be used for 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, 2019.

Assigned - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. General Fund encumbrances were \$23,747 as of June 30, 2019. In addition, the amount of \$341,533 has been appropriated to reduce taxes in the subsequent year. The Cafeteria assigned fund balance was \$95,283 as of June 30, 2019.

Unassigned – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District and could report a surplus or a deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from over spending for specific purposes for which amounts had been restricted or assigned. In accordance with state guidelines, unassigned fund balance in the General Fund includes the following reserve:

NYS Real Property Tax Law Section 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Use of Fund Balance

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

U. New Accounting Standards

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019:

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

-GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, effective for the year ending June 30, 2019.

V. Future Changes in Accounting Standards

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

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

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

-GASB Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022.

The District will evaluate the impact that any new pronouncement may have on its financial statements and will implement them as applicable and when material.

II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

A) Total fund balances of Governmental Funds vs. net assets of governmental activities:

Total fund balances of the District's Governmental Funds differs from "net assets" 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, as applied to the reporting of capital assets and long-term liabilities, including pensions.

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

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

i) Long-term revenue differences:

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

ii) 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.

iii) 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.

iv) Pension differences:

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund which is required to have a legal (appropriated) budget adopted.

The voters of the District defeated the proposed appropriation budget for the year ended June 30, 2019; consequently, the Board of Education adopted a contingency budget, which includes appropriations for teachers' salaries and other ordinary contingent expenses. Under a contingency budget, the District's tax levy may not be greater than the tax levied for the prior school year. However, the administrative component of a contingency budget, exclusive of the capital component, may not comprise a greater percentage of the budget than the lesser of that percentage of the prior year's budget, or that percentage of the last defeated budget. The voters of the District approved the proposed appropriation budget for the General Fund for the year ended June 30, 2020.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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. The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2019.

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

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the Governmental Funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid. The District had \$23,747 in encumbrances at June 30, 2019.

Unassigned Fund Balance

The portion of the District's fund balance subject to the New York State Real Property Tax Law Section 1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year. Actions the District plans to address this issue include reviewing its options with regards to reservation and designation of fund balance.

IV. CASH AND CASH EQUIVALENTS-CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

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

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase interest bearing demand deposits, certificates of deposit, obligations of the United States Treasury and United States Agencies and obligations of New York State and its localities.

The District's aggregate bank balances included balances not covered by depository insurance at year-end, collateralized as follows: (A) none, (B) \$6,210,680.

- A) Uncollateralized, or
- B) Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name.

In addition to the above bank balances, the District also participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. Total investments of the cooperative as of June 30, 2019 are \$1,332,570, which consisted of \$126,194 in collateralized bank deposits, \$181,230 in collateralized repurchase agreements and \$1,025,146 in U.S. Treasury Securities, with various interest rate and due dates. The cost of the investment pool shares are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral agreements. Additional information concerning the cooperative is presented in the annual report of New York Cooperative Liquid Assets Securities System (NYCLASS).

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of June 30, 2019 includes \$4,244,713 within the Governmental Funds and \$131,810 in the fiduciary funds.

V. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2019 are as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 222,499	\$ -	\$ -	\$ 694
Special Aid Fund	-	201,156	-	-
Cafeteria Fund	-	7,558	694	-
Debt Service Fund	-	-	-	-
Capital Projects Fund	<u>-</u>	<u>13,785</u>	<u>-</u>	<u>-</u>
Total Governmental Funds	<u>\$ 222,499</u>	<u>\$ 222,499</u>	<u>\$ 694</u>	<u>\$ 694</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The General Fund transferred \$694 to the Cafeteria Fund to cover negative student accounts.

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

All interfund payables are expected to be repaid within one year.

VI. RECEIVABLES

Receivables at June 30, 2019 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Aid	State and Federal Aid	\$ 147,063
General	State and Federal Aid	188,533
General	Due from Other Governments	33,024
Food Service	State and Federal Aid	<u>18,441</u>
		<u>\$ 387,061</u>

VII. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2019 were as follows:

	Balance 6/30/2018	Additions	Retirements/ Reclassifications	Balance 6/30/2019
Capital Assets, Not Being Depreciated:				
Land	\$ 308,063	\$ -	\$ -	\$ 308,063
Total Capital Assets, Not Being Depreciated	<u>308,063</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	34,680,556	-	-	34,680,556
Furniture and Equipment	<u>3,888,243</u>	<u>318,192</u>	<u>380,385</u>	<u>3,826,050</u>
Total Capital Assets, Being Depreciated	<u>38,568,799</u>	<u>318,192</u>	<u>380,385</u>	<u>38,506,606</u>
Less Accumulated Depreciation:				
Buildings and Improvements	11,079,664	1,200,622	-	12,280,286
Furniture and Equipment	<u>2,434,727</u>	<u>334,833</u>	<u>-</u>	<u>2,769,560</u>
Total Accumulated Depreciation	<u>13,514,391</u>	<u>1,535,455</u>	<u>-</u>	<u>15,049,846</u>
Capital Assets, Being Depreciated, Net	<u>25,054,408</u>	<u>(1,217,263)</u>	<u>380,385</u>	<u>23,456,760</u>
Governmental Activities Capital Assets, Net	<u>\$25,362,471</u>	<u>\$(1,217,263)</u>	<u>\$ 380,385</u>	<u>\$ 23,764,823</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 173,880
Instructional	1,183,969
Pupil Transportation	<u>177,606</u>
Total Depreciation Expense	<u>\$1,535,455</u>

VIII. SHORT-TERM DEBT

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

b. Short-Term Debt Interest

Interest paid and expensed amounted to \$18,272 and \$21,507, respectively for 2018-2019.

