

**SPENCER-VAN ETTEN  
CENTRAL SCHOOL DISTRICT**

**Spencer, New York**

**FINANCIAL REPORT**

**June 30, 2018**



# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2018

Independent Auditor's Report .....	1-3
Required Supplementary Information	
Management's Discussion and Analysis .....	4-4j
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position .....	5-5a
Statement of Activities .....	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds .....	7-7a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds .....	9-9a
Reconciliation of Governmental Funds to the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	10
Statement of Fiduciary Net Position - Fiduciary Funds .....	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund .....	12
Notes to Financial Statements .....	13-48
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-GAAP) - General Fund .....	49
Schedule of Expenditures Compared to Budget (Non-GAAP) - General Fund .....	50-50a
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios For the Last 10 Fiscal Years .....	51-51a
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans.....	52-52a
Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability ...	53
Notes to Required Supplementary Information .....	54-57
Supplementary Financial Information	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit .....	58
Schedule of Project Expenditures - Capital Projects Fund .....	59-59a
Schedule of Net Investment in Capital Assets .....	60
Report Required Under <i>Government Auditing Standards</i>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	61-62

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2018**

Reports Required Under the Single Audit Act (Uniform Guidance)	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	63-64
Schedule of Expenditures of Federal Awards .....	65
Notes to Schedule of Expenditures of Federal Awards .....	66
Schedule of Findings and Questioned Costs .....	67

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Spencer-Van Etten Central School District  
Spencer, New York

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

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

### ***Emphasis of Matter***

During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As discussed in Notes 12 and 18 to the financial statements, net position as of June 30, 2017 was restated to reflect this change in accounting principle. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and related notes to required supplementary information on pages 4-4j and 49-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Net Investment in Capital Asset (supplementary information) on pages 58-60 is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the 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 10, 2018 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 10, 2018

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2018. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

- During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As a result, beginning net position was reduced by \$(28,611,245). GASB Statement No. 75 requires the School District to record its total OPEB liability, as well as deferred outflows and deferred inflows related to the OPEB plan. The net effect of this new accounting standard increased employee benefits expense in the District-wide financial statements by \$1,676,136 for the year ended June 30, 2018. See Note 12 for more detailed information.
- The School District ended the year with a total net (deficit) of \$(22,158,532), a decrease of \$(188,532) from the prior year. The year-end net position was composed of \$3,542,515 in restricted, \$16,796,064 in net investment in capital assets, and \$(42,497,111) in unrestricted net (deficit). The unrestricted net (deficit) increased \$1,831,112 compared to the prior year. The unrestricted net (deficit) at June 30, 2018 is primarily attributable to recognition of the accumulated OPEB obligation of \$46,275,754.
- During 2018, fund balance in the General Fund increased \$188,122, based on the excess of revenue over expenditures. Total General Fund balance, including reserves, increased from \$3,986,914 at the end of 2017 to \$4,175,036 at June 30, 2018. General Fund expenditures were under budget by \$928,680 in 2018.
- Outstanding debt of the School District, both short-term and long-term, at June 30, 2018 was \$17,001,517; a decrease of \$(2,825,101) from the prior year. This decrease reflects principal payments made during the current year.
- The School District complies with Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statements No. 27," and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." Current year recognition resulted in an increase of pension expenses of \$111,635, compared to a reduction of \$(7,913) in the prior year.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds 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, reporting the School District's operations in greater detail than the District-wide statements. The Governmental Fund financial statements concentrate on the School District's most significant funds with all other Non-Major Funds listed in total in one column.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year and a Schedule of Changes in the District's Total OPEB Liability and Related Ratios related to the School District's unfunded actuarial liability for postemployment benefits, and information related to the School District pension obligations.

### **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 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, deferred inflows of resources and deferred outflows of resources 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 School District's overall health, one needs to consider additional nonfinancial 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 School 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 formula aid finance most of these activities.



# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

### **Governmental Fund Financial Statements**

The Governmental 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. The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets 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 financial statements provide a detailed short-term view that helps one 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 following the Governmental Funds financial statements explains 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 AS A WHOLE**

The School District's combined net position for fiscal year ended June 30, 2018 decreased by \$(188,532). Our analysis focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

*Figure 1*

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017-2018</i>
<i>Current assets</i>	\$ 3,230,304	\$ 2,380,969	\$ (849,335)
<i>Noncurrent assets</i>	3,316,806	3,852,998	536,192
<i>Capital assets, net</i>	34,364,380	33,651,922	(712,458)
<b><i>Total Assets</i></b>	<b>40,911,490</b>	<b>39,885,889</b>	<b>(1,025,601)</b>
<i>Deferred charges on defeased debt</i>	212,997	145,659	(67,338)
<i>Other postemployment benefits</i>	995,555	1,038,346	42,791
<i>Pensions</i>	4,952,895	4,943,834	(9,061)
<b><i>Total Deferred Outflows of Resources</i></b>	<b>6,161,447</b>	<b>6,127,839</b>	<b>(33,608)</b>
<i>Current liabilities</i>	3,683,435	2,962,912	(720,523)
<i>Noncurrent liabilities</i>	65,001,370	58,626,386	(6,374,984)
<b><i>Total Liabilities</i></b>	<b>68,684,805</b>	<b>61,589,298</b>	<b>(7,095,507)</b>
<i>Other postemployment benefits</i>	-	4,935,265	4,935,265
<i>Pensions</i>	358,132	1,647,697	1,289,565
<b><i>Total Deferred Inflows of Resources</i></b>	<b>358,132</b>	<b>6,582,962</b>	<b>6,224,830</b>
<i>Net investment in capital assets</i>	14,809,366	16,796,064	1,986,698
<i>Restricted</i>	3,886,633	3,542,515	(344,118)
<i>Unrestricted</i>	(40,665,999)	(42,497,111)	(1,831,112)
<b><i>Total Net Position</i></b>	<b>\$ (21,970,000)</b>	<b>\$ (22,158,532)</b>	<b>\$ (188,532)</b>

The decrease in current assets is primarily due to current year capital outlay and increased funding of the reserves. The increase in noncurrent assets is related to the increase in funding of the reserves and current year recognition of a NYSTRS pension asset of \$327,343. The decrease in net capital assets is a result of depreciation expense exceeding capital outlay in the current year.

The decrease in deferred outflows of resources and the increase in deferred inflows of resources are a result of changes in actuarial assumptions related to NYSTRS and NYSLRS pension plans, as well the School District's OPEB plan.

The decrease in total liabilities is primarily due to a decrease in outstanding debt and OPEB liability compared to 2017.

The increase in net investment in capital assets was primarily due to the net effect of capital additions and debt payments offset by depreciation expense. Decreases in restricted fund balance are primarily due to the expenditures of restricted funds for capital projects. The net effect of the School District's activities resulted in an increase in unrestricted net (deficit) of \$(1,831,112). The increase is primarily a result of current year other postemployment benefits expense of \$(2,714,482).

# **SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

Our analysis in *Figure 2* considers the operations of the School District's activities.

*Figure 2*

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<b>REVENUES</b>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 119,201	\$ 153,964	\$ 34,763
<i>Operating grants and contributions</i>	1,271,885	1,364,097	92,212
<i>General Revenues:</i>			
<i>Real property taxes</i>	5,600,904	5,660,891	59,987
<i>Real property tax items</i>	1,112,382	1,101,956	(10,426)
<i>Unrestricted State sources</i>	13,843,352	14,716,324	872,972
<i>Use of money and property</i>	13,376	12,787	(589)
<i>Other general revenues</i>	499,977	298,226	(201,751)
<b>Total Revenues</b>	<b>\$ 22,461,077</b>	<b>\$ 23,308,245</b>	<b>\$ 847,168</b>
<b>PROGRAM EXPENSES</b>			
<i>General support</i>	\$ 3,417,168	\$ 3,382,376	\$ (34,792)
<i>Instruction</i>	17,337,924	17,508,312	170,388
<i>Pupil transportation</i>	1,490,013	1,537,870	47,857
<i>Community service</i>	36,934	19,866	(17,068)
<i>School lunch program</i>	528,071	541,202	13,131
<i>Interest on debt</i>	471,472	507,151	35,679
<b>Total Expenses</b>	<b>\$ 23,281,582</b>	<b>\$ 23,496,777</b>	<b>\$ 215,195</b>
<b>(DECREASE) INCREASE IN NET POSITION</b>	<b>\$ (820,505)</b>	<b>\$ (188,532)</b>	<b>\$ 631,973</b>

Total revenues for the School District's Governmental Activities increased by \$847,168, or 3.77%, while total expenses increased \$215,195, or 0.93%. The increase in revenue is primarily due to a large increase in unrestricted state sources, namely general basic formula aid. The increase in expenses is primarily due to an increase in instruction expenses.

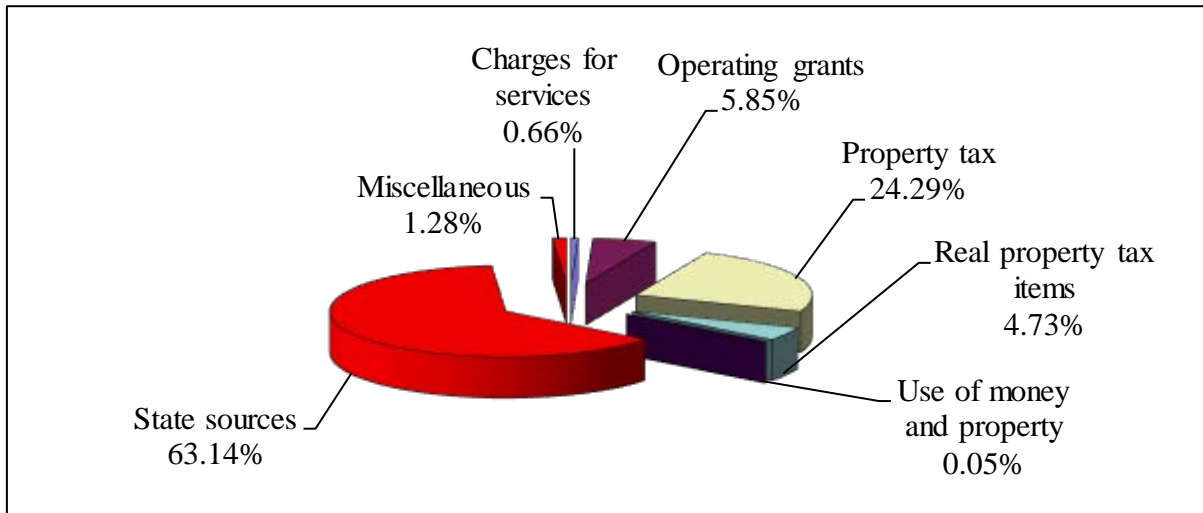
# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figures 3 and 4 show the sources of revenue for 2018 and 2017.

