

HOLLEY CENTRAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2018

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

T A B L E O F C O N T E N T S

	Pages
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 13
 Basic Financial Statements:	
Statement of Net Position	14
Statement of Activities and Changes in Net Position	15
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities	18
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	19
 Notes to the Basic Financial Statements:	 20 - 47
 Required Supplementary Information:	
Schedule of Changes in District's Total OPEB Liability and Related Ratio (Unaudited)	48
Schedule of the District's Proportionate Share of the Net Pension Liability (Unaudited)	49
Schedule of District Contributions (Unaudited)	50
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund (Unaudited)	51 - 52
 Supplementary Information:	
Schedule of Change from Adopted Budget to Final Budget and Real Property Tax Limit - General Fund	53
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources	54
Combined Balance Sheet - Nonmajor Governmental Funds	55
Combined Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	56
Net Investment in Capital Assets	57
Schedule of Expenditures of Federal Awards	58
 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	 59 - 60

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Holley Central School District, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Holley Central School District, New York, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 Holley Central School District, New York, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and budgetary comparison information on pages 4–13 and 48–52 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 Holley Central School District, New York's basic financial statements. The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of the Holley Central School District, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holley Central School District, New York's internal control over financial reporting and compliance.

Rochester, New York
September 28, 2018

Raymond F. Wager, CPA, PC

Holley Central School District
Management's Discussion and Analysis
For the Fiscal 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, and/or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

At the close of the fiscal year, the total assets (what the district owns) exceeded its total liabilities (what the district owes) by \$16,546,370 (net position), a decrease of \$1,358,729 from the prior year.

General revenues, which include Property Taxes, Non Property Taxes, State and Federal Aid, Investment Earnings, Compensation for Loss, and Miscellaneous accounted for \$22,953,861, or 94% of all revenues. Program specific revenues in the form of Charges for Services and Operating Grants and Contributions accounted for \$1,442,956, or 6% of total revenues.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of (\$2,477,687), a decrease of \$6,836,404 in comparison with the prior year.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains individual fund statements and schedules in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales, general administrative support, community service, and interest on long-term debt.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

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

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

The School District maintains four individual governmental funds; the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, and the capital projects fund, which are reported as major funds. Data for the special aid fund and the school lunch fund are aggregated into a single column and reported as non-major funds.

The School District adopts and voters approve an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.

The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity which accounts for assets held by the School District on behalf of others. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statement section of this report.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statement section of this report.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all 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 government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and facilities must also be considered to assess the District's overall health.

All of the District's services are reported in the government-wide financial statements as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, federal and state aid, and investment earnings finance most of these activities.

Financial Analysis of the School District as a Whole

Net Position

The District's combined net position was smaller on June 30, 2018 than the year before, decreasing 8% to \$16,546,370, as shown in the table below.

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2018</u>	<u>2017</u>	<u>Variance</u>
<u>ASSETS:</u>			
Current and Other Assets	\$ 6,345,102	\$ 6,171,882	\$ 173,220
Capital Assets	39,311,961	34,766,750	4,545,211
Total Assets	\$ 45,657,063	\$ 40,938,632	\$ 4,718,431
<u>DEFERRED OUTFLOW OF RESOURCES:</u>			
Deferred Outflow of Resources	\$ 6,037,080	\$ 6,001,037	\$ 36,043
<u>LIABILITIES:</u>			
Long-Term Debt Obligations	\$ 24,405,313	\$ 26,612,687	\$ (2,207,374)
Other Liabilities	8,687,304	1,931,562	6,755,742
Total Liabilities	\$ 33,092,617	\$ 28,544,249	\$ 4,548,368
<u>DEFERRED INFLOW OF RESOURCES:</u>			
Deferred Inflow of Resources	\$ 2,055,156	\$ 490,321	\$ 1,564,835
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 14,347,065	\$ 14,642,692	\$ (295,627)
Restricted For:			
Unemployment Insurance Reserve	711,697	711,697	-
Accrued Benefit Liability Reserve	929,717	929,717	-
Other Purposes	836,190	1,156,525	(320,335)
Unrestricted	(278,299)	464,468	(742,767)
Total Net Position	\$ 16,546,370	\$ 17,905,099	\$ (1,358,729)

The District's financial position is the product of many factors.

By far, the largest component of the School District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