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	11-16-18	2.71%	\$ 21,400	\$ -	\$ 21,400	\$ -
BAN	11-16-19	2.71%	99,960	-	49,980	49,980
BAN	08-24-19	2.59%	181,000	-	36,200	144,800
BAN	09-28-19	2.59%	248,080	-	62,020	186,060
BAN	09-28-19	2.85%	-	302,900	-	302,900
BAN	09-29-19	2.59%	<u>154,860</u>	<u>-</u>	<u>51,620</u>	<u>103,240</u>
			<u>\$ 705,300</u>	<u>\$ 302,900</u>	<u>\$ 221,220</u>	<u>\$ 786,980</u>

IX. LONG-TERM DEBT OBLIGATIONS

a. Debt Limit

At June 30, 2019, the total outstanding indebtedness represented approximately 67% of its debt limit.

b. Long-Term Debt Interest

Long-term debt interest paid and expensed was \$500,290 and \$373,607, respectively for 2018-2019.

c. Long-term liability activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Issued/ Additions</u>	<u>Repaid/ Retired/ Refunded</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable:					
Serial Bond	<u>\$ 13,587,116</u>	<u>\$ -</u>	<u>\$1,693,235</u>	<u>\$11,893,881</u>	<u>\$1,545,000</u>
Other Liabilities:					
Net Pension Liability	134,537	168,004	-	302,541	-
Compensated Absences	119,435	6,333	-	125,768	-
Accrued Post- Employment Benefits	<u>2,229,443</u>	<u>-</u>	<u>100,998</u>	<u>2,128,445</u>	<u>-</u>
Total Other Liabilities	<u>\$ 2,483,415</u>	<u>174,337</u>	<u>100,998</u>	<u>2,556,754</u>	<u>-</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 16,070,531</u>	<u>\$ 174,337</u>	<u>\$1,794,233</u>	<u>\$14,450,635</u>	<u>\$1,545,000</u>

d. Maturity

1) The following is a summary of existing long-term liabilities:

<u>Description of Issue</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
Serial Bonds	2016	June 2023	.5%-1.72%	\$ 4,700,000
Plus: Unamortized Bond Premium				226,665
Serial Bonds, DASNY	2017	June 2032	2.7855%	5,990,000
Plus: Unamortized Bond Premium				<u>977,216</u>
				<u>\$ 11,893,881</u>

2) The following is a summary of maturing long-term debt service requirements:

Serial Bonds 2016

Fiscal Year Ending June 30,	Principal	Interest	Total Payments
2020	\$ 1,170,000	182,450	1,352,450
2021	1,130,000	139,050	1,269,050
2022	1,175,000	90,150	1,265,150
2023	1,225,000	44,000	1,269,000
Total	<u>\$ 4,700,000</u>	<u>455,650</u>	<u>5,155,650</u>

DASNY Bond 2017

Fiscal Year Ending June 30,	Principal	Interest	Total Payments
2020	\$ 375,000	287,600	662,600
2021	390,000	272,600	662,600
2022	405,000	257,000	662,000
2023	425,000	236,750	661,750
2024	440,000	219,750	659,750
2025-2029	2,570,000	744,750	3,314,750
2030-2032	1,385,000	120,250	1,505,250
Total	<u>\$ 5,990,000</u>	<u>\$ 2,138,700</u>	<u>\$ 8,128,700</u>

e. Advanced Bond Refunding

On June 15, 2016, the District issued general obligation bond series 2016 of \$6,120 000 (par value) with an interest rate of .5% to 1.72% to refund general obligation bonds originally issued in 2002 (\$70,000), 2005 (\$320,000), and a portion of 2008 (\$5,835,000 of \$7,865,000) with interest rates ranging from 3.75% to 4.75%. The net proceeds of \$6,694,515 (after a premium of \$691,784 and discounts, bond issuance costs and additional cash of \$117,269 and issue premium of \$24,980) were used to purchase government securities which will be applied against the 2008 bonds when they become callable. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments of the bonds.

As a result of the difference between the carrying value of the refunded debt and reacquisition price of the new debt, a deferred outflows of resources in the amount of \$469,537 was recognized, of which \$51,787 was amortized during the current year, with the remaining balance of \$137,464 to be amortized through June 30, 2023.

f. Defeased Debt

In prior years the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trusts account assets and liabilities for the defeased bonds are not included in the District's financial statements.

g. Debt Issuance Costs, Premium and Amortization

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

X. PENSION PLANS

General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple

employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Provisions and Administration

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100 percent of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

Contributions were as follows:

2019	\$ 194,492	\$ 445,795
2018	196,431	419,396
2017	173,231	481,579

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

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

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
District's proportionate share of the net pension asset/(liability)	\$ (302,541)	\$ 475,082
District's portion of the Plan's total net pension asset/(liability)	(0.004270%)	0.026273%
Change in proportion since prior measurement date	(168,004)	227,989

For the year ended June 30, 2019, the District's recognized pension expense (credit) of \$411,534 for TRS and \$191,758 for ERS. At June 30, 2019 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resource:</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 59,577	\$ 355,025	\$ 20,309	\$ 64,309
Changes of assumptions	76,047	1,660,723	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	77,649	527,377
Changes in proportion and differences between the District's contributions and proportionate share of contributions	74,443	64,564	3,746	29,373
Subtotal	210,067	2,080,312	101,704	621,059
District's contributions subsequent to the measurement date	56,861	445,795	-	-
Total	<u>\$ 266,928</u>	<u>\$ 2,526,107</u>	<u>\$ 101,704</u>	<u>\$ 621,059</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	<u>ERS</u>	<u>TRS</u>
2020	\$ 89,734	\$ 485,742
2021	(39,334)	332,857
2022	11,216	43,648
2023	46,746	331,738
2024	-	217,412
Thereafter	-	47,856
	<u>\$ 108,362</u>	<u>\$ 1,459,253</u>