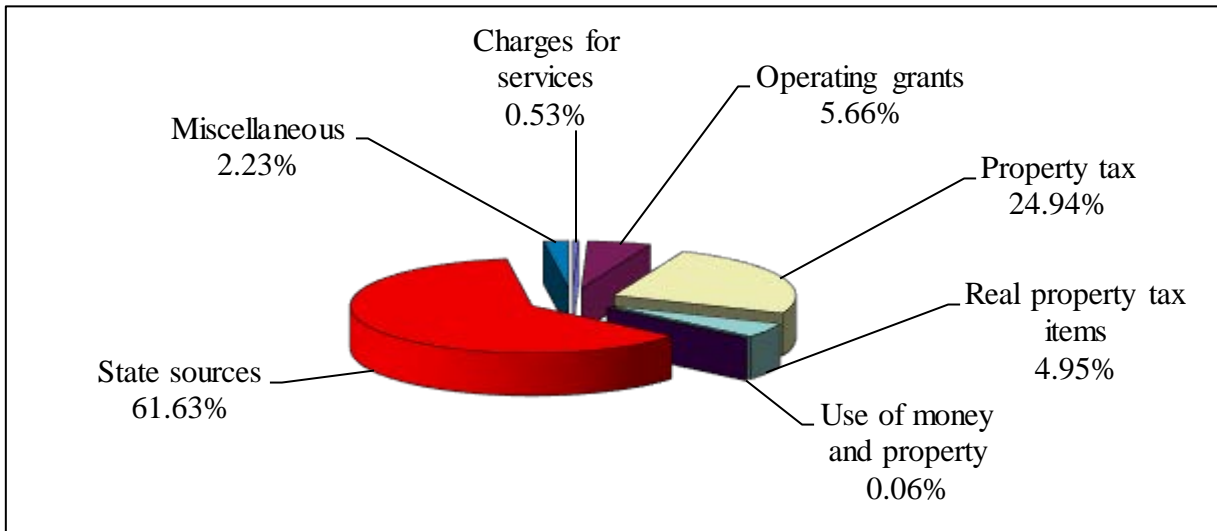
*Figure 3*

*Sources of Revenue for 2018*



*Figure 4*

*Sources of Revenue for 2017*



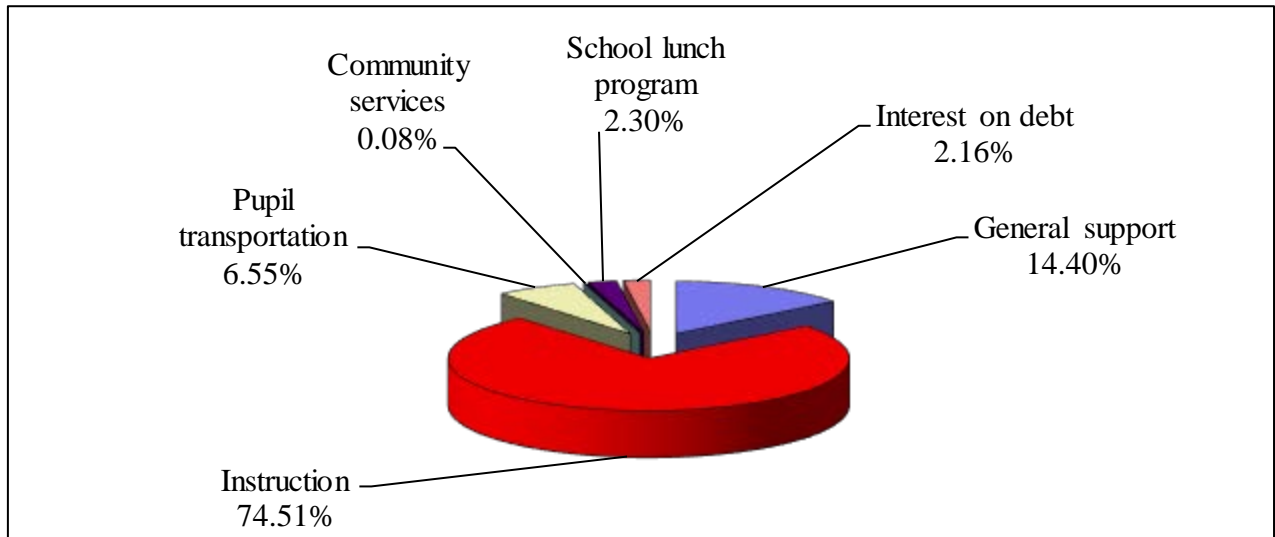
# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figures 5 and 6 present the cost for each of the School District's programs for 2018 and 2017.

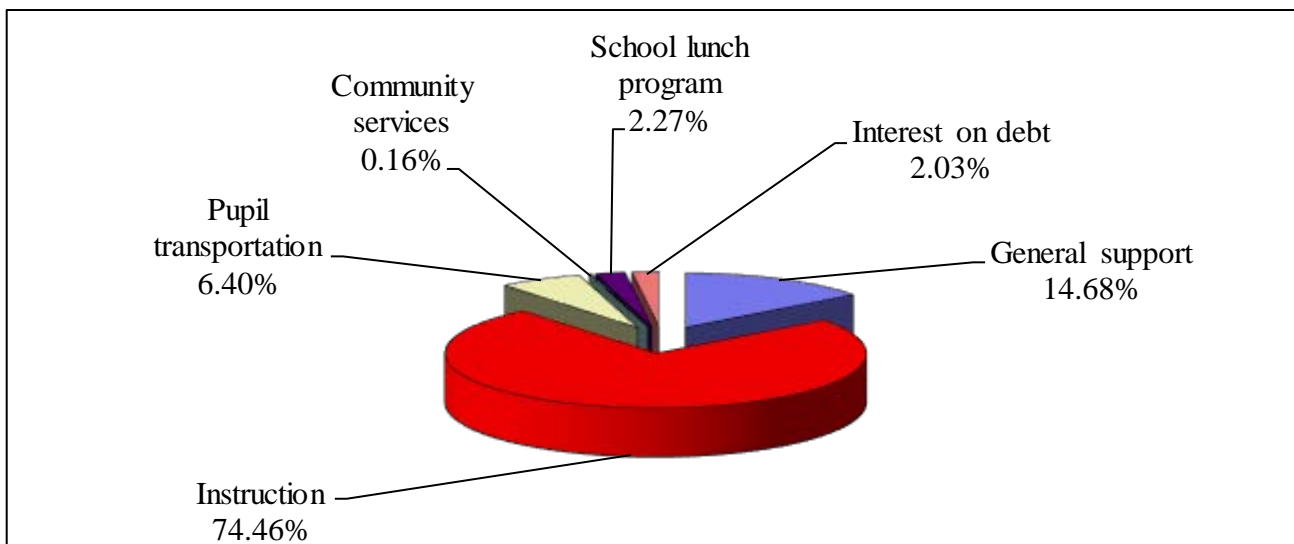
*Figure 5*

*Cost of Programs for 2018*



*Figure 6*

*Cost of Programs for 2017*



# **SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

Figure 7 shows the changes in fund balance for the year for the School District's Funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined balance of \$4,817,303, a decrease of \$(408,884) from the prior year's total fund balance of \$5,226,187. The decrease is primarily attributable to expenditures in excess of revenues during the current year in the Capital Projects Fund.

*Figure 7*

<i>Governmental Fund Balances</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017-2018</i>
<i>General Fund</i>	\$ 3,986,914	\$ 4,175,036	\$ 188,122
<i>School Lunch Fund</i>	15,912	35,059	19,147
<i>Debt Service Fund</i>	594,927	607,208	12,281
<i>Capital Projects Fund</i>	628,434	-	(628,434)
<b><i>Total Governmental Fund Fund Balance</i></b>	<b>\$ 5,226,187</b>	<b>\$ 4,817,303</b>	<b>\$ (408,884)</b>

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Board approves all budgetary transfers which revise School District budget line items. These budget amendments consist of budget transfers between functions, which did not increase the overall budget for the year ended June 30, 2018. In addition to these transfers, the voter approved budget was increased by \$500 for gifts and donations and \$365,000 for appropriated fund balance. Actual charges to appropriations (expenditures) were below final budget amounts by \$928,680, which includes carry-over encumbrances. Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2018.

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

*Figure 8*

<i>Condensed Budgetary Comparison General Fund - 2018</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
<b>REVENUES</b>				
<i>Real property taxes</i>	\$ 5,644,446	\$ 5,644,446	\$ 5,660,891	\$ 16,445
<i>Other tax items</i>	1,121,000	1,121,000	1,101,956	(19,044)
<i>State sources</i>	14,944,341	14,944,341	14,716,324	(228,017)
<i>Other, including financing sources</i>	272,000	272,500	431,094	158,594
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 21,981,787</b>	<b>\$ 21,982,287</b>	<b>\$ 21,910,265</b>	<b>\$ (72,022)</b>
<b>Appropriated Fund Balances, Appropriated Reserves and Encumbrances</b>	<b>\$ 688,257</b>	<b>\$ 1,053,257</b>		
<b>EXPENDITURES</b>				
<i>General support</i>	\$ 2,568,553	\$ 2,619,913	\$ 2,456,767	\$ 163,146
<i>Instruction</i>	9,992,459	9,995,243	9,569,055	426,188
<i>Pupil transportation</i>	911,727	1,311,177	1,209,561	101,616
<i>Employee benefits</i>	5,660,305	5,758,754	5,521,046	237,708
<i>Debt service</i>	3,442,000	3,269,865	3,269,843	22
<i>Other financing (uses)</i>	95,000	80,592	80,592	-
<b>Total Expenditures and Other Financing (Uses)</b>	<b>\$ 22,670,044</b>	<b>\$ 23,035,544</b>	<b>\$ 22,106,864</b>	<b>\$ 928,680</b>

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of June 30, 2018, the School District had invested in a broad range of capital assets. This amount represents a net decrease (including additions, disposals and accumulated depreciation) of \$(712,458) from last year.