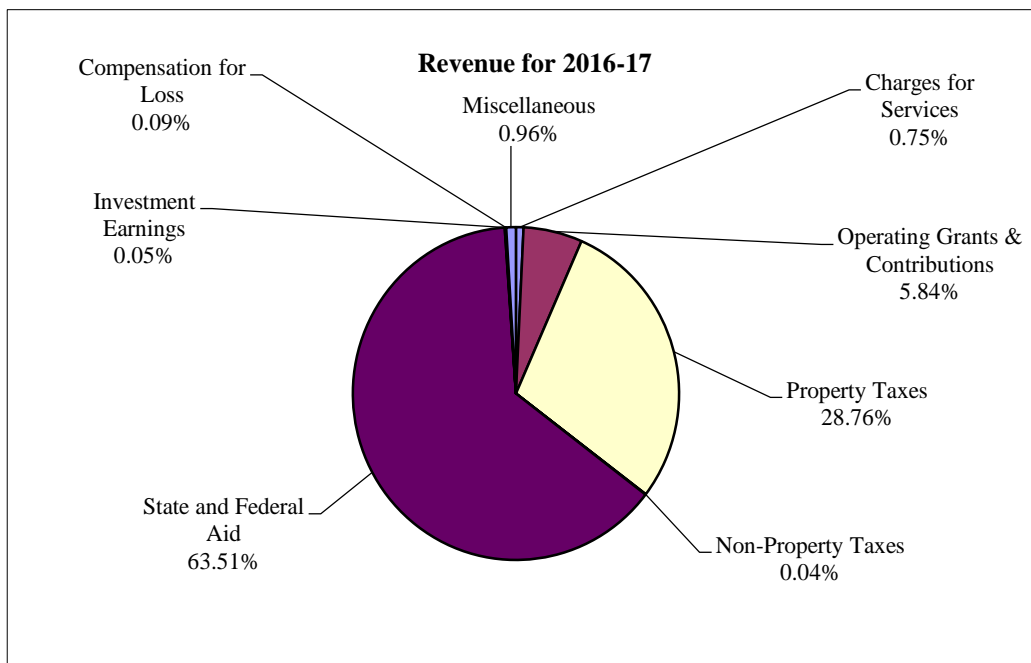
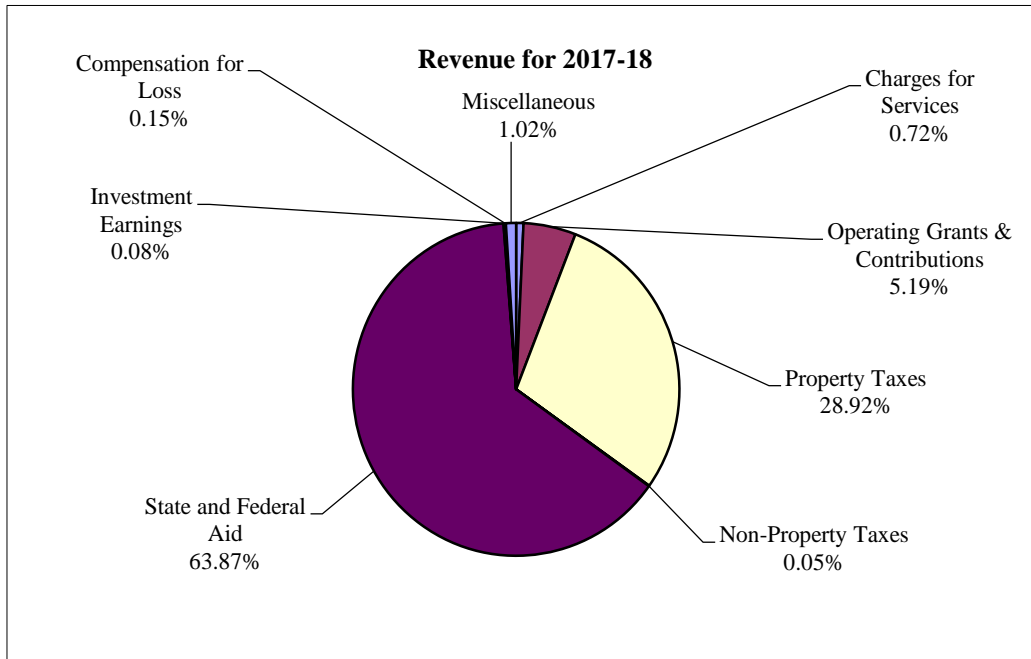
There are three restricted net position balances, Unemployment Insurance Reserve, Accrued Benefit Liability Reserve, and Other Purposes. The remaining balance of unrestricted net position was a deficit of \$278,299.