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Investment rate	7.0%	7.25%
Salary scale	4.2%	1.90% - 4.72%
Decrement tables	April 1, 2010- March 31, 2015	July 1, 2009- June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.5%	2.25%
COLA's	1.3%	1.5%

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

For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

Measurement date <u>Asset Class:</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
			March 31, 2019	June 30, 2018
Domestic Equities	36.00%	33.00%	4.55%	5.80%
International Equities	14.00%	16.00%	6.35%	7.30%
Private Equities	10.00%	8.00%	7.50%	8.90%
Global Equities	-	4.00%	-	6.70%
Real Estate Equities	10.00%	11.00%	5.55%	4.90%
Absolute Return Strategies	2.00%	-	3.75%	-
Opportunistic Funds	3.00%	-	5.68%	-
Real Assets	3.00%	-	5.29%	-
Bonds and Mortgages	17.00%	-	1.31%	-
Cash	1.00%	-	(0.25%)	-
Inflation-Indexed Bonds	4.00%	-	1.25%	-
Domestic Fixed Income Securities	-	16.00%	-	1.30%
Global Fixed Income Securities	-	2.00%	-	0.90%
High Yield Fixed Income Securities	-	1.00%	-	3.50%
Private Debt Fixed Income	-	1.00%	-	6.80%
Real Estate Debt Fixed Income	-	7.00%	-	2.80%
Short-Term Fixed Income	-	1.00%	-	0.30%
	<u>100.00%</u>	<u>100.00%</u>		

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 6.25% for TRS) or 1-percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	<u>\$(1,322,759)</u>	<u>\$(302,541)</u>	<u>\$ 554,514</u>
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset (liability)	<u>\$(3,263,890)</u>	<u>\$ 475,082</u>	<u>\$3,607,301</u>

Pension Plan Fiduciary Net Position

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

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Employers' total pension liability	\$189,803,429,000	\$118,107,254,000
Plan fiduciary net position	<u>182,718,124,000</u>	<u>119,915,518,000</u>
Employers' net position asset (liability)	<u>\$ (7,085,305,000)</u>	<u>\$ 1,808,264,000</u>
Ratio of plan fiduciary net position to the employers' total pension liability	96.27%	101.53%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$496,095, (employer contributions of \$463,313 and employee contributions of \$32,782).

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$56,861 of employer contributions. Employee contributions are remitted monthly.

XI. POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

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

Benefits Provided – The District provides healthcare 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, 2019, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>130</u>
Total	<u>142</u>

B. Total OPEB Liability

The District’s total OPEB liability of \$2,128,445 as of June 30, 2019 used a July 1, 2018 measurement date and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation 2.50%

Salary Increases:

For support staff employees’ payroll growth is based on the NYERS valuation as of June 30, 2017.

For Teachers’ and Administrators’ payroll growth is based on the NYSTRS valuation as of June 30, 2017.

Years of Service	NYERS	NYSTRS
0	8.00%	10.00%
10	3.80%	4.07%
20	3.00%	2.82%
30	3.00%	2.06%
40	3.00%	1.76%

Discount Rate 3.87%

Healthcare Cost Trend Rates - 8.00% for 2019, decreasing 0.50% per year to an ultimate rate of 4.50% for 2026 and later years.

Retirees’ Share of Benefit-Related Costs - Retiree contributions are assumed to increase according to health care trend rates.

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher tax-exempt, high quality 20-year municipal bonds.

Mortality rates were based on the RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018.

The actuarial valuation reported that the assumptions used in the June 30, 2019 valuation represent a reasonable long-term expectation of future OPEB outcomes. As national economic and District experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	\$2,229,443
Changes for the Year	
Service cost	\$147,397
Interest	82,336
Changes of benefit terms	-
Differences between expected and actual experience	(97,112)
Benefit payments	(129,196)
Changes in assumptions	<u>(104,423)</u> <u>(100,998)</u>
Balance at June 30, 2019	<u>\$2,128,445</u>

Changes of assumptions reflect a change in the discount rate from 3.56% in 2018 to 3.87% in 2019 and health care trend rates have been reset to an initial 8.00% decreasing by 0.50% annually to an ultimate 4.5% rate.

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 or 1 percentage point higher than the current discount rate:

		3.87%	
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$2,291,824</u>	<u>\$2,128,445</u>	<u>\$1,973,874</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 trends that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	Healthcare		
	1% Decrease	Cost Trend Rates	1% Increase
	7.0%	8.0%	9.0%
	Decreasing to	Decreasing to	Increasing to
	<u>3.5%</u>	<u>4.5%</u>	<u>5.5%</u>
Total OPEB Liability	<u>\$1,891,674</u>	<u>\$2,128,445</u>	<u>\$2,407,168</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$205,608. At June 30, 2019, 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>
Differences between expected and actual experience	\$ -	\$(200,829)
Contributions subsequent to the measurement date	101,237	-
Changes of assumptions	<u>132,082</u>	<u>(183,206)</u>
Total	<u>\$ 233,319</u>	<u>\$(384,035)</u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$(24,125)
2021	(24,125)
2022	(24,125)
2023	(24,125)
2024	(24,125)
Thereafter	<u>(131,328)</u>
Total	<u>\$ (251,953)</u>

XII. RISK MANAGEMENT

1. General Information

The **Fillmore Central 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 have not exceeded commercial insurance coverage for the past two years.