*Figure 9*

<i>Changes in Net Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Land</i>	\$ 40,439	\$ 40,439	\$ -
<i>Construction in progress</i>	7,665,981	-	(7,665,981)
<i>Buildings, net</i>	24,316,951	31,535,502	7,218,551
<i>Equipment, net</i>	2,341,009	2,075,981	(265,028)
<b>Totals</b>	<b>\$ 34,364,380</b>	<b>\$ 33,651,922</b>	<b>\$ (712,458)</b>

# **SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

Capital asset activity for the year ended June 30, 2018 included the following:

Furniture and equipment	\$ 196,790
Capital outlay	616,624
Total Additions	<u>813,414</u>
Less depreciation expense	(1,447,073)
Less retirements, reclassifications, and disposals, net of accumulated depreciation	<u>(78,799)</u>
<b>Net Change in Capital Assets, Net</b>	<b><u><u>\$ (712,458)</u></u></b>

### **Debt Administration**

Debt, both short-term and long-term, considered a liability of Governmental Activities, decreased by \$(2,825,101) in 2018, as shown in *Figure 10*. The net decrease in debt resulted from ongoing payments on existing debt. Total indebtedness represented 50.8% of the constitutional debt limit, exclusive of building aid estimates.

*Figure 10*

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017-2018</i>
<i>Serial bonds</i>	\$ 19,826,618	\$ 17,001,517	\$ (2,825,101)
<b><i>Totals</i></b>	<b>\$ 19,826,618</b>	<b>\$ 17,001,517</b>	<b>\$ (2,825,101)</b>

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

Other obligations of the School District include accrued vacation pay and sick leave, other postemployment benefits for retired employees, and retirement system amortization due for retirement contributions. More detailed information about the School District's long-term obligations is presented in the notes to the financial statements.

The School District's bond rating is A1, which did not change from the prior year.



# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

### **FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

- Paperwork was submitted to NYSED Facilities Planning for the District's Smart Schools Investment Plan in the amount of \$688,000. The Plan includes work on the high school and elementary building entrance doors, an updated security camera and door access system, as well as a secure entrance and vestibule at the middle school.
- Rates announced by the New York State Teachers' Retirement System are expected to increase, which will result in a budgetary increase for next year.
- District Administration will be entering into negotiations with the Spencer-Van Etten Teachers' Association and anticipates an agreement to be in place before the current agreement expires on June 30, 2019.
- District Administration anticipates a large number of retirements at the end of the 2018-19 fiscal year. This may produce some cost savings in instructional salaries.
- Spencer-Van Etten CSD is struggling, along with other districts across the NYS, with attracting and retaining quality bus drivers.
- The School District will again be receiving the Statewide Universal Full-Day Prekindergarten Program Grant, allowing the School District to continue with full-day classes in 2018-19. The District is also receiving the Expanded Pre-K grant for 3-year olds with full day classes continuing in 2018-19.
- The District is receiving the Community Schools Aid set-aside for 2018-19 in the amount of \$76,108. Community Schools are public schools that emphasize family engagement, strong community partnerships and additional supports for students and families. Community Schools are designed to counter environmental factors that impede student achievement. These funds have remained flat for the past two years.

### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the 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 questions about this report or need additional financial information, contact Jane Bradley in the District Office, 16 Darts Cross Road, Spencer, New York 14883.

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2018

### ASSETS

#### Current Assets

Cash - Unrestricted	\$ 958,995
Cash - Restricted	5,755
Receivables:	
State and federal aid	721,335
Due from other governments	512,190
Due from Fiduciary Funds	34,769
Other	126,999
Inventories	18,199
Prepaid items	2,727
<b>Total Current Assets</b>	<b>2,380,969</b>

#### Noncurrent Assets

Restricted cash	3,525,655
Net pension asset - Proportionate share	327,343
Non-depreciable capital assets	40,439
Depreciable capital assets, net	33,611,483
<b>Total Noncurrent Assets</b>	<b>37,504,920</b>
<b>Total Assets</b>	<b>39,885,889</b>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - Pensions	4,943,834
Deferred outflows of resources - OPEB	1,038,346
Deferred charges on defeased debt	145,659
<b>Total Deferred Outflows of Resources</b>	<b>6,127,839</b>

### LIABILITIES

#### Current Liabilities

Payables:	
Accounts payable	108,005
Accrued liabilities	48,084
Due to other governments	7,802
Bond interest and matured bonds	17,378
Due to Teachers' Retirement System	750,893
Due to Employees' Retirement System	66,599
Compensated absences payable	69,728
Unearned revenues - other	38,210
<b>Subtotal of current liabilities</b>	<b>1,106,699</b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

Subtotal of current liabilities brought forward	\$ <u>1,106,699</u>
<b>Current portion of long-term liabilities</b>	
Bonds payable	<u>1,853,028</u>
Due to Employees' Retirement System	<u>3,185</u>
<b>Total Current Liabilities</b>	<u>2,962,912</u>
<b>Noncurrent Liabilities and Obligations</b>	
Bonds payable	<u>15,148,489</u>
Due to Employees' Retirement System	<u>6,854</u>
Compensated absences payable	<u>883,969</u>
Other postemployment benefits liability	<u>42,378,835</u>
Net pension liability - Proportionate share	<u>208,239</u>
<b>Total Noncurrent Liabilities and Obligations</b>	<u>58,626,386</u>
<b>Total Liabilities</b>	<u>61,589,298</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - Pensions	<u>1,647,697</u>
Deferred inflows of resources - OPEB	<u>4,935,265</u>
<b>Total Deferred Inflows of Resources</b>	<u>6,582,962</u>
<b>NET ASSETS</b>	
Net investment in capital assets	<u>16,796,064</u>
Restricted	<u>3,542,515</u>
Unrestricted (deficit)	<u>(42,497,111)</u>
<b>Total Net (Deficit)</b>	<b>\$ <u><u>(22,158,532)</u></u></b>

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
General support	\$ 3,382,376	\$ 4,787	\$	\$	\$ (3,377,589)
Instruction	17,508,312	53,700	1,033,603		(16,421,009)
Pupil transportation	1,537,870				(1,537,870)
Community services	19,866				(19,866)
School lunch program	541,202	95,477	330,494		(115,231)
Interest on debt	507,151				(507,151)
<b>Total Functions and Programs</b>	<b>\$ 23,496,777</b>	<b>\$ 153,964</b>	<b>\$ 1,364,097</b>	<b>\$ -</b>	<b>\$ (21,978,716)</b>
<b>GENERAL REVENUES</b>					
					5,660,891
Real property taxes					1,101,956
Real property tax items					12,787
Use of money and property					14,716,324
Unrestricted state sources					(71,716)
Loss on disposals, net					369,942
Miscellaneous					
<b>Total General Revenues</b>					<b>21,790,184</b>
Change in Net Position					(188,532)
Total Net (Deficit) - Beginning of Year					(21,970,000)
<b>Total Net (Deficit) - End of Year</b>					<b>\$ (22,158,532)</b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2018

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
<b>ASSETS</b>			
Cash - Unrestricted	\$ 958,252	\$ 743	\$ -
Cash - Restricted	2,918,447		5,755
Receivables:			
Due from other funds	379,886		
State and federal aid	287,317	416,134	17,884
Due from other governments	512,190		
Due from Fiduciary Funds	34,769		
Other	125,304		1,695
Inventories			18,199
Prepaid items	2,727		
<b>Total Assets</b>	<b>\$ 5,218,892</b>	<b>\$ 416,877</b>	<b>\$ 43,533</b>
<b>LIABILITIES</b>			
Payables:			
Accounts payable	\$ 101,504	\$ 6,147	\$ 354
Accrued liabilities	47,617		467
Due to other funds		379,756	130
Due to other governments	7,515		287
Due to Teachers' Retirement System	750,893		
Due to Employees' Retirement System	66,599		
Compensated absences payable	69,728		
Unearned revenues		30,974	7,236
<b>Total Liabilities</b>	1,043,856	416,877	8,474
<b>FUND BALANCES</b>			
Nonspendable	2,727		18,199
Restricted	2,918,447		16,860
Assigned	384,721		
Unassigned	869,141		
<b>Total Fund Balances</b>	4,175,036	-	35,059
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,218,892</b>	<b>\$ 416,877</b>	<b>\$ 43,533</b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

**Major Funds**

<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$	\$	\$
607,205	3	958,995
3		3,531,410
		379,889
		721,335
		512,190
		34,769
		126,999
		18,199
		2,727
<b>\$ 607,208</b>	<b>\$ 3</b>	<b>\$ 6,286,513</b>
\$	\$	\$
		108,005
		48,084
	3	379,889
		7,802
		750,893
		66,599
		69,728
		38,210
-	3	1,469,210
		20,926
607,208		3,542,515
		384,721
		869,141
607,208	-	4,817,303
<b>\$ 607,208</b>	<b>\$ 3</b>	<b>\$ 6,286,513</b>

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2018**

**Fund Balances - Total Governmental Funds** **\$ 4,817,303**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 52,920,212	
Less accumulated depreciation	<u>(19,268,290)</u>	33,651,922

The School District's proportionate share of the Employee Retirement Systems' collective net pension liability is not reported in the funds.