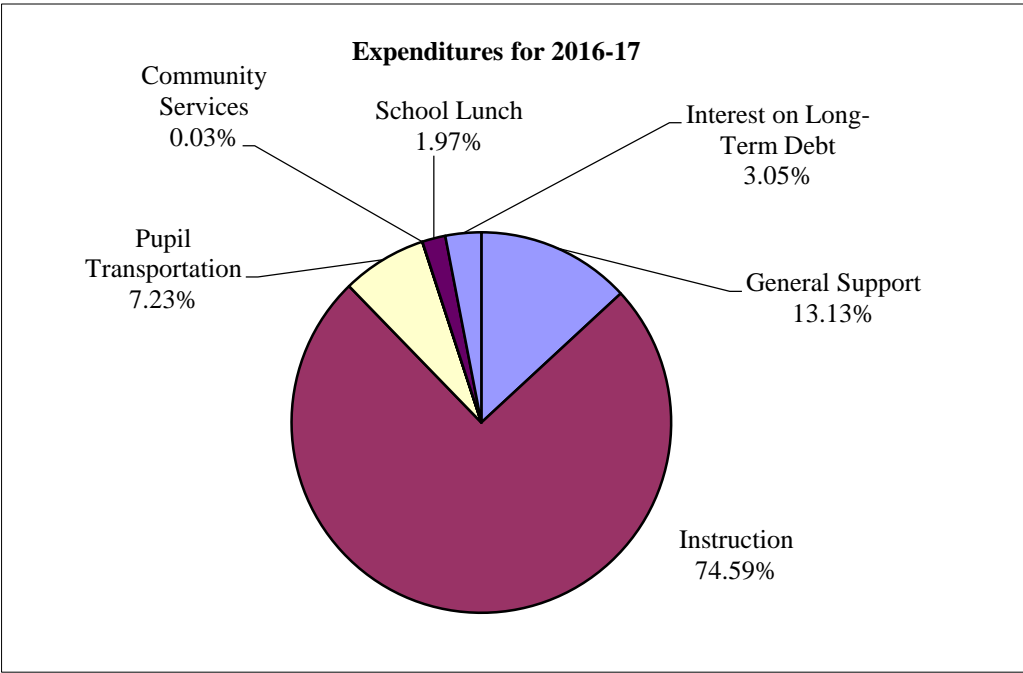
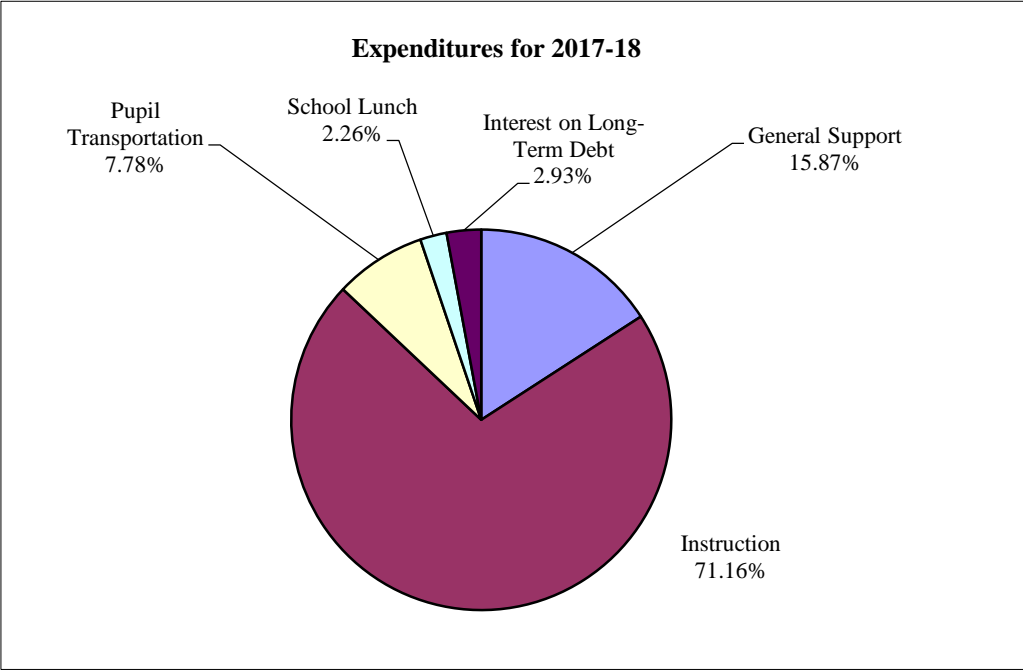
Changes in Net Position

The District's total revenue decreased to \$24,396,817. State and federal aid (64%) and property taxes (29%) accounted for most of the District's revenue. The remaining 7% of the revenue comes from operating grants, charges for services, non property taxes, investment earnings, compensation for loss, and miscellaneous revenues.

The total cost of all the programs and services increased 5% to \$25,755,546. The District's expenses are predominately related to education and caring for the students, or Instruction (71%). General support, which included expenses associated with the operation, maintenance and administration of the District, accounted for 16% of the total costs. See table below:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2018</u>	<u>2017</u>	<u>Variance</u>
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Services	\$ 176,652	\$ 182,914	\$ (6,262)
Operating Grants & Contributions	1,266,304	1,427,765	(161,461)
Total Program	<u>\$ 1,442,956</u>	<u>\$ 1,610,679</u>	<u>\$ (167,723)</u>
<u>General -</u>			
Property Taxes	\$ 7,055,341	\$ 7,037,413	\$ 17,928
Non Property Taxes	13,411	10,414	2,997
State and Federal Aid	15,582,575	15,539,031	43,544
Investment Earnings	20,413	12,824	7,589
Compensation for Loss	37,240	22,819	14,421
Miscellaneous	244,881	233,838	11,043
Total General	<u>\$ 22,953,861</u>	<u>\$ 22,856,339</u>	<u>\$ 97,522</u>
TOTAL REVENUES	<u>\$ 24,396,817</u>	<u>\$ 24,467,018</u>	<u>\$ (70,201)</u>
<u>EXPENSES:</u>			
General Support	\$ 4,088,687	\$ 3,222,044	\$ 866,643
Instruction	18,326,752	18,299,898	26,854
Pupil Transportation	2,003,987	1,774,457	229,530
Community Services	-	5,000	(5,000)
School Lunch	581,225	484,494	96,731
Interest on Long-Term Debt	754,895	747,906	6,989
TOTAL EXPENSES	<u>\$ 25,755,546</u>	<u>\$ 24,533,799</u>	<u>\$ 1,221,747</u>
DECREASE IN NET POSITION	<u>\$ (1,358,729)</u>	<u>\$ (66,781)</u>	<u>\$ (1,291,948)</u>





Financial Analysis of the School District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of (\$2,477,687), which is less than last year's ending fund balance of \$4,358,717.