2. Medical Insurance

The **Fillmore Central School District** incurs costs related to an employee health insurance plan sponsored by the Cattaraugus-Allegany BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage and to develop a comprehensive loss control program. There is no required minimum period of membership; a member may withdraw from the plan at any time by timely notification to the Board of Directors of the Plan. Plan members include 22 districts, with the **Fillmore Central School** bearing its proportionate share of the Plan's assets and claims liabilities.

Plan members are subjected to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability for the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenditures in the periods in which they are made. During the year ended June 30, 2019, the **Fillmore Central School District** incurred premiums or contribution expenditures totaling approximately \$1,570,727 for the 2018-2019 plan year. Payments of claims and claim adjustment expenses attributable to insured events of the current fiscal year and prior fiscal years were unavailable from the claim administrators.

3. Workers' Compensation Plan

The **Fillmore Central School District** is a participant in the Cattaraugus-Allegany BOCES Self-Funded Workers' Compensation Plan, a public entity risk pool operated for the benefit of 22 individual governmental units located within Cattaraugus and Allegany Counties of New York State. The District pays an annual premium to the plan for this insurance coverage. During the year ended June 30, 2019, the Fillmore Central School District incurred premiums or contribution expenditures totaling \$39,036. The Plan is considered a self-sustaining risk pool that will provide coverage for its members. **Fillmore Central School District** has essentially transferred all related risk to the Plan.

4. Unemployment Insurance

The **Fillmore Central School District** provides unemployment insurance through direct billings from the New York State Unemployment Insurance Fund. The liability for unasserted claims, if any, has not been recognized as a liability and is deemed immaterial. As of June 30, 2019, a reserve amounting to \$110,493 has been provided for in the General Fund to pay future claims.

XIII. COMMITMENTS AND CONTINGENCIES

The District has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, would not be material.

In the normal course of operations, the District is a party to various claims and/or litigation. The District has one existing litigation matter which the outcome cannot be determined. A review by legal counsel did not report any additional contingencies regarding pending or threatened litigation, claims and assessments, asserted or probable to be asserted. Management believes there are no outstanding matters that could have a material effect on the District's financial position and results of operations.

During the year ended June 30, 2019, the District incurred costs for the purchase of new buses in the amount of \$318,192.

XIV. DONOR-RESTRICTED ENDOWMENTS

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

Donor-restricted endowments are reported as cash and cash equivalents. The amount of donor-restricted endowments that is available for authorization for expenditure by the District is \$36,479.

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

XV. RELATED PARTY TRANSACTIONS

There were no material related party transactions noted during the year ended June 30, 2019.

XVI. TAX ABATEMENTS AND PAYMENTS IN LIEU OF TAX (PILOT)

Allegany County and the Allegany County Industrial Development Agency entered into a property tax abatement program for the purpose of economic development. The term of the PILOT is 15 or 20 years with the agreements expiring in 2020 and 2029. Total PILOT revenue received by the District was \$35,293 during the year ended June 30, 2019. At this time, the District is unable to quantify the amount of taxes that have been abated under this program.

XVII. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of October 9, 2019 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY SCHEDULES

**FILLMORE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

Supplementary Schedule 1

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual	
Revenues					
Local Sources					
Real Property Taxes	\$ 2,036,950	\$ 2,036,950	\$ 2,058,188	\$ 21,238	
Other Tax Items	554,800	554,800	504,330	(50,470)	
Charges for Services	-	-	4,382	4,382	
Use of Money and Property	21,800	21,800	5,125	(16,675)	
Sales of Property and Compensation for Loss	850	850	22,995	22,145	
Miscellaneous	312,200	312,200	473,608	161,408	
State Sources					
Basic Formula	11,353,441	11,353,441	11,210,652	(142,789)	
BOCES	1,233,203	1,233,203	1,172,032	(61,171)	
Textbooks	66,898	66,898	62,571	(4,327)	
All Other Aid	-	-	4,706	4,706	
Federal Sources					
Medicaid Reimbursements	37,500	37,500	82,257	44,757	
Total Revenues	15,617,642	15,617,642	15,600,846	(16,796)	
Other Sources					
Operating Transfer In	82,000	82,000	-	(82,000)	
Total Revenues and Other Financing Sources	15,699,642	15,699,642	\$ 15,600,846	\$ (98,796)	
Appropriated Fund Equity and Carryover Encumbrances					
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 16,006,172	\$ 16,006,172			
	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of Education	\$ 13,925	\$ 13,925	\$ 12,387	\$ -	\$ 1,538
Central Administration	187,378	187,378	156,823	-	30,555
Finance	420,256	403,910	414,412	-	(10,502)
Central Services	727,677	842,442	840,603	7,732	(5,893)
Special Items	237,721	216,505	254,728	-	(38,223)
Total General Support	1,586,957	1,664,160	1,678,953	7,732	(22,525)
Instructional					
Instruction, Administration and Improvement	263,222	263,222	248,270	-	14,952
Teaching - Regular School	4,339,347	4,149,297	3,472,978	-	676,319
Programs for Children with Handicapping Conditions	2,090,172	1,782,453	1,758,810	-	23,643
Occupational Education	-	334,590	276,339	-	58,251
Instructional Media	788,362	783,378	903,457	-	(120,079)
Pupil Services	636,520	755,083	683,380	16,015	55,688
Total Instructional	8,117,623	8,068,023	7,343,234	16,015	708,774
Other Expenditures					
Pupil Transportation	840,643	840,643	939,115	-	(98,472)
Employee Benefits	3,029,829	3,002,226	2,365,383	-	636,843
Debt Service					
Debt Service - Principal	1,726,220	1,726,220	1,726,220	-	-
Debt Service - Interest	533,650	533,650	518,562	-	15,088
Total Other Expenditures	6,130,342	6,102,739	5,549,280	-	553,459
Total Expenditures	15,834,922	15,834,922	14,571,467	23,747	1,239,708
Other Financing Uses					
Transfers to Other Funds	171,250	171,250	694	-	170,556
Total Expenditures and Other Uses	\$ 16,006,172	\$ 16,006,172	14,572,161	\$ 23,747	\$ 1,410,264
Excess of Revenue and Other Sources Over Expenditures and Other Uses			\$ 1,028,685		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