TRS net pension asset - Proportionate share	\$ 327,343	
ERS net pension (liability) - Proportionate share	<u>(208,239)</u>	119,104

Deferred outflows of resources, including deferred charges on defeased debt, OPEB and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue, OPEB, and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred charges on defeased debt	\$ 145,659	
Deferred outflows of resources - OPEB	1,038,346	
ERS deferred outflows of resources - Pension	637,201	
TRS deferred outflows of resources - Pension	4,306,633	
Deferred inflows of resources - OPEB	(4,935,265)	
ERS deferred inflows of resources - Pension	(671,082)	
TRS deferred inflows of resources - Pension	<u>(976,615)</u>	(455,123)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(16,814,285)	
Premiums on long term obligations	<u>(187,232)</u>	(17,001,517)

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Accrued interest on debt	\$ (17,378)	
Employees' retirement amortization	(10,039)	
Other postemployment benefits liability	(42,378,835)	
Compensated absences	<u>(883,969)</u>	<u>(43,290,221)</u>

**Net (Deficit) of Governmental Activities** **\$ (22,158,532)**

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
<b>REVENUES</b>			
Real property taxes	\$ 5,660,891	\$ _____	\$ _____
Other tax items	1,101,956	_____	_____
Charges for services	58,487	_____	_____
Use of money and property	12,303	_____	13
Sale of property and compensation for loss	7,083	_____	_____
Miscellaneous	353,221	13,283	16,721
State sources	14,716,324	440,802	9,996
Federal sources	_____	579,518	290,901
Surplus food	_____	_____	29,597
Sales - School lunch	_____	_____	95,477
<b>Total Revenues</b>	21,910,265	1,033,603	442,705
<b>EXPENDITURES</b>			
General support	2,451,727	_____	_____
Instruction	9,550,054	756,017	198,756
Pupil transportation	848,881	31,506	_____
Community services	_____	13,284	_____
Employee benefits	5,521,046	253,388	110,281
Debt service:			
Principal	2,756,169	_____	_____
Interest	513,674	_____	_____
Cost of sales	_____	_____	174,521
Capital outlay	_____	_____	_____
<b>Total Expenditures</b>	21,641,551	1,054,195	483,558
Excess (Deficiency) of Revenues Over Expenditures	268,714	(20,592)	(40,853)
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Operating transfers in	_____	20,592	60,000
Operating transfers (out)	(80,592)	_____	_____
<b>Total Other (Uses) Sources</b>	(80,592)	20,592	60,000
Net Change in Fund Balance	188,122	-	19,147
Fund Balances - Beginning of Year	3,986,914	_____	15,912
<b>Fund Balances - End of Year</b>	\$ 4,175,036	\$ -	\$ 35,059

*See Independent Auditor's Report and Notes to Basic Financial Statements*



<b>Major Funds</b>		
<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 5,660,891
		1,101,956
		58,487
471		12,787
		7,083
		383,225
		15,167,122
		870,419
		29,597
		95,477
471	-	23,387,044
		2,451,727
		10,504,827
		880,387
		13,284
		5,884,715
		2,756,169
		513,674
		174,521
	616,624	616,624
-	616,624	23,795,928
471	(616,624)	(408,884)
11,810		92,402
	(11,810)	(92,402)
11,810	(11,810)	-
12,281	(628,434)	(408,884)
594,927	628,434	5,226,187
<b>\$ 607,208</b>	<b>\$ -</b>	<b>\$ 4,817,303</b>

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (408,884)**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$	813,414	
Net book value of disposed assets		(78,799)	
Depreciation expense		<u>(1,447,073)</u>	(712,458)

Changes in the School District's proportionate share of net pension (assets) liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$	11,787	
TRS		<u>(123,422)</u>	(111,635)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal payments		2,753,135	
Payments to the Employees' Retirement System Liability		<u>3,034</u>	2,756,169

Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. In addition, changes in the School District's deferred outflows and deferred inflows related to other postemployment benefits do not effect current financial resources and are also not reported in the Governmental Funds.

Compensated absences	\$	(42,111)	
Other postemployment benefits liability		<u>(1,676,136)</u>	(1,718,247)

Interest expense reported in the Statement of Activities includes changes in accrued interest, premiums on obligations and deferred interest from advance refunding of bonds. These items are not included in interest expense in the Governmental Fund financial statements.

Amortization of defered changes on defeased debt	\$	(67,338)	
Amortization of premiums on bonds payable		71,966	
Change in accrued interest payable		<u>1,895</u>	<u>6,523</u>

**Net Change in Net Position of Governmental Activities** **\$ (188,532)**

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2018

	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash - Unrestricted	\$	\$ 729,667
Cash - Restricted	9,848	
Investments - Restricted	217,673	
Accounts receivable		3,236
<b>Total Assets</b>	<b>227,521</b>	<b>\$ 732,903</b>
<b>LIABILITIES</b>		
Due to Governmental Funds		\$ 34,769
Extraclassroom Activity Funds balance		54,239
Other liabilities		643,895
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 732,903</b>
<b>NET POSITION</b>		
Restricted for scholarships	\$ 227,521	

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2018

	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 250
Investment earnings	1,770
<b>Total Additions</b>	<b>2,020</b>
<b>DEDUCTIONS</b>	
Scholarships and awards	6,000
Change in Net Position	(3,980)
Net Position - Beginning of Year	231,501
<b>Net Position - End of Year</b>	<b>\$ 227,521</b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies**

The accompanying financial statements of the Spencer-Van Etten Central School District (the School District) have been prepared in conformity with U.S. 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.

#### **Reporting Entity**

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financials Reporting Entity; Omnibus."

- The primary government, which is the School District;
- 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 basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The School District is financially accountable for the Extraclassroom Activity Funds. Based on the application of the criteria above, the Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District Office, located at 16 Dartts Cross Road, Spencer, NY 14883

#### **Joint Venture**

The School District is one of 21 component school districts in the Greater Southern Tier Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Joint Venture - Continued**

BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the 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, §1950(4)(b)(7).

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

#### **Basis of Presentation - District-wide Financial Statements**

The Statement of Net Position and the Statement of Activities present financial information about the School District's Governmental Activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental Activities generally are financed through taxes, state aid, intergovernmental 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 School District's Governmental Activities. Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. 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.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Basis of Presentation - Governmental Fund Financial Statements**

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

The School District reports the following Major Governmental Funds:

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Aid Fund:** Accounts for the proceeds of specific revenue sources, such as Federal, State and local 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 either by governments that provide the funds, or by outside parties.
- **School Lunch Fund:** Accounts for revenues and expenditures in connection with the School District's food service program.
- **Debt Service Fund:** Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.
- **Capital Projects Fund:** Accounts for the financial resources used for the renovation of the School District's educational complex.

Fiduciary Activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District, and are not available to be used.

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- **Agency Funds:** Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Measurement Focus and Basis of Accounting**

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

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

#### **Cash and Investments**

The School 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 School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (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. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

#### **Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.



# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

### *Note 1*    **Summary of Significant Accounting Policies - Continued**

#### **Due To/From Other Funds**

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

#### **Inventories and Prepaid Items**

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of 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 School 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 Governmental 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.

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

#### **Capital Assets**

Capital assets were reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to June 30, 2002, historical costs have been estimated, if not available, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 15,000	40 years
Building improvements	15,000	Various
Furniture and equipment	5,000	Various

The School District depreciates its capital assets using the straight-line method.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position reports 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 School District reports deferred outflows of resources related to pensions and other postemployment benefits in the District - Wide Statement of Net Position. The types of deferred outflows related to pensions and other postemployment benefits are described in Notes 11, and 12, respectively.

In addition to liabilities, the Statement of Net Position reports 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 will not be recognized as an inflow of resources (revenue) until that time. The types of deferred inflows related to pensions and other postemployment benefits are described in Notes 11 and 12, respectively.

#### **Vested Employee Benefits - Compensated Absences**

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

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

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the Governmental Fund financial 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.

#### **Postemployment Benefits**

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

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Postemployment Benefits - Continued**

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District complies with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 12 for additional information.

#### **Unearned or Unavailable Revenue**

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

The Governmental Fund financial statements also report unearned revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for unearned revenues is removed and revenues are recorded.

#### **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

#### **Equity Classifications - District-wide Financial Statements**

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Equity Classifications - District-wide Financial Statements - Continued**

- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

#### **Equity Classifications - Governmental Fund Financial Statements**

The School District complies with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: non-spendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Non-Spendable - Consists of assets inherently non-spendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Equity Classifications - Governmental Fund Financial Statements - Continued**

- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to 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.

The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

#### **Legally Adopted Reserves**

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- Employee Benefit Accrued Liability Reserve (GML §6-p) - Used to reserve funds for the payment of accrued employee benefits 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.
- Retirement System Contribution Reserve (GML §6-r) - Used to reserve funds for the purpose of financing retirement contributions. 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. This reserve is accounted for in the General Fund.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Legally Adopted Reserves - Continued**

- Mandatory Reserve for Debt Service (GML §6-1) - Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.
- Tax Certiorari Reserve (Education Law §3651.1-a) - 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. This reserve is accounted for in the General Fund.
- Unemployment Insurance Reserve - 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 60 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 employer elects to convert tax (contribution) basis, excess of funds over sum sufficient to pay pending claims may be transferred to any other Reserve Fund. This reserve is accounted for in the General Fund.
- Repair Reserve (GML §6-d) - Used to pay cost of repairs to capital improvements or equipment which do not recur 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.
- Liability Reserve (ED § 1950 [4][cc]) - These funds are used to establish and maintain a program of reserve liability claims incurred. Separate fund for liability claims are required. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. Annual contribution(s) limited to 3 percent of the annual budget or \$15,000, whichever is greater. This reserve is accounted for in the General Fund.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Property Taxes - Calendar**

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 25, 2017. Taxes were collected during the period September 1, 2017 to October 31, 2017.