The General Fund is the chief operating fund of the District. At the end of the current year, the total fund balance of the General Fund was \$4,324,820. Fund balance for the General Fund decreased by \$121,568 compared with the prior year. See table below:

<u>General Fund Balances:</u>	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Restricted	\$ 2,477,604	\$ 2,413,864	\$ 63,740
Assigned	870,469	1,052,524	(182,055)
Unassigned	976,747	980,000	(3,253)
Total General Fund Balances	<u>\$ 4,324,820</u>	<u>\$ 4,446,388</u>	<u>\$ (121,568)</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$81,479. This change is attributable to \$76,479 of carryover encumbrances from the 2016-17 school year and \$5,000 for a grant.

The key factors for budget variances in the general fund are listed below along with explanations for each.

	Budget Variance Amended Vs. Actual	
Revenue Items:		Explanation for Budget Variance
State Sources	(\$611,418)	Budgeted state sources were overstated in the transportation and BOCES aid areas
Expenditure Items:		Explanation for Budget Variance
Employee Benefits	\$591,858	Budgeted expenditures were overstated primarily in the health insurance and teacher retirement system

Capital Asset and Debt Administration

Capital Assets

By the end of the 2017-18 fiscal year, the District had invested \$39,311,961 in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below:

	<u>2018</u>	<u>2017</u>
Land	\$ 137,000	\$ 137,000
Work in Progress	8,442,194	2,165,815
Buildings and Improvements	28,329,725	30,086,301
Machinery and Equipment	2,403,042	2,377,634
Total	<u>\$ 39,311,961</u>	<u>\$ 34,766,750</u>

Long-Term Debt

At year-end, the District had \$24,405,313 in general obligation bonds and other long-term debt outstanding as follows:

<u>Type</u>	<u>2018</u>	<u>2017</u>
Serial Bonds	\$ 18,055,000	\$ 19,505,000
Net Pension Liability	256,540	1,299,604
OPEB	2,657,717	2,534,350
Compensated Absences	3,436,056	3,273,733
Total Long-Term Obligations	<u>\$ 24,405,313</u>	<u>\$ 26,612,687</u>

Factors Bearing on the District's Future

The District continues to be concerned with revenue limitations such as the Property Tax Cap and State Aid that will impact future budgets with programming and staffing.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Holley Central School District
3800 North Main Street
Holley, New York 14470

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Net Position

June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,527,351
Accounts receivable	1,413,899
Inventories	13,048
Net pension asset	390,804
Capital Assets:	
Land	137,000
Work in progress	8,442,194
Other capital assets (net of depreciation)	30,732,767
TOTAL ASSETS	\$ 45,657,063
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	\$ 6,037,080
LIABILITIES	
Accounts payable	\$ 62,968
Accrued liabilities	344,071
Unearned revenues	17,058
Due to teachers' retirement system	819,018
Due to employees' retirement system	90,589
Bond anticipation notes payable	7,353,600
Long-Term Obligations:	
Due in one year	2,339,014
Due in more than one year	22,066,299
TOTAL LIABILITIES	\$ 33,092,617
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	\$ 2,055,156
NET POSITION	
Net investment in capital assets	\$ 14,347,065
Restricted For:	
Unemployment insurance reserve	711,697
Accrued benefit liability reserve	929,717
Other purposes	836,190
Unrestricted	(278,299)
TOTAL NET POSITION	\$ 16,546,370

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Activities and Changes in Net Position

For Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
<u>Primary Government -</u>				
General support	\$ 4,088,687	\$ -	\$ -	\$ (4,088,687)
Instruction	18,326,752	59,559	879,209	(17,387,984)
Pupil transportation	2,003,987	-	-	(2,003,987)
School lunch	581,225	117,093	387,095	(77,037)
Interest	754,895	-	-	(754,895)
Total Primary Government	\$ 25,755,546	\$ 176,652	\$ 1,266,304	\$ (24,312,590)
General Revenues:				
Property taxes				\$ 7,055,341
Non property taxes				13,411
State and federal aid				15,582,575
Investment earnings				20,413
Compensation for loss				37,240
Miscellaneous				244,881
Total General Revenues				\$ 22,953,861
Changes in Net Position				\$ (1,358,729)
Net Position, Beginning of Year				17,905,099
Net Position, End of Year				\$ 16,546,370

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2018

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,736,335	\$ 626,217	\$ 164,799	\$ 4,527,351
Receivables	1,023,271	-	390,628	1,413,899
Inventories	-	-	13,048	13,048
Due from other funds	620,108	-	-	620,108
TOTAL ASSETS	\$ 5,379,714	\$ 626,217	\$ 568,475	\$ 6,574,406
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u> -				
Accounts payable	\$ 56,535	\$ 6,433	\$ -	\$ 62,968
Accrued liabilities	88,752	-	-	88,752
Notes payable - bond anticipation notes	-	7,353,600	-	7,353,600
Due to other funds	-	157,302	462,806	620,108
Due to TRS	819,018	-	-	819,018
Due to ERS	90,589	-	-	90,589
Unearned revenue	-	-	17,058	17,058
TOTAL LIABILITIES	\$ 1,054,894	\$ 7,517,335	\$ 479,864	\$ 9,052,093
<u>Fund Balances</u> -				
Nonspendable	\$ -	\$ -	\$ 13,048	\$ 13,048
Restricted	2,477,604	18,778	-	2,496,382
Assigned	870,469	-	75,563	946,032
Unassigned	976,747	(6,909,896)	-	(5,933,149)
TOTAL FUND BALANCE	\$ 4,324,820	\$ (6,891,118)	\$ 88,611	\$ (2,477,687)
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,379,714	\$ 626,217	\$ 568,475	