FILLMORE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS
FOR THE YEARS ENDED JUNE 30, 2019, 2018, AND 2017

Supplementary Schedule 2

As of the measurement date of July 1,	2018	2017	2016
Total OPEB Liability			
Service Cost	\$ 147,397	\$ 166,710	\$ 138,919
Interest	82,336	72,170	80,577
Changes in assumptions	(104,423)	(107,894)	171,452
Differences between expected and actual experience	(97,112)	(137,555)	-
Benefit payments	(129,196)	(136,711)	(125,423)
Net change in total OPEB liability	(100,998)	(143,280)	265,525
Total OPEB Liability- beginning	2,229,443	2,372,723	396,488
Prior Period Adjustment	-	-	1,710,710
Total OPEB liability - end of year	\$ 2,128,445	\$ 2,229,443	\$ 2,372,723
Plan Fiduciary Net Position			
Contributions - employer	129,196	136,711	125,423
Net investment income	-	-	-
Benefit payments	(129,196)	(136,711)	(125,423)
Net change in plan fiduciary net position	-	-	-
Plan Fiduciary Net Position- Beginning	-	-	-
Plan Fiduciary net position - end of year	-	-	-
District's Net OPEB Liability	\$ 2,128,445	\$ 2,229,443	\$ 2,372,723
Plan fiduciary net position as % of total OPEB liability	0.0%	0.0%	0.0%
Covered employee payroll	\$ 5,529,039	\$ 5,300,668	\$ 5,232,644
District's Net OPEB liability as % of covered payroll	38.50%	42.06%	45.34%

Notes to Schedule:

Benefit Changes: None

Changes in Assumptions:

Discount Rate from 3.56% as of 7/1/17 to 3.87% as of 7/1/18

Payroll growth rate assumption updated to follow the NYSERS actuarial valuation as of June 30, 2017

Inflation rate from 1.3% as of 7/1/17 to 2.5% as of 7/1/18

Health care trend rates have been updated to an initial rate of 8% decreasing by .5% annually to an ultimate rate of 4.5%

Mortality table has been updated from SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018

See Paragraph on Supplementary Schedules Included in Auditors' Report.

Supplementary Schedule 3

**FILLMORE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS- OPEB
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017**

For the year ended June 30,	2019	2018	2017
Actuarially determined contributions	\$ 129,196	\$ 136,711	\$ 125,423
Contributions in relation to the actuarially determined contribution	(129,196)	(136,711)	(125,423)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,529,039	\$ 5,300,668	\$ 5,232,644
Contributions as a percentage of District's covered-employee payroll	2.34%	2.58%	2.40%

Notes to Schedule:

Valuation Date: 7/1/17 and actuarially rolled forward to 7/1/18

Actuarially determined contribution rates are calculated as of July 1, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.87% as of July 1, 2018 and 3.56% as of July 1, 2017
Inflation	2.5% per year
Healthcare cost trend rates	Initial rate of 8%, decreasing to an ultimate rate of 4.5% after 2025.
Salary increases	Based on NYSERS and NYSTRS actuarial valuation as of June 30, 2017
Mortality	RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018
Retiree Cost Sharing	Retirees are responsible for the portion of premium rates not covered by the District's explicit subsidy.
Participants	130 Active and 12 Retirees

See Paragraph on Supplementary Schedules in Auditors' Report.

**FILLMORE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2019**

Supplementary Schedule 4

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

For the year ended June 30,	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 445,795	\$ 419,396	\$ 481,579	\$ 527,089	\$ 717,577	\$ 659,737	\$ 479,959
Contributions in relation to the contractually required contribution	(445,795)	(419,396)	(481,579)	(527,089)	(717,577)	(659,737)	(479,959)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	4,197,696	4,279,551	4,109,036	3,975,030	4,093,423	4,059,920	4,053,708
Contributions as a percentage of covered-employee payroll	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

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

	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 194,492	\$ 196,431	\$ 173,231	\$ 215,966	\$ 236,887	\$ 269,592	\$ 210,785
Contributions in relation to the contractually required contribution	(194,492)	(196,431)	(173,231)	(215,966)	(236,887)	(276,770)	(245,734)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	1,323,279	1,336,592	1,243,170	1,230,905	1,245,492	1,198,318	1,175,292
Contributions as a percentage of covered-employee payroll	14.70%	14.70%	13.93%	17.55%	19.02%	22.50%	17.93%

See Paragraph on Supplementary Schedules Included in Auditors' Report.

**FILLMORE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET - NYSTRS AND PROPORTIONATE SHARE OF
NET PENSION LIABILITY- NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 - JUNE 30, 2019**

Supplementary Schedule 5

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

As of the measurement date of June 30,	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset/liability	n/a	0.026273%	0.025930%	0.025760%	0.027251%	0.274850%	0.027674%
District's proportionate share of the net pension asset (liability)	n/a	\$ 475,082	\$ 197,093	\$ (275,900)	\$ 2,830,479	\$ 3,061,624	\$ 182,168
District's covered employee- payroll	n/a	\$ 4,197,696	\$ 4,279,551	\$ 4,109,036	\$ 3,975,030	\$ 4,093,423	\$ 4,059,920
District's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	n/a	11.32%	4.61%	-6.71%	71.21%	74.79%	4.49%
Plan fiduciary net position as a percentage of the total pension asset (liability)	n/a	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

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

As of the measurement date of March 31,	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset/liability	0.004270%	0.004169%	0.003761%	0.003959%	0.004557%	n/a	n/a
District's proportionate share of the net pension asset (liability)	\$ (302,541)	\$ (134,537)	\$ (353,385)	\$ (635,479)	\$ (137,011)	\$ (183,270)	n/a
District's covered employee- payroll	\$ 1,323,279	\$ 1,336,592	\$ 1,243,170	\$ 1,230,905	\$ 1,245,492	\$ 1,198,318	n/a
District's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	-22.9%	-10.07%	-28.43%	-51.63%	-11.00%	-15.29%	n/a
Plan fiduciary net position as a percentage of the total pension asset (liability)	92.27%	98.24%	94.70%	90.70%	97.90%	n/a	n/a

See Paragraph on Supplementary Schedules Included in Auditors' Report.