#### **Property Taxes - Enforcement**

Uncollected real property taxes are subsequently enforced by the Counties of Chemung, Schuyler, Tompkins, and Tioga. An amount representing uncollected real property taxes transmitted to the counties for enforcement is paid by the counties to the School District no later than the following April 1.

#### **Interfund Transfers**

Operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

#### **Use of 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, postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

#### **New Accounting Standards**

The School District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2018:

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ended June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," for OPEB.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **New Accounting Standards - Continued**

- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ended June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ended June 30, 2018.

#### **Future Changes in Accounting Standards**

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," effective for the year ending June 30, 2020. This statement improves the information disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2021.

The School District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

### ***Note 2* Participation in BOCES**

During the year ended June 30, 2018, the School District's share of BOCES income amounted to \$1,126,762. The School District was billed \$2,610,297 for BOCES administration and program costs. Financial statements for Greater Southern Tier BOCES are available from the BOCES administrative office at 459 Philo Road, Elmira, New York 14903.



# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

### **Note 3 Cash and Cash Equivalents - Custodial, Concentration of Credit, Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances total \$6,087,854. Of this balance, \$5,501,564 is either insured or collateralized with securities held by the pledging financial institution in the School District's name. The remaining \$586,290 is held in a money market account, which invests in obligations of the United States Treasury, and is not covered by depository insurance or collateralized.

Restricted cash consists of the following at June 30, 2018:

	<u>Amount</u>
General Fund reserves	\$ 2,918,447
Restricted for debt	607,208
Restricted for school lunch	<u>5,755</u>
<b>Total</b>	<b><u>\$ 3,531,410</u></b>

In addition, \$9,848 cash in the Private Purpose Trust Fund is restricted for scholarships and awards.

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

1. Insured or registered, or investments held by the School District or by the School District's agent in the School District's name, or
2. Uninsured and unregistered, with investments held by the financial institution's trust department in the School District's name, or

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 3 Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks - Continued**

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

	Cost	Carrying Amount Fair Value	Type of Investment	Category
Private Purpose Fund	\$ 217,673	\$ 217,673	Certificate of Deposit	(1)

The School District does not typically purchase investments for a duration long enough to cause it to believe that it is exposed to any material interest rate risk.

The School District does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

**Note 4 State and Federal Aid Receivable**

State and federal aid receivable consisted of the following at June 30, 2018, which are stated at net realizable value.

Fund	Description	Amount
General Fund	Excess Cost Aid	\$ 238,694
	BOCES STEM Aid	3,526
	BOCES Supplemental Bill	45,097
	Total	287,317
School Lunch Fund	State lunch and breakfast program	599
	Federal lunch and breakfast program	17,285
	Total	17,884
Special Aid Fund	State grants	188,944
	Federal grants	227,190
	Total	416,134
<b>Total</b>		<b>\$ 721,335</b>

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 5 Other Receivables**

Other receivables consisted of the following, at June 30, 2018, which are stated at net realizable value.

Fund	Description	Amount
General Fund	Other receivables	\$ 125,304
School Lunch Fund	Other cafeteria sales	1,695
<b>Total</b>		<b>\$ <u>126,999</u></b>

**Note 6 Interfund Balances and Activities**

Interfund balances and activity at June 30, 2018 are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 379,886	\$	\$	\$ 80,592
Special Aid Fund		379,756	20,592	
School Lunch Fund		130	60,000	
Debt Service Fund	3		11,810	
Capital Projects Fund		3		11,810
<b>Total</b>	<b>\$ <u>379,889</u></b>	<b>\$ <u>379,889</u></b>	<b>\$ <u>92,402</u></b>	<b>\$ <u>92,402</u></b>

In addition to the above interfund activity, the Agency Fund owed the General Fund \$34,769 at year end.

Interfund receivables and payables are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the General Fund to Capital Funds, as needed, to fund capital projects.

The School 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.

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 7 Capital Assets**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reclassifications/ Disposals</b>	<b>Ending Balance</b>
Capital assets that are not depreciated:				
Land	\$ 40,439	\$	\$	\$ 40,439
Construction in progress	7,665,981	616,624	(8,282,605)	-
Total Nondepreciable Historical Cost	7,706,420	616,624	(8,282,605)	40,439
Capital assets that are depreciated:				
Buildings	37,999,533		8,282,605	46,282,138
Furniture and equipment	6,779,713	196,790	(378,868)	6,597,635
Total Depreciable Historical Cost	44,779,246	196,790	7,903,737	52,879,773
Total Historical Cost	52,485,666	813,414	(378,868)	52,920,212
Less accumulated depreciation:				
Buildings	(13,682,582)	(1,064,054)		(14,746,636)
Furniture and equipment	(4,438,704)	(383,019)	300,069	(4,521,654)
Total Accumulated Depreciation	(18,121,286)	(1,447,073)	300,069	(19,268,290)
<b>Total Historical Cost, Net</b>	<b>\$ 34,364,380</b>	<b>\$ (633,659)</b>	<b>\$ (78,799)</b>	<b>\$ 33,651,922</b>

Retirements and reclassifications were due to disposal of capital assets and other adjustments.

Depreciation expense was charged to governmental functions as follows:

General support	\$ 250,054
Instruction	866,653
Pupil transportation	305,042
School lunch	23,153
Community service	2,171
<b>Total</b>	<b>\$ 1,447,073</b>

# *SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT*

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

**Note 8 Short-term Debt**

The School District may issue revenue anticipation notes (RANs), 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 represent a liability that will be extinguished by the use of expendable, available resources of the General Fund. The School District did not issue or redeem any RANs during the year, and correspondingly recorded no interest related to RANs.

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

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

There were no short-term debt transactions during the year.

**Note 9 Long-term Debt**

At June 30, 2018, the total outstanding indebtedness of the School District represented 50.8% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

Serial Bonds and Statutory Installment Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

Capital Leases - The School District purchases equipment utilizing installment purchase agreements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefits of the capital assets.

The following is a summary of the School District's long-term debt for the year ended June 30, 2018:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2018</u>
Serial Bonds	05/28/2009	06/15/2024	2.50-4.00%	\$ 1,000,000
Serial Bonds	06/15/2012	06/15/2028	2.125-3.375%	3,930,000
Capital Lease	06/15/2015	06/15/2030	2.93%	1,504,285
Refunding Bonds	06/15/2015	06/15/2022	1.50-4.00%	2,345,000
Serial Bonds	06/15/2017	06/15/2032	2.00-3.00%	8,035,000
<b>Total</b>				<b><u>\$ 16,814,285</u></b>

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

### Note 9 Long-term Debt - Continued

Interest on long-term debt and other long-term obligations during the year was:

Interest paid	\$	513,674
Less amortization of premiums		(71,966)
Less interest accrued in the prior year		(19,273)
Add amortization of deferred charges on defeased debt		67,338
Add interest accrued in the current year		<u>17,378</u>
<b>Total</b>	<b>\$</b>	<b><u><u>507,151</u></u></b>

Interest rates on the serial bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

On February 12, 2015, \$5,315,000 in general obligation bonds, with a 2.0% interest rate were issued to refund \$5,225,000 of outstanding bonds, with interest rates ranging from 4.0% to 7.25%. The net proceeds of \$7,412,803 (after payment of fiscal agent fees, original bond premium, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The outstanding principal of the defeased bonds was \$2,350,000 at June 30, 2018.

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Serial bonds	\$ 19,567,420	\$	\$ (2,753,135)	\$ 16,814,285	\$ 1,806,288
Add unamortized premiums	<u>259,198</u>		<u>(71,966)</u>	<u>187,232</u>	<u>46,740</u>
<b>Total</b>	<b><u><u>\$ 19,826,618</u></u></b>	<b><u><u>-</u></u></b>	<b><u><u>\$ (2,825,101)</u></u></b>	<b><u><u>\$ 17,001,517</u></u></b>	<b><u><u>\$ 1,853,028</u></u></b>

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 9 Long-term Debt - Continued**

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. Deferred charges on defeased debt are summarized as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
2015 Refunding Bonds	\$ 212,997	\$ -	\$ (67,338)	\$ 145,659
<b>Total</b>	<b>\$ 212,997</b>	<b>\$ -</b>	<b>\$ (67,338)</b>	<b>\$ 145,659</b>

The following is a summary of the maturity of long-term bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,806,288	\$ 424,672	\$ 2,230,960
2020	1,864,424	373,224	2,237,648
2021	1,902,655	334,618	2,237,273
2022	1,945,979	286,268	2,232,247
2023	1,379,403	246,270	1,625,673
2024-2028	5,082,000	756,327	5,838,327
2029-2032	2,833,536	198,970	3,032,506
<b>Total</b>	<b>\$ 16,814,285</b>	<b>\$ 2,620,349</b>	<b>\$ 19,434,634</b>

**Note 10 Compensated Absences**

Represents the value of the earned and unused portion of the liability for compensated absences. This liability is liquidated from the General and School Lunch Funds.

Changes to compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 925,186	\$ 42,111	\$ -	\$ 953,697	\$ 69,728
<b>Total</b>	<b>\$ 925,186</b>	<b>\$ 42,111</b>	<b>\$ -</b>	<b>\$ 953,697</b>	<b>\$ 69,728</b>

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 11* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

#### **Plan Descriptions and Benefits Provided**

##### **Teachers' Retirement System (TRS)**

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

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.



# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 11* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

#### **Employees' Retirement System (ERS)**

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://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, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

#### **Summary of Significant Accounting Policies**

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

# **SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT**

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

**Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Contributions**

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

		<u>ERS</u>		<u>TRS</u>
<b>2018</b>	<b>\$</b>	<b>273,583</b>	<b>\$</b>	<b>796,436</b>
2017		315,479		885,387
2016		259,940		1,123,228

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

At June 30, 2018, the School District reported the following (asset) liability for its proportionate share of the net pension (asset) liability for each of the Systems. The net pension (asset) liability was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension (asset) liability used to calculate the net pension liability was determined by an actuarial valuation. The School District's proportionate share of the net pension (asset) liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	04/01/2017	06/30/2016
Net pension (asset) liability	\$ 3,227,444,946	\$ (760,099,284)
School District's proportionate share of the Plan's total net pension liability (asset)	208,239	(327,343)
School District's share of the Plan's total net pension (asset) liability	0.0064521%	0.043066%

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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

For the year ended June 30, 2018, the School District recognized pension expense of \$261,796 for ERS and \$810,531 for TRS in the District-wide financial statements. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 74,272	\$ 269,323	\$ 61,376	\$ 127,627
Changes in assumptions	138,080	3,330,774		
Net differences between projected and actual earnings on pension plan investments	302,450		597,007	770,986
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	55,800	19,427	12,699	78,002
School District's contributions subsequent to the measurement date	66,599	687,109		
<b>Total</b>	<b>\$ 637,201</b>	<b>\$ 4,306,633</b>	<b>\$ 671,082</b>	<b>\$ 976,615</b>

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

Year Ended	ERS	TRS
2019	\$ 50,938	\$ 938,976
2020	49,217	621,619
2021	(134,023)	147,553
2022	(66,612)	619,784
2023		314,977

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

### *Note 11* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

#### 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.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Investment rate of return	7.0%	7.25%
Salary increase	3.8%	1.9% - 4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

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

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

For ERS, 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.

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Actuarial Assumptions - Continued**

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Asset Type:		
Domestic equities	4.55%	5.9%
International equities	6.35%	7.4%
Real estate	5.55%	4.3%
Private equity/Alternative investments	7.50%	9.0%
Absolute return strategies	3.75%	
Opportunistic portfolio	5.68%	
Real assets	5.29%	
Cash	(0.25%)	
Inflation-indexed bonds	1.25%	
Domestic fixed income securities		1.6%
Global fixed income securities		1.3%
High-yield fixed income securities		3.9%
Mortgages and bonds	1.31%	2.8%
Short-term		0.6%

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Discount Rate**

The discount rate used to calculate the total pension (asset) 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 contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

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

The following presents the School District's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the School 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 or higher than the current rate:

<b>ERS</b>	<b>1% Decrease (6.0%)</b>	<b>Current Assumption (7.0%)</b>	<b>1% Increase (8.0%)</b>
School District's proportionate share of the net pension (asset) liability	\$ 1,575,591	\$ 208,239	\$ (948,486)

<b>TRS</b>	<b>1% Decrease (6.25%)</b>	<b>Current Assumption (7.25%)</b>	<b>1% Increase (8.25%)</b>
School District's proportionate share of the net pension (asset) liability	\$ 5,639,143	\$ (327,343)	\$ (5,323,978)

**Pension Plan Fiduciary Net Position**

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

	<b>Dollars in Thousands</b>	
	<b>ERS</b>	<b>TRS</b>
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension liability	\$ 183,400,590	\$ 114,708,261
Plan net position	(180,173,145)	(115,468,360)
<b>Employers' net pension (asset) liability</b>	<b>\$ 3,227,445</b>	<b>\$ (760,099)</b>
Ratio of Plan Net Position to the Employers' Total Pension Liability	98.2%	(100.7%)

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$66,599.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October, and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$750,893.

**Current Year Activity**

The following is a summary of current year activity:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
<b>ERS</b>			
Net pension liability	\$ 604,438	\$ (396,199)	\$ 208,239
Deferred outflows of resources	(466,110)	(171,091)	(637,201)
Deferred inflows of resources	115,579	555,503	671,082
Subtotal	253,907	(11,787)	242,120
<b>TRS</b>			
Net pension (asset) liability	463,449	(790,792)	(327,343)
Deferred outflows of resources	(4,486,785)	180,152	(4,306,633)
Deferred inflows of resources	242,553	734,062	976,615
Subtotal	(3,780,783)	123,422	(3,657,361)
<b>Total</b>	<b>\$ (3,526,876)</b>	<b>\$ 111,635</b>	<b>\$ (3,415,241)</b>

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 12* Other Postemployment Benefits Other than Pensions (OPEB)**

During the year ended June 30, 2018, the School District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions," effective for the year ended June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."

#### **General Information about the OPEB Plan**

Plan Description - The School District's defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single-employer defined benefit healthcare plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and health annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2017 mortality improvement scale on a fully generational basis.

Rates of decrement due to disability are assumed to be 0%.

Rates of turnover and retirement rates are based on the experience under the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The ERS rates are based on the April 1, 2018 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

Election percentage: It was assumed that 95% of future retirees eligible for coverage will elect retiree group benefits. It was assumed that participants who are currently no Medicare eligible will migrate into the Gold Anywhere PPO with MVP Part D Prescription Plan upon Medicare eligibility. Retirees already Medicare eligible and still participating in NY44 are assumed to continue in NY44.

Spousal coverage: It was assumed that 80% of future retirees will elect spousal coverage upon retirement with male spouses assumed to be three years older and female spouses assumed to be three years younger than the retiree.



# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

### *Note 12* **Other Postemployment Benefits Other than Pensions (OPEB) - Continued**

The annual rate of increase in healthcare costs developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trend Models v2018\_c (the Getzen model).

The healthcare cost trend rate is 7.25% for 2018 and decreasing to 3.87% in 2075.

Administrative fees were assumed to increase at 3.25% per year.

Dental and vision costs were assumed to increase at 4.00% per year.

CPI of 2.25% was assumed for purposes of determining future increases in limits corresponding to the excise tax of the Affordable Care Act on high cost employer-sponsored health plans as well as developing rate of increase in healthcare costs.

The actuarial assumptions used in the June 30, 2017 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Benefits Provided - The School District provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

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

Inactive employees or beneficiaries currently receiving benefit payments	\$ 159
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees not fully eligible for benefits	164
Active employees fully eligible for benefits	<u>22</u>
	\$ <u><u>345</u></u>

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

### Note 12 Other Postemployment Benefits Other than Pensions (OPEB) - Continued

#### Total OPEB Liability

The School District's total OPEB liability of \$42,378,835 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Single Discount Rate	3.56%
Rate of Compensation Increase	2.90%
Inflation Rate	2.25%
Salary Scale	3.00%

The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date (or the nearest business day thereto).

The salary scale was based on the School District's review of historical experience as well as future expectations.

#### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2017</b>	<b>\$ 45,595,173</b>
<b>Changes for the year:</b>	
Service cost	2,142,857
Interest cost	1,379,415
Changes of benefit terms	(807,790)
Differences between expected and actual experience	-
Changes in assumptions or other	(4,935,265)
Benefit payments	(995,555)
Net change	(3,216,338)
<b>Balance at June 30, 2018</b>	<b>\$ 42,378,835</b>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92% at June 30, 2016 to 3.56% in June 30, 2017.

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

### Note 12 Other Postemployment Benefits Other than Pensions (OPEB) - Continued

#### Changes in the Total OPEB Liability - Continued

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

	<b>1% Decrease (2.56%)</b>	<b>Discount Rate (3.56%)</b>	<b>Increase (4.56%)</b>
Total OPEB liability	\$ 49,844,732	\$ 42,378,835	\$ 36,393,783

Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<b>1% Decrease (6.25% decreasing to 2.87%)</b>	<b>Cost Trend Rate (7.25% decreasing to 3.87%)</b>	<b>1% Increase (8.25% decreasing to 4.87%)</b>
Total OPEB liability	\$ 35,453,429	\$ 42,378,835	\$ 51,366,143

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$2,714,482.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions or other inputs	\$	\$ 4,935,265
Contributions subsequent to measurement date	1,038,346	
<b>Total</b>	<b>\$ 1,038,346</b>	<b>\$ 4,935,265</b>

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 12 Other Postemployment Benefits Other than Pensions (OPEB) - Continued**

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2019	\$ (572,537)
2020	(572,537)
2021	(572,537)
2022	(572,537)
2023	(572,537)
Thereafter	(2,072,580)

**Effect on Net Position**

Changes in the net pension (asset) liability and deferred outflows and inflows of resources for the year ended June 30, 2018, resulted in the following effect on net position:

	<u>Beginning</u> <u>Balance</u>	<u>Change</u>	<u>Ending</u> <u>Balance</u>
Other postemployment benefits liability	\$ 45,595,173	\$ (3,216,338)	\$ 42,378,835
Deferred outflows of resources	(995,555)	(42,791)	(1,038,346)
Deferred inflows of resources	-	4,935,265	4,935,265
<b>Total Effect on Net Position</b>	<b>\$ 44,599,618</b>	<b>\$ 1,676,136</b>	<b>\$ 46,275,754</b>

**Note 13 Commitments and Contingencies**

**Risk Financing and Related Insurance**

**General Information**

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

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

### ***Note 13* Commitments and Contingencies - Continued**

#### **Health Insurance**

Effective July 1, 2013, the School District joined the New York 44 Health Benefit Trust to provide health insurance coverage for School District employees

The NY44 Health Benefits Plan Trust (Trust) was established in 2003 as a federal tax exempt Article 44 Trust to contain health care costs at Erie 1 BOCES. The Trust later expanded to employees and eligible retirees of not only Erie 1 BOCES but also to schools throughout New York State. Beginning its tenth year of operation, and having achieved self-funded status in January 2008, the Trust has grown to approximately 14,000 enrollees in 50 participating schools districts, BOCES, and community colleges representing more than 177 bargaining units. The plan, overseen by the New York Insurance Department, is controlled by 10 trustees who are employees of Erie 1 BOCES and represent all participating schools: five appointed by the labor organizations and five appointed by Erie 1 BOCES' administration. Because the Trust is jointly run, both union and management have an equal say in how it operates, including decisions about benefits offered to the members and annual contribution rates charged to the school. As a self-funded plan, the Trust benefits from having contribution rates which more closely reflect the actual health claims experience of the Trust's covered employees as opposed to a traditional insurance plan, employing a 'community rating.'