**Amounts reported for governmental activities in the
Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. 39,311,961

Interest is accrued on outstanding bonds in the statement of net position
but not in the funds. (255,319)

The following long-term obligations are not due and payable in the
current period and therefore are not reported in the governmental funds:

Serial bonds payable	(18,055,000)
OPEB	(2,657,717)
Compensated absences	(3,436,056)
Net pension asset	390,804
Deferred outflow - pension	5,931,678
Deferred outflow - OPEB	105,402
Net pension liability	(256,540)
Deferred inflow - pension	(1,931,343)
Deferred inflow - OPEB	(123,813)

Net Position of Governmental Activities **\$ 16,546,370**

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Real property taxes and tax items	\$ 7,055,341	\$ -	\$ -	\$ 7,055,341
Non-property taxes	13,411	-	-	13,411
Charges for services	59,559	-	-	59,559
Use of money and property	20,413	-	-	20,413
Sale of property and compensation for loss	37,240	-	-	37,240
Miscellaneous	244,881	-	-	244,881
State sources	15,546,138	-	261,036	15,807,174
Federal sources	36,437	-	1,005,268	1,041,705
Sales	-	-	117,093	117,093
TOTAL REVENUES	\$ 23,013,420	\$ -	\$ 1,383,397	\$ 24,396,817
EXPENDITURES				
General support	\$ 2,877,785	\$ -	\$ -	\$ 2,877,785
Instruction	11,165,773	-	848,880	12,014,653
Pupil transportation	1,147,938	395,009	46,578	1,589,525
Employee benefits	5,383,282	-	11,909	5,395,191
Debt service - principal	1,587,658	-	-	1,587,658
Debt service - interest	617,973	-	-	617,973
Cost of sales	-	-	52,160	52,160
Other expenses	-	-	505,107	505,107
Capital outlay	-	6,730,827	-	6,730,827
TOTAL EXPENDITURES	\$ 22,780,409	\$ 7,125,836	\$ 1,464,634	\$ 31,370,879
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 233,011	\$ (7,125,836)	\$ (81,237)	\$ (6,974,062)
OTHER FINANCING SOURCES (USES)				
Transfers - in	\$ -	\$ 332,043	\$ 22,536	\$ 354,579
Transfers - out	(354,579)	-	-	(354,579)
BAN's redeemed from appropriations	-	137,658	-	137,658
TOTAL OTHER FINANCING SOURCES (USES)	\$ (354,579)	\$ 469,701	\$ 22,536	\$ 137,658
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (121,568)	\$ (6,656,135)	\$ (58,701)	\$ (6,836,404)
FUND BALANCE, BEGINNING OF YEAR	4,446,388	(234,983)	147,312	4,358,717
FUND BALANCE, END OF YEAR	\$ 4,324,820	\$ (6,891,118)	\$ 88,611	\$ (2,477,687)

(See accompanying notes to financial statements)

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For Year Ended June 30, 2018

NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS

\$ (6,836,404)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:

Capital Outlay	\$ 6,730,827	
Additions to Assets, Net	22,396	
Depreciation	<u>(2,208,012)</u>	
		4,545,211

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities:

Debt Repayments	\$ 1,587,658	
Proceeds from BAN Redemption	<u>(137,658)</u>	
		1,450,000

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (136,922)

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (38,096)

(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds

Teachers' Retirement System	(214,751)
Employees' Retirement System	34,556

In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences	<u>(162,323)</u>
----------------------	------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (1,358,729)

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2018

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 15,449	\$ 60,038
Investments	-	2,348
TOTAL ASSETS	\$ 15,449	\$ 62,386
LIABILITIES		
Accounts payable	\$ -	\$ 205
Extraclassroom activity balances	-	54,164
Other liabilities	-	8,017
TOTAL LIABILITIES	\$ -	\$ 62,386
NET POSITION		
Restricted for scholarships	\$ 15,449	
TOTAL NET POSITION	\$ 15,449	

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 9,100
Investment earnings	9
TOTAL ADDITIONS	\$ 9,109
DEDUCTIONS	
Scholarships and donations	\$ 10,426
TOTAL DEDUCTIONS	\$ 10,426
CHANGE IN NET POSITION	\$ (1,317)
NET POSITION, BEGINNING OF YEAR	16,766
NET POSITION, END OF YEAR	\$ 15,449

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2018

I. Summary of Significant Accounting Policies

The financial statements of the Holley Central School District, New York (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Holley Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

1. Extraclassroom Activity Funds

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

B. Joint Venture

The District is a component of the Monroe II BOCES. The BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

(I.) (Continued)

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

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

During the year, the District was billed \$3,345,277 for BOCES administrative and program costs and \$332,043 for the BOCES CIP.

The District's share of BOCES aid amounted to \$1,423,321.

Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

1. Districtwide Statements

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

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

2. Fund Statements

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

(I.) (Continued)

The District reports the following governmental funds:

a. **Major Governmental Funds**

General Fund - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Capital Projects Fund - Used to account for the acquisition construction or major repair of capital facilities and bus purchases.

b. **Nonmajor Governmental** - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

School Lunch Fund - Used to account for transactions of the District's lunch, breakfast and milk programs.