OTHER SUPPLEMENTARY SCHEDULES

**FILLMORE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2019**

Supplementary Schedule 6

I. CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET -GENERAL FUND

Adopted Budget	\$ 16,006,172
Additions - Encumbrances from Prior Year	<u>-</u>
Original Budget	16,006,172
Budget Revision	<u>-</u>
Final Budget June 30, 2019	<u>\$ 16,006,172</u>

II. SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 Adopted Budget	<u>\$ 16,202,180</u>
Maximum Allowed 4% of 2019-2020 Budget	<u>\$ 648,087</u>
General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law*	
Unrestricted Fund Balance	
Committed Fund Balance	\$ -
Assigned Fund Balance	365,280
Unassigned Fund Balance	<u>1,660,785</u>
Total Unrestricted Fund Balance	<u>2,026,065</u>
Less	
Appropriated Fund Balance	341,533
Encumbrances Included in Committed and Assigned Fund Balance	<u>23,747</u>
Total Adjustments	<u>365,280</u>
General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 1,660,785</u>
Actual Percentage	<u>10.3%</u>

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

See Paragraph on Supplementary Schedules Included in Auditors' Report.

**FILLMORE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL PROJECTS FUND -
PROJECT EXPENDITURES AND FINANCING RESOURCES
FOR THE YEAR ENDED JUNE 30, 2019**

Supplementary Schedule 7

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended (Overexpended) Balance	Methods of Permanent Financing to Date			Fund Balance June 30, 2019
			Prior Years'	Current Year	Total		Proceeds of Obligations	Local Sources	Total	
2014 Improvement Project	\$ 9,190,000	\$ 9,190,000	\$ 8,873,936	\$ 13,785	\$ 8,887,721	\$ 302,279	\$ 8,108,992.00	933,569	\$ 9,042,561	\$ 154,840
SMART Bond Act	535,769	535,769	535,769		535,769	-	-	535,193	535,193	(576)
DASNY Fees	*	*	151,468		151,468	(151,468)	-	151,468	151,468	-
Vehicle Purchase (14-15)	265,000	265,000	249,920		249,920	15,080	249,900		249,900	(20)
Vehicle Purchase (15-16)	265,000	265,000	258,110		258,110	6,890	258,110		258,110	-
Vehicle Purchase (16-17)	337,000	337,000	310,083		310,083	26,917	310,100		310,100	17
Vehicle Purchase (17-18)	190,000	190,000	181,369		181,369	8,631	181,000		181,000	(369)
Vehicle Purchase (18-19)	302,900	302,900	-	304,407	304,407	(1,507)	302,900		302,900	(1,507)
Totals	<u>\$11,085,669</u>	<u>\$ 11,085,669</u>	<u>\$ 10,560,655</u>	<u>\$ 318,192</u>	<u>\$ 10,878,847</u>	<u>\$ 206,822</u>	<u>\$ 9,411,002</u>	<u>\$ 1,620,230</u>	<u>\$ 11,031,232</u>	<u>\$ 152,385</u>
Less: Bond Anticipation Notes Outstanding										<u>786,980</u>
Ending Fund Equity (Deficit) as of June 30, 2019										<u>\$ (634,595)</u>

* Costs related to Dormitory Authority of the State of New York (DASNY) bond net issuance which were not included in the 2014 improvement project.
These costs were funded through a bond premium that was received upon issuance of bonds.

See Paragraph on Supplementary Schedules Included in Auditors' Report.

**FILLMORE CENTRAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fillmore School District and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - **Non-monetary Federal Program**

The accompanying Fillmore Central School District is the recipient of a non-monetary federal award program. During the year ended June 30, 2019, The District reported in the Schedule of Federal Awards \$9,660 of donated commodities at fair market value received and disbursed.

Note 3 - **Indirect Cost Rate**

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

See Paragraph on Supplementary Schedules Included in Auditors' Report.

**FILLMORE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Supplementary Schedule 9

Federal Program Title	Federal CFDA Number	Agency or Pass- Through Number	Program or Award Amount	Revenue	Expenditures
<i>US Department of Education:</i>					
<i>Passed Through NYS</i>					
<i>Department of Education:</i>					
Title I	84.010	0021-19-0115	\$ 322,682	\$ 322,176	\$ 322,176
Title II, Part A	84.367	0147-19-0115	51,112	51,112	51,112
Title IV	84.424	0196-19-3289	127,731	118,848	118,848
Title IV-SSAE	84.424	0204-19-0115	23,470	23,470	23,470
Title VI- Part B- Rural Schools	84.358A	0006-19-0115	4,732	4,732	4,732
IDEA, Part B Public Law 94-142*	84.027	0032-19-0042	181,060	181,060	181,060
IDEA, Pre-School Public Law 99-457*	84.173	0033-19-0042	6,971	6,971	6,971
Total US Department of Education				<u>708,369</u>	<u>708,369</u>
<i>US Department of Agriculture:</i>					
<i>Passed Through NYS</i>					
<i>Department of Education:</i>					
National School Lunch Program **	10.555	N/A	N/A	154,792	154,792
National School Breakfast Program **	10.553	N/A	N/A	51,356	51,356
<i>Passed Through NYS</i>					
<i>Office of General Services:</i>					
National School Lunch Program					
Noncash Assistance- Donated Commodities **	10.555	N/A	N/A	9,660	9,660
Total US Department of Agriculture				<u>215,808</u>	<u>215,808</u>
Total Expenditures and Revenue				<u>\$ 924,177</u>	<u>\$ 924,177</u>