All current employees and retirees under the age of 65 are covered by NY44. For retirees over the age of 65, they have the choice of NY44 or MVP Medicare advantage plan. The MVP plan in many ways mirrors the coverage of NY44. A member district may withdraw from the Trust with a one year written notice to the Plan, in the form of a resolution passed by the School District's Board of Education. The withdrawal must be approved by the remaining Trust members.

During the year ended June 30, 2018 the School District incurred premiums or contribution expenditures totaling \$3,861,228.

#### **Other Items**

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

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 14 Fund Balance Detail**

At June 30, 2018 non-spendable, restricted and assigned fund balance in governmental funds was as follows:

	<b>General Fund</b>	<b>Special Aid Fund</b>	<b>School Lunch Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>Nonspendable</b>					
Prepaid expenses	\$ 2,727	\$	\$	\$	\$
Inventory			18,199		
<b>Total Nonspendable Fund Balance</b>	<b>\$ 2,727</b>	<b>\$ -</b>	<b>\$ 18,199</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Restricted</b>					
Tax certiorari reserve	\$ 5,010	\$	\$	\$	\$
Unemployment insurance reserve	70,110				
Retirement system contribution reserve	1,716,239				
Employee benefit accrued liability reserve	920,879				
Liability reserve	100,000				
Repair reserve	106,209				
School lunch			16,860		
Debt				607,208	
<b>Total Restricted Fund Balance</b>	<b>\$ 2,918,447</b>	<b>\$ -</b>	<b>\$ 16,860</b>	<b>\$ 607,208</b>	<b>\$ -</b>
<b>Assigned</b>					
Encumbered for:					
General support	\$ 5,040	\$	\$	\$	\$
Instruction	19,001				
Pupil transportation	360,680				
<b>Total Assigned Fund Balance</b>	<b>\$ 384,721</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Unassigned Fund Balance</b>	<b>\$ 869,141</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ -</b>

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 15 Restricted Fund Balances**

Portions of fund balance are reserved and are not available for current expenditures as reported in the Governmental Funds Balance Sheet. The General Fund reserves and Debt Service Fund balances and activity for the year ended June 30, 2018 are as follows:

<u>General Fund Reserves</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Released/ Appropriated</u>	<u>Ending Balance</u>
Tax certiorari reserve	\$ 5,005	\$	\$ 5	\$	\$ 5,010
Unemployment insurance reserve	85,093		17	(15,000)	70,110
Repair reserve	106,122		87		106,209
Retirement system contribution	1,735,429	292,337	1,389	(312,916)	1,716,239
Liability reserve		100,000			100,000
Employee benefit accrued liability reserve	790,230	130,000	649		920,879
<b>Total</b>	<b>\$ 2,721,879</b>	<b>\$ 522,337</b>	<b>\$ 2,147</b>	<b>\$ (327,916)</b>	<b>\$ 2,918,447</b>
<b>Debt Service Fund</b>	<b>\$ 594,927</b>	<b>\$ 11,810</b>	<b>\$ 471</b>	<b>\$ -</b>	<b>\$ 607,208</b>

**Note 16 Tax Abatements**

For the year ended June 30, 2018, the School District was subject to tax abatements negotiated by the Chemung County Industrial Development Agency (CCIDA). The CCIDA entered into various property tax abatement programs for the purpose of economic development.

	<u>Taxable Assessed Value</u>		<u>Combined Tax Rates</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
<b>Chemung County Industrial Development Agency</b>						
Millennium Pipeline	\$ 7,981,112	18.62	\$ 148,608	\$ 96,272	\$ 52,336	
<b>Total PILOT Agreements</b>	<b>\$ 7,981,112</b>		<b>\$ 148,608</b>	<b>\$ 96,272</b>	<b>\$ 52,336</b>	

**Note 17 Stewardship, Compliance, and Accountability**

**Deficit Net Position**

At June 30, 2018, the District-Wide Statement of Net Position had an unrestricted deficit net position of \$(42,497,111). This is a result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability (See Note 12). The deficit is not expected to be eliminated during the normal course of operations.

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

**Note 18 Restatement**

The School District's June 30, 2017 net position has been restated to reflect the following:

<b>Net Position Beginning of Year</b>	\$ 6,641,245
<b>GASB Statement No. 75 Implementation</b>	
Change in beginning OPEB plan liability	(29,606,800)
Beginning OPEB plan deferred outflows of resources	<u>995,555</u>
<b>Net Position Beginning of Year, as Restated</b>	<b><u><u>\$ (21,970,000)</u></u></b>



# *SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT*

## SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 5,644,446	\$ 5,644,446	\$ 5,660,891	\$ 16,445
Other tax items	<u>1,121,000</u>	<u>1,121,000</u>	<u>1,101,956</u>	<u>(19,044)</u>
Charges for services	<u>3,500</u>	<u>3,500</u>	<u>58,487</u>	<u>54,987</u>
Use of money and property	<u>8,500</u>	<u>8,500</u>	<u>12,303</u>	<u>3,803</u>
Sale of property and compensation for loss			<u>7,083</u>	<u>7,083</u>
Miscellaneous	<u>260,000</u>	<u>260,500</u>	<u>353,221</u>	<u>92,721</u>
<b>Total Local Sources</b>	<u>7,037,446</u>	<u>7,037,946</u>	<u>7,193,941</u>	<u>155,995</u>
State sources	<u>14,944,341</u>	<u>14,944,341</u>	<u>14,716,324</u>	<u>(228,017)</u>
<b>Total Revenues</b>	<u>21,981,787</u>	<u>21,982,287</u>	<u>21,910,265</u>	<u>(72,022)</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues and Other Financing Sources</b>	<u>21,981,787</u>	<u>21,982,287</u>	<u>\$ 21,910,265</u>	<u>\$ (72,022)</u>
Appropriated Fund Balance	<u>243,440</u>	<u>608,440</u>		
Appropriated Reserves	<u>327,197</u>	<u>327,197</u>		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	<u>117,620</u>	<u>117,620</u>		
<b>Total Revenues, Appropriated Reserves, and Designated Fund Balance</b>	<u>\$ 22,670,044</u>	<u>\$ 23,035,544</u>		

*See Independent Auditor's Report and Notes to Required Supplementary Information*

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<b>Original Budget</b>	<b>Final Budget</b>
<b>EXPENDITURES</b>		
<b>General Support</b>		
Board of Education	\$ 18,861	\$ 23,175
Central administration	214,894	218,322
Finance	478,053	437,090
Staff	147,548	129,290
Central services	1,282,002	1,379,138
Special items	427,195	432,898
<b>Total General Support</b>	<b>2,568,553</b>	<b>2,619,913</b>
<b>Instruction</b>		
Instruction, administration, and improvement	736,978	808,299
Teaching - Regular school	4,715,299	4,579,950
Programs for children with handicapping conditions	2,314,477	2,182,320
Occupational education	452,500	530,211
Teaching - Special school	300	444
Instructional media	869,757	990,050
Pupil services	903,148	903,969
<b>Total Instruction</b>	<b>9,992,459</b>	<b>9,995,243</b>
Pupil transportation	911,727	1,311,177
Employee benefits	5,660,305	5,758,754
<b>Debt Service</b>		
Principal	2,581,169	2,756,169
Interest	860,831	513,696
<b>Total Debt Service</b>	<b>3,442,000</b>	<b>3,269,865</b>
<b>Total Expenditures</b>	<b>22,575,044</b>	<b>22,954,952</b>
<b>OTHER FINANCING USES</b>		
Operating transfers out	95,000	80,592
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 22,670,044</b>	<b>\$ 23,035,544</b>

Net Change in Fund Balance

Fund Balance - Beginning of Year

**Fund Balance - End of Year**

*See Independent Auditor's Report and Notes to Required Supplementary Information*

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 15,148	\$	\$ 8,027
215,159		3,163
408,998		28,092
127,591		1,699
1,254,511	5,040	119,587
430,320		2,578
2,451,727	5,040	163,146
769,704	400	38,195
4,494,735	15,804	69,411
1,925,293		257,027
508,058		22,153
444		-
970,277	2,797	16,976
881,543		22,426
9,550,054	19,001	426,188
848,881	360,680	101,616
5,521,046	-	237,708
2,756,169		-
513,674		22
3,269,843	-	22
21,641,551	384,721	928,680
80,592	-	-
21,722,143	\$ <b>384,721</b>	\$ <b>928,680</b>
188,122		
3,986,914		
\$ <b>4,175,036</b>		

# *SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT*

## **SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Service cost	\$ 2,142,857	\$ *	\$ *
Interest cost	1,379,415	*	*
Changes of benefit terms	(807,790)	*	*
Differences between expected and actual experience		*	*
Changes in assumptions or other inputs	(4,935,265)	*	*
Benefit payments	(995,555)	*	*
	(3,216,338)	*	*
Total OPEB liability - Beginning	45,595,173	*	*
<b>Total OPEB liability - Ending</b>	<b>\$ 42,378,835</b>	<b>\$ 45,595,173</b>	<b>\$ *</b>
Covered Employee Payroll	9,466,178	*	*
Total OPEB liability as a percentage of covered payroll	<b>448%</b>		

\* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed for each year going forward as it becomes available.