Special Aid Fund - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

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

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

D. **Measurement Focus and Basis of Accounting**

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

(I.) (Continued)

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

The 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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

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

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 21, 2017. Taxes are collected during the period September 1, 2017 to October 31, 2017.

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

(I.) (Continued)

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

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

H. Estimates

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

I. Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

New York State Law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. 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.

J. Receivables

Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventory and Prepaid Items

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

(I.) (Continued)

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

A non-spendable fund balance for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Capital Assets

In the District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	SL	15-50 Years
Machinery and Equipment	\$ 5,000	SL	5-25 Years

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.

M. Unearned Revenue

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

(I.) (Continued)

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect on the net changes of assumptions or other inputs.

O. Vested Employee Benefits

1. 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.

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

(I.) (Continued)

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

In the funds 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.

P. Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits may be shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q. Short-Term Debt

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

R. Accrued Liabilities and Long-Term Obligations

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

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

S. Equity Classifications

1. District-Wide Statements

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

(I.) (Continued)

a. **Net Investment in Capital Assets** - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

On the Statement of Net Position the following balances represent the restricted for other purposes:

	<u>Total</u>
Repair reserve	\$ 275,049
Insurance reserve	247,962
Debt service reserve	63,740
Workers' compensation reserve	242,640
Tax certiorari	<u>6,799</u>
Total Net Position - Restricted for Other Purposes	<u><u>\$ 836,190</u></u>

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

2. **Fund Statements**

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

a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes:

	<u>Total</u>
Inventory in school lunch	\$ 13,048
Total Nonspendable Fund Balance	<u><u>\$ 13,048</u></u>

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

Employee Benefit Accrued Liability Reserve - According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Insurance Reserve - According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriation, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

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

Tax Certiorari Reserve - According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari claims 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 proceeding 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.

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

(I.) (Continued)

Workers' Compensation Reserve - According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

Reserve for Debt Service - According to General Municipal Law §6-1, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund and the School Lunch Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balances include the following:

General Fund -

Employee Benefit Accrued Liability	\$ 929,717
Insurance	247,962
Repairs	275,049
Debt Service	63,740
Tax Certiorari	6,799
Unemployment Insurance	711,697
Workers' Compensation	242,640

Capital Fund -

Capital Projects	18,778
Total Restricted Funds	\$ 2,496,382

- c. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2018.

(I.) (Continued)

d. **Assigned Fund Balance** – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the District’s purchasing agent through their authorization of a purchase order prior to year end. The District assignment is based on the functional level of expenditures.

Management has determined that amounts in excess of \$35,000 are considered significant encumbrances. There were no significant encumbrances at year end.

Assigned fund balances include the following:

General Fund-Encumbrances	\$ 25,469
General Fund-Appropriated for Taxes	845,000
School Lunch Fund-Year End Equity	75,563
Total Assigned Fund Balance	<u>\$ 946,032</u>

e. **Unassigned Fund Balance** – Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the school district and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

3. **Order of Use of Fund Balance**

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

T. **New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2018, the District implemented the following new standards issued by GASB:

GASB has issued Statement 85, *Omnibus 2017*.

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*.

U. **Future Changes in Accounting Standards**

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, which will be effective for reporting periods beginning after June 15, 2018.

GASB has issued Statement 84, *Fiduciary Activities*, which will effective for the periods beginning after December 15, 2018.

(I.) (Continued)

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after December 15, 2019.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for reporting periods beginning after December 15, 2019.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting periods beginning after December 15, 2019

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

II. Stewardship, Compliance and Accountability

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations established by 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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the 2017-18 fiscal year, the budget was amended \$5,000 for a grant, and \$76,479 for carryover encumbrances from the prior year.

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

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

B. Encumbrances

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

(II.) (Continued)

C. Deficit Fund Balance – Capital Projects Fund

The Capital Projects Fund had a deficit fund balance of \$6,891,118 at June 30, 2018, which is a result of bond anticipation notes which are used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the notes are replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

III. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	2,130,870
Collateralized within Trust department or agent	1,994,545
Total	<u><u>\$ 4,125,415</u></u>

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$2,496,382 within the governmental funds and \$15,449 in the fiduciary funds.

IV. Receivables

Receivables at June 30, 2018 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	
Accounts Receivable	\$ 13,592	\$ -	\$ 572	\$ 14,164
Due From State and Federal	-	369,880	20,176	390,056
Due From Other Governments	1,009,679	-	-	1,009,679
Total	<u><u>\$ 1,023,271</u></u>	<u><u>\$ 369,880</u></u>	<u><u>\$ 20,748</u></u>	<u><u>\$ 1,413,899</u></u>

District management has deemed the amounts to be fully collectible.

V. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2018 were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 620,108	\$ -	\$ -	\$ 354,579
Special Aid Fund	-	406,661	22,536	-
School Lunch Fund	-	56,145	-	-
Capital Projects Fund	-	157,302	332,043	-
Total government activities	<u>\$ 620,108</u>	<u>\$ 620,108</u>	<u>\$ 354,579</u>	<u>\$ 354,579</u>

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

VI. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
<u>Governmental Activities:</u>				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 137,000	\$ -	\$ -	\$ 137,000
Work in progress	2,165,815	6,730,827	(454,448)	8,442,194
<i>Total Nondepreciable</i>	<u>\$ 2,302,815</u>	<u>\$ 6,730,827</u>	<u>\$ (454,448)</u>	<u>\$ 8,579,194</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 45,670,148	\$ -	\$ -	\$ 45,670,148
Machinery and equipment	5,056,411	504,822	(376,661)	5,184,572
<i>Total Depreciated Assets</i>	<u>\$ 50,726,559</u>	<u>\$ 504,822</u>	<u>\$ (376,661)</u>	<u>\$ 50,854,720</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ 15,583,847	\$ 1,756,576	\$ -	\$ 17,340,423
Machinery and equipment	2,678,777	451,436	(348,683)	2,781,530
<i>Total accumulated depreciation</i>	<u>\$ 18,262,624</u>	<u>\$ 2,208,012</u>	<u>\$ (348,683)</u>	<u>\$ 20,121,953</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 32,463,935</u>	<u>\$ (1,703,190)</u>	<u>\$ (27,978)</u>	<u>\$ 30,732,767</u>
Total Capital Assets	<u><u>\$ 34,766,750</u></u>	<u><u>\$ 5,027,637</u></u>	<u><u>\$ (482,426)</u></u>	<u><u>\$ 39,311,961</u></u>

Depreciation expense for the period was charged to functions/programs as follows:

<u>Governmental Activities:</u>	
General government support	\$ 230,397
Instruction	1,684,782
Pupil transportation	290,029
School lunch	2,804
Total Depreciation Expense	<u><u>\$ 2,208,012</u></u>

VII. Short-Term Debt

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

<u>Type</u>	<u>Purpose</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance 7/1/2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/2018</u>
BAN	Project	2019	2.50%	\$ -	\$ 6,375,000	\$ -	\$ 6,375,000
BAN	Equipment	2019	1.48%	-	978,600	-	978,600
BAN	Buses	2018	1.24%	619,658	-	619,658	-
Total Short-Term Debt				\$ 619,658	\$ 7,353,600	\$ 619,658	\$ 7,353,600

A summary of the short-term interest expense for the year is as follows:

Interest paid	\$ 7,663
<u>Less: interest accrued in the prior year</u>	<u>(6,681)</u>
<u>Plus: interest accrued in the current year</u>	<u>151,360</u>
Total interest expense	\$ 152,342

VIII. Long-Term Debt Obligations

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

<u>Governmental Activities:</u>	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>	<u>Due Within One Year</u>
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 19,505,000	\$ -	\$ 1,450,000	\$ 18,055,000	\$ 1,480,000
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 1,299,604	\$ -	\$ 1,043,064	\$ 256,540	\$ -
OPEB	2,534,350	123,367	-	2,657,717	-
Compensated Absences	3,273,733	162,323	-	3,436,056	859,014
Total Other Liabilities	\$ 7,107,687	\$ 285,690	\$ 1,043,064	\$ 6,350,313	\$ 859,014
Total Long-Term Obligations	\$ 26,612,687	\$ 285,690	\$ 2,493,064	\$ 24,405,313	\$ 2,339,014

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

(VIII.) (Continued)

Existing serial and statutory bond obligations:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 6/30/2018</u>
<u>Serial Bonds</u> -				
Building project	2010	2025	3.00%-3.60%	\$ 2,000,000
Building project	2012	2029	3.25%-3.50%	11,745,000
Bus garage & reconstruction	2014	2034	1.50%-3.25%	4,310,000
Total Serial Bonds				<u>\$ 18,055,000</u>

The following is a summary of debt service requirements:

	<u>Serial Bonds</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,480,000	\$ 567,621
2020	1,520,000	524,046
2021	1,560,000	479,309
2022	1,635,000	433,359
2023	1,675,000	383,621
2024-28	8,180,000	1,125,931
2029-33	1,865,000	128,587
2034	140,000	4,550
Total	<u>\$ 18,055,000</u>	<u>\$ 3,647,024</u>

Interest on long-term debt for June 30, 2018 was composed of:

Interest paid	\$ 610,310
<u>Less:</u> interest accrued in the prior year	(111,716)
<u>Plus:</u> interest accrued in the current year	103,959
Total interest expense	<u>\$ 602,553</u>

IX. Deferred Inflows/Outflows of Resources

The following is a summary of the deferred inflows/outflows of resources:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Pension	\$ 1,931,343	\$ 5,931,678
OPEB	123,813	105,402
Total	<u>\$ 2,055,156</u>	<u>\$ 6,037,080</u>

X. Pension Plans

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B. Provisions and Administration

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

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

C. Funding Policies

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

(X.) (Continued)

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, 2018:

<u>Contributions</u>	<u>ERS</u>	<u>TRS</u>
2018	\$ 359,841	\$ 819,018

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

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

Measurement date	March 31, 2018	June 30, 2017
Net pension assets/(liability)	\$ 256,540	\$ (390,804)
District's portion of the Plan's total net pension asset/(liability)	0.0079487%	0.051415%