* Constitutes a cluster of Federal Programs named Special Education Cluster with revenue and expenditures of

\$ 188,031

** Constitutes a cluster of Federal Programs named Child Nutrition Cluster with revenue and expenditures of

\$ 215,808

See Paragraph on Supplementary Schedules Included in Auditors' Report.

FILLMORE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2019

Supplementary Schedule 10

Capital Assets, Net	\$23,764,823
Less:	
Serial Bonds	(11,893,881)
Bond Anticipation Notes Payable	(786,980)
Plus:	
Equity in Capital Project Fund Less Bond Anticipation Notes	152,385
Investment in Capital Assets, Net of Related Debt	<u><u>\$11,236,347</u></u>

See Paragraph on Supplementary Schedules Included in Auditors' Report.

INTERNAL CONTROL AND COMPLIANCE

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

To the Board of Education
Fillmore Central School District
Fillmore, New York 14735

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Fillmore Central School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Fillmore Central School District's basic financial statements, and have issued our report thereon dated October 9, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is 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 preceding paragraph 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency as item A.2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fillmore Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item B.2019-002.

Fillmore Central School District's Response to Findings

Fillmore Central School District's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Fillmore Central School District's response was not subjected to 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.

R. A. MERCER & CO., P.C.

RA Mercer + Co., P.C.

Sardinia, New York
October 9, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited Fillmore Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fillmore Central School District's major federal programs for the year ended June 30, 2019. Fillmore Central School District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Fillmore Central 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 Principle, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and 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 Fillmore Central 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 legal determination on Fillmore Central School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Fillmore Central School District complied, in all material respects, with the compliance requirement referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Fillmore Central 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 Fillmore Central 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 the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 award 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 the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

R. A. MERCER & CO., P.C.

RA Mercer + Co., P.C.

Sardinia, New York
October 9, 2019

**FILLMORE CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal Control over Financial Reporting:

Material Weakness(es) Identified?	<u> </u> Yes	<u> x </u> No
Significant Deficiency(ies) Identified?	<u> x </u> Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> x </u> Yes	<u> </u> No

Federal Awards

Internal Controls over Major Programs:

Material Weakness(es) Identified?	<u> </u> Yes	<u> x </u> No
Significant Deficiency(ies) Identified?	<u> </u> Yes	<u> x </u> None reported

Type of auditors' opinion issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR-200.516(a)? Yes x No

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Total Expenditures of Federal Awards		\$ <u>924,177</u>

Identification of Major Programs Tested:

US Department of Education- Title I	84.010A	\$ 322,176
US Department of Education- IDEA, Part B, Section 611 **	84.027A	181,060
US Department of Education- IDEA, Part B, Section 619 **	84.173A	<u>6,971</u>
Total Major Programs Tested		<u>\$ 510,207</u>
% of Federal Programs Tested		<u>55%</u>

** Constitutes a cluster of Federal Programs

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

Auditee qualified as low risk? Yes x No

II. FINANCIAL STATEMENTS AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2019

2019-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Conditions and Criteria: During the current year, adjusting journal entries, along with footnote disclosures, were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to converting to the full accrual method for GASB 34 purposes. In addition, the financial statements were drafted by the auditor and accepted by the District.

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

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

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

B. COMPLIANCE AND OTHER MATTERS

2019-002 Unassigned Fund Balance and Fund Balance Reserves

Conditions and Criteria: Fillmore Central School District's General Fund unassigned fund balance as of June 30, 2019 amounted to \$1,660,785. This amount constitutes approximately 10% of the 2019-2020 school budget.

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

Auditors' Recommendation: Fillmore Central School District should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance. We recommend that the District document its rationale to support the purpose and dollar level of reserves and to ensure it is in compliance with New York State guidelines.

School District's Response: Fillmore Central School District realizes that its unassigned fund balance as of June 30, 2019 was in excess of the New York State mandated 4% level. The District has and will continue to review its options with regards to reservation and designation of fund balance.

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT- FINDINGS AND QUESTIONED COSTS

Compliance

Year Ended June 30, 2019

No findings related to compliance are being reported upon during the year ended June 30, 2019.

Internal Control Over Compliance

Year Ended June 30, 2019

No findings related to compliance are being reported upon during the year ended June 30, 2019.

**FILLMORE CENTRAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

I. FINANCIAL STATEMENTS AUDIT FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2018

**2018-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements
(Significant Deficiency):**

Adjusting journal entries, along with footnote disclosures, were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Current Status: Similar findings related to internal control over financial reporting is being reported upon during the year ended June 30, 2019 as finding 2019-001.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2018

2018-002 Unassigned Fund Balance and Fund Balance Reserves:

Fillmore Central School's unassigned fund balance as of June 30, 2018 amounted to \$1,516,246. This amount constitutes approximately 9.5% of the 2018-2019 school budget. The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Current Status: Similar findings related to compliance and other matters is being reported upon during the year ended June 30, 2019 as finding 2019-002.

II. MAJOR FEDERAL AWARD PROGRAMS AUDIT- FINDINGS AND QUESTIONED COSTS

A. Compliance

Year Ended June 30, 2018

No findings related to compliance were reported upon during the year ended June 30, 2018.