*See Independent Auditor's Report and Notes to Required Supplementary Information*



# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ <b>273,583</b>	\$ 315,479	\$ 259,940
Contributions in relation to the contractually required contribution	<b>(273,583)</b>	(315,479)	(259,940)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	<b>1,834,085</b>	1,670,654	1,562,385
Contributions as a percentage of covered - employee payroll	<b>15.0%</b>	18.9%	16.6%

## **SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ <b>687,109</b>	\$ 796,436	\$ 885,387
Contributions in relation to the contractually required contribution	<b>(687,109)</b>	(796,436)	(885,387)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	<b>7,011,316</b>	6,795,529	6,677,127
Contributions as a percentage of covered - employee payroll	<b>9.8%</b>	11.7%	13.3%

*See Independent Auditor's Report and Notes to Required Supplementary Information*

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 249,721	\$ 309,005	\$ 273,686	\$ 252,902	\$ 149,564	\$ 85,024	\$ 100,526
(249,721)	(309,005)	(273,686)	(252,902)	(149,564)	(85,024)	(100,526)
-	-	-	-	-	-	-
1,555,993	1,666,919	1,564,922	1,466,921	1,423,522	1,310,340	1,330,530
16.0%	18.5%	17.5%	17.2%	10.5%	6.5%	7.6%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,123,228	\$ 986,134	\$ 743,808	\$ 649,922	\$ 405,745	\$ 501,005	\$ 473,639
(1,123,228)	(986,134)	(743,808)	(649,922)	(405,745)	(501,005)	(473,639)
-	-	-	-	-	-	-
6,346,726	6,068,517	6,282,162	5,849,883	4,707,019	8,093,780	6,207,588
17.5%	16.3%	11.8%	11.1%	8.6%	6.2%	7.6%

# *SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT*

## SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	<b>0.0064521%</b>	0.0064327%	0.0059993%	0.0060733%
School District's proportionate share of the net pension (asset) liability	\$ <b>208,239</b>	\$ 604,438	\$ 962,904	205,170
School District's covered-employee payroll during the measurement period	<b>1,834,085</b>	1,670,654	1,542,085	1,560,629
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	<b>11.4%</b>	36.2%	62.4%	13.1%
Plan fiduciary net position as a percentage of the total pension (asset) liability	<b>98.2%</b>	94.7%	90.7%	97.9%

## SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	<b>0.043066%</b>	0.043271%	0.042251%	0.041082%
School District's proportionate share of the net pension (asset) liability	\$ <b>(327,343)</b>	\$ 463,449	\$ (4,388,567)	(4,576,327)
School District's covered-employee payroll during the measurement period	<b>6,795,529</b>	6,677,127	6,346,726	6,068,517
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	<b>(4.80%)</b>	6.94%	(69.15%)	(75.4%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	<b>(100.7%)</b>	99.0%	(110.5%)	(111.5%)

*See Independent Auditor's Report and Notes to Required Supplementary Information*



# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

### *Note 1* **Budgetary Procedures and Budgetary Accounting**

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

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

The following supplemental appropriations occurred during the year:

Adopted budget	\$ 22,552,424
Prior year encumbrances	<u>117,620</u>
Original budget	22,670,044
Budget revisions:	
Gifts and donations	500
Appropriation of fund balance for capital projects	<u>247,380</u>
<b>Final Budget</b>	<b>\$ <u>22,917,924</u></b>

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.

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

### *Note 2* **Reconciliation of the Budget Basis to GAAP**

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are shown in a separate column and are not included in the actual results at June 30, 2018.

### *Note 3* **Schedule of Changes in the School District's Total OPEB Liability and Related Ratios**

Changes of assumptions and other inputs reflect the effects of changes in changes in the discount rate each period. The following are the discount rates in each period:

2018 - 2.92%

2017 - 3.56%

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

**Note 4 Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability**  
The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

**Note 5 Schedules of the School District's Contributions - NYLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability**

### **NYSLRS**

#### **Changes in Benefit Terms**

There were no significant legislative changes in benefits.

#### **Changes in Assumptions**

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2017 actuarial valuation.

#### **Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The April 1, 2017 actuarial valuation determines the employer rates for contributions payable in fiscal year 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017**

***Note 5*** **Schedules of School District Contributions - NYLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

### **NYSTRS**

#### **Changes in Benefit Terms**

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

#### **Changes of Assumptions**

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and were first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2016 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017**

***Note 5***    **Schedules of School District Contributions - NYLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

**NYSTRS - Continued**

**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The actuarially determined contribution rates in the Schedule of School District's Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School District's Contributions.

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
Asset valuation method	Five-year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 3.0%.
Inflation	2.5%
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.
Projected cost of living adjustments	1.5% compounded annually

# *SPENCER VAN-ETTEN CENTRAL SCHOOL DISTRICT*

## SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2018

### CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 22,552,424
Prior year's encumbrances	117,620
	<u>22,670,044</u>
Gifts and donations	500
Appropriation of fund balance for capital projects	365,000
	<u>365,500</u>
Total Additions	<u>365,500</u>
<b>Final Budget</b>	<b>\$ <u><u>23,035,544</u></u></b>

### §1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter approved budget	\$ <u><u>21,728,527</u></u>
Maximum allowed (4% of 2018-2019 Budget)	\$ 869,141

General Fund fund balance Subject to § 1318 of Real Property Tax Law:

Unrestricted Fund Balance:	
Assigned fund balance	\$ 384,721
Unassigned fund balance	869,141
Total Unrestricted Fund Balance	<u>1,253,862</u>

Less:	
Encumbrances included in assigned fund balance	\$ (384,721)
Total Adjustments	<u>(384,721)</u>

**General Fund Fund Balance Subject to §1318 of Real Property Law** **\$ 869,141**

Actual Percentage 4.00%

*See Independent Auditor's Report*

# *SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT*

## SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2018

<b>PROJECT TITLE</b>	<b>Project Number</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Expenditures</b>		<b>Total</b>
				<b>Prior Years</b>	<b>Current Year</b>	
Maintenance Building	2019002	\$ 110,300	\$ 146,079	\$ 140,115	\$ 5,964	\$ 146,079
Bus Storage Maintenance	5002008	227,595	190,361	182,409	7,952	190,361
Senior High School	0010015	4,067,000	4,661,310	4,210,022	451,288	4,661,310
Spencer Middle School	0001015	2,739,500	2,366,799	2,265,059	101,740	2,366,799
Press Box/Concession Stand	7018002	74,000	38,951	38,459	492	38,951
Van Etten Elementary	0006013	828,700	879,106	829,918	49,188	879,106
<b>Total</b>		<b>\$ 8,047,095</b>	<b>\$ 8,282,606</b>	<b>\$ 7,665,982</b>	<b>\$ 616,624</b>	<b>\$ 8,282,606</b>

\*Architectural and State approved budget modifications for subproject reallocations not yet finalized and available at this report date.

*See Independent Auditor's Report*

<b>Unexpended Balance</b>	<b>Methods of Financing</b>			<b>Fund Balance June 30, 2018</b>	
	<b>Proceeds of Obligations</b>	<b>State Aid</b>	<b>Local Sources</b>		<b>Total</b>
\$ -	\$ 146,079	\$ -	\$ -	\$ 146,079	\$ -
-	190,361	-	-	190,361	-
-	4,261,310	-	400,000	4,661,310	-
-	2,366,799	-	-	2,366,799	-
-	38,951	-	-	38,951	-
-	879,106	-	-	879,106	-
<b>\$ -</b>	<b>\$ 7,882,606</b>	<b>\$ -</b>	<b>\$ 400,000</b>	<b>\$ 8,282,606</b>	<b>\$ -</b>

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

## SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net	\$ <u>33,651,922</u>
Add:	
Deferred charges on defeased debt	<u>145,659</u>
Deduct:	
Short-term portion of bonds payable	<u>(1,806,288)</u>
Long-term portion of bonds payable	<u>(15,007,997)</u>
Premium on bonds payable	<u>(187,232)</u>
<b>Net Investment in Capital Assets</b>	<b>\$ <u><u>16,796,064</u></u></b>

*See Independent Auditor's Report*



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

Board of Education  
Spencer-Van Etten Central School District  
Spencer, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Spencer-Van Etten Central School District (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 10, 2018.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 10, 2018



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

Board of Education  
Spencer-Van Etten Central School District  
Spencer, New York

**Report on Compliance for Each Major Federal Program**

We have audited Spencer-Van Etten Central School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

## Report on Internal Control over Compliance

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

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

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

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

Respectfully Submitted,



Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 10, 2018

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

<u>Federal Grantor/Pass -Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass -Through Grantor #</u>	<u>Pass-Through to Subrecipients</u>	<u>Expenditures</u>
<b>U.S. Department of Education</b>				
<b>Passed Through NYS Department of Education</b>				
Title I Grants to Local Educational Agencies	84.010	0021183350	\$	\$ 250,032
<b>Special Education Cluster:</b>				
Special Education - Grants to States	84.027	0032180978		226,223
Special Education - Preschool Grants	84.173	0033180978		11,799
<b>Total Special Education Cluster</b>				<u>238,022</u>
Improving Teacher Quality State Grants	84.367	0147183350		40,175
21st Century Community Learning Centers	84.287	0187187082		37,106
Title VI B - Rural Education Initiative	84.358B	0006173350		14,183
<b>Total U.S. Department of Education</b>				<u>579,518</u>
<b>U.S. Department of Agriculture</b>				
<b>Passed Through NYS Department of Education</b>				
<b>Child Nutrition Cluster:</b>				
Summer Food Program	10.559	006731		18,959
National School Lunch Program	10.555	006731		243,741
School Breakfast Program	10.553	006731		57,798
<b>Total Child Nutrition Cluster</b>				<u>320,498</u>
<b>Total U.S. Department of Agriculture</b>				<u>320,498</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$</b>	<b>\$ <u>900,016</u></b>

*See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards*

# ***SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT***

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

***Note 1***     **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

***Note 2***     **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

***Note 3***     **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the Federal financial reports used as the source for the data presented. The School District has not elected to use the 10% de minimus cost rate.

***Note 4***     **Matching Costs**

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

***Note 5***     **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2018, the School District received and used \$29,597 worth of commodities under the National School Lunch Program (CFDA #10.555).

***Note 6***     **Subrecipients**

No amounts were provided to subrecipients.

***Note 7***     **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

# SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

### Section I - Summary of Auditor's Results

#### *Financial Statements*

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

\_\_\_ yes  none reported

Noncompliance material to financial statements noted?

\_\_\_ yes  no

#### *Federal Awards*

Internal control over major programs:

Material weakness(es) identified?

\_\_\_ yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

\_\_\_ yes  no

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with § 200.516(a) of the Uniform Guidance?

\_\_\_ yes  no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555, 10.559

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk?

yes \_\_\_ no

### Section II - Financial Statement Findings

None

### Section III - Federal Award Findings and Questioned Costs

None