B. Internal Controls Over Compliance

Year Ended June 30, 2018

No findings related to compliance were reported upon during the year ended June 30, 2018.

EXTRACLASSROOM ACTIVITY FUNDS

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Fillmore Central School District
Fillmore, New York 14171

We have audited the accompanying statement of assets and liabilities arising from cash transactions and the statement of receipts and disbursements of the Extraclassroom Activity Fund of the **Fillmore Central School District** as of and for the year ended June 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to receipts referred to in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the recorded cash transactions of the Extraclassroom Activity Fund of **Fillmore Central School District** as of and for the year ended June 30, 2019, on the basis of accounting described in Note 1.

R. A. MERCER & CO., P.C.

RA Mercer + Co., P.C.

Sardinia, New York
October 9, 2019

FILLMORE CENTRAL SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
EXTRACLASSROOM ACTIVITY FUND
AS OF JUNE 30, 2019

Supplementary Schedule 11

ASSETS

Cash, Checking		\$ <u><u>58,255</u></u>
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LIABILITIES AND FUND BALANCE

Extraclassroom Activity Balances		<u>58,255</u>
Total Liabilities		58,255

Fund Equity		<u>-</u>
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Total Liabilities and Fund Equity		<u><u>\$ 58,255</u></u>
--	--	-------------------------

See accompanying independent auditors' report and notes to the Extraclassroom Activity Fund financial statements.

FILLMORE CENTRAL SCHOOL DISTRICT
STATEMENT OF RECEIPTS AND DISBURSEMENTS
EXTRACLASROOM ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2019

Supplementary Schedule 12

	Balances		Total Receipts		Total Payments		Balances
	6/30/18		2018-2019		2018-2019		6/30/19
EXTRACLASROOM ACCOUNTS							
Class of 2019	\$ 10,914	\$	47,984	\$	53,030	\$	5,868
Class of 2020	-		29,293		17,136		12,157
Junior Student Council	1,941		4,824		5,141		1,624
Student Council	2,232		702		1,736		1,198
HS - Student Council	4,287		11,507		11,493		4,301
Varsity Club	1,983		15,553		15,423		2,113
Crest	5,135		7,638		7,195		5,578
FFA	6,702		17,122		15,293		8,531
Music Club	1,861		8,781		8,837		1,805
Stage Band	981		4,438		4,802		617
Middle School Drama	2,698		-		934		1,764
High School Drama	1,973		250		2,138		85
Book Fair	5,848		4,728		4,962		5,614
FCS Awards	4,025		2,250		3,458		2,817
SADD	3,053		465		119		3,399
Book It	630		51		174		507
Art Club	977		355		1,055		277
Totals	\$ 55,240	\$	155,941	\$	152,926	\$	58,255

See Accompanying Independent Auditors' Report and Notes to the Extraclassroom Activity Fund Financial Statements.

**FILLMORE CENTRAL SCHOOL DISTRICT
NOTES TO THE EXTRACLASSROOM ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of **Fillmore Central School District**. Consequently, such transactions are not included in the general purpose financial statements of the School District. However, for the year ended June 30, 2019, cash balance of \$58,255 and corresponding liabilities of the Extraclassroom Activity Fund are being included in the Trust and Agency balance sheet.

The books and records of the **Fillmore Central School District's** Extraclassroom Activities Fund are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenses are recognized when cash is disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statements.

**FILLMORE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
FINDINGS AND EVALUATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

- I. Following is a discussion of the nonmaterial findings and evaluations discovered in our examination of the extraclassroom activities fund:

A. Inactive Activity Funds and Former Student Account

We noted that the Class of 2019 still had a balance in their account as of June 30, 2019. We recommend that activities which are deemed to be inactive should be closed out and transferred to another activity fund in accordance with the District's policy including any accounts of former students.

School District's Response: The District will encourage all student groups to have active clubs during the school year. If there are student groups that no longer are active, the District will close the organization and transfer the remaining funds as dictated by Board Policy. This account was closed in August 2019.

II. **Prior Year Findings**

The prior year finding regarding former student accounts having a balance occurred again during the year ended June 30, 2019 as noted above. The prior year findings regarding cash receipts approval and internal profit margin analysis did not reoccur during the year.



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Management Letter

To the Board of Education
Fillmore Central School District
Fillmore, New York 14171

In planning and performing our audit of the financial statements of **Fillmore Central School District** for the year ended June 30, 2019 we considered the School District's internal control structure to plan our auditing procedures in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. For the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters, which are not considered to be reportable conditions, (significant deficiencies in the design or operation of the internal control structure) but which we feel are opportunities for the School District to strengthen its internal control structure. This letter does not affect our report dated October 9, 2019, on the financial statements of **Fillmore Central School District**. Our comments and recommendation, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Accounting Discipline

While conducting our audit we noted that obtaining a complete and accurate final general ledger was problematic, as was also the case for the production of supporting schedules for balances in the general ledger. All of these factors contributed to the significant delays in the ability to finalize the year-end financial statements. The process for the year-end closing of the books for any organization can be a difficult and trying procedure. However, a logical and organized methodology is of significant benefit and the process should become easier over time.

Employee I-9 Forms

It is a requirement that Form I-9 be completed and retained for all employees hired for employment in the United States. We found that there were several employees that were lacking an I-9 in their employee files. This is a federal law that must be followed in order to be compliant.

This management letter is intended for the information of the School Board, management, New York State Department of Education and all applicable federal agencies. However, this report is a matter of public record and its distribution is not limited.

R. A. MERCER & CO., P.C.

RA Mercer + Co., P.C.

Sardinia, New York
October 9, 2019