For the year ended June 30, 2018, the District recognized pension expenses of \$330,307 for ERS and \$989,083 for TRS. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expensed and actual experience	\$ 91,500	\$ 321,535	\$ 75,612	\$ 152,370
Changes of assumptions	170,107	3,976,502	-	-
Net difference between projected and actual earnings on pension plan investments	372,605	-	735,484	920,455
Changes in proportion and differences between the District's contributions and proportionate share of contributions	72,887	61,686	8,126	39,296
Subtotal	\$ 707,099	\$ 4,359,723	\$ 819,222	\$ 1,112,121
District's contributions subsequent to the measurement date	90,589	774,267	-	-
Grand Total	\$ 797,688	\$ 5,133,990	\$ 819,222	\$ 1,112,121

(X.) (Continued)

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2018	\$ -	\$ 96,993
2019	75,080	1,058,617
2020	62,283	759,428
2021	(172,885)	193,456
2022	(76,601)	757,237
Thereafter	-	381,871
Total	\$ (112,123)	\$ 3,247,602

E. Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%
COLA's	1.30%	1.50%

For ERS, annuitant mortality rates are based on Society of Actuaries Scale MP-2014 System's experience with adjustments for mortality improvements based on MP-2018. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

(X.) (Continued)

Long Term Expected Rate of Return		
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
<u>Asset Type -</u>		
Domestic equity	4.55%	5.90%
International equity	6.35%	7.40%
Private equity	7.50%	0.00%
Real estate	5.55%	4.30%
Absolute return strategies *	3.75%	0.00%
Opportunistic portfolios	5.68%	0.00%
Real assets	5.29%	0.00%
Bonds and mortgages	1.31%	2.80%
Cash	-0.25%	0.00%
Inflation-indexed bonds	1.25%	0.00%
Alternative investments	0.00%	9.00%
Domestic fixed income securities	0.00%	1.60%
Global fixed income securities	0.00%	1.30%
Short-term	0.00%	0.60%

F. Discount Rate

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

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

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

(X.) (Continued)

<u>ERS</u>	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the net pension asset (liability)	\$ (1,941,054)	\$ (256,540)	\$ 1,168,491

<u>TRS</u>	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset (liability)	\$ (6,732,387)	\$ 390,804	\$ 6,356,122

H. 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:

	(In Thousands)	
	<u>ERS</u>	<u>TRS</u>
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
Employers' net pension asset/(liability)	<u>\$ (3,227,445)</u>	<u>\$ 760,099</u>
Ratio of plan net position to the employers' total pension asset/(liability)	98.24%	100.66%

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$90,589

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 \$819,018.

XI. Postemployment Benefits

A. General Information About the OPEB Plan

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

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

Employees Covered by Benefit Terms – At March 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	99
Active Employees	208
Total	307

B. Total OPEB Liability

The District’s total OPEB liability of \$2,657,717 was measured as of March 31, 2018, and was determined by an actuarial valuation as of that date.

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:

Inflation	2.2 percent
Salary Increases	3.31 percent, average, including inflation
Discount Rate	3.61 percent
Healthcare Cost Trend Rates	Initial rate of 5.6 percent decreasing to an ultimate rate of 3.8 percent after 2050
Retirees' Share of Benefit-Related Costs	Varies between 50 percent and 100 percent depending on contract

The discount rate was based on tax exempt, high quality 20-year tax exempt general obligation municipal bond yield or index rate.

Mortality rates were based on the 2015 New York Teachers Retirement System mortality base rates for service and deferred annuitants and beneficiaries, fully generational using Mortality Improvement Scale MP-2017 for retirees and surviving spouses.

(XI.) (Continued)

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	\$ 2,534,350
<u>Changes for the Year -</u>	
Service cost	\$ 52,374
Interest	94,126
Changes of benefit terms	(16,276)
Differences between expected and actual experience	27,547
Changes in assumptions or other inputs	75,324
Benefit payments	(109,728)
Net Changes	<u>\$ 123,367</u>
Balance at June 30, 2018	<u>\$ 2,657,717</u>

Effective July 1, 2018 medical plan offerings changed.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.8% effective July 1, 2017 and 3.61% effective June 30, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.8%) or 1 percentage-point higher (4.8%) than the current discount rate:

	1% Decrease	Discount	1% Increase
	<u>(2.61%)</u>	<u>Rate</u>	<u>(4.61%)</u>
		<u>(3.61%)</u>	
Total OPEB Liability	\$ 3,072,821	\$ 2,657,717	\$ 2,325,496

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – Healthcare costs can be subject to considerable volatility over time. The following exhibit demonstrates the effect on liabilities of a 1% change in healthcare cost trend rates.

	1% Decrease	Healthcare	1% Increase
	<u>(5.20%</u>	Cost Trend Rates	<u>(7.20%</u>
	<u>Decreasing</u>	<u>(6.20%</u>	<u>Decreasing</u>
	<u>to 3.17%)</u>	<u>Decreasing</u>	<u>to 5.17%)</u>
		<u>to 4.17%)</u>	
Total OPEB Liability	\$ 2,565,933	\$ 2,657,717	\$ 2,764,400

(XI.) (Continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$152,054. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expensed and actual experience	\$ 28,620	\$ -
Changes of assumptions	49,350	123,813
Subtotal	\$ 77,970	\$ 123,813
Contributions after measurement date	27,432	-
Grand Total	\$ 105,402	\$ 123,813

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

<u>Year</u>	
2019	\$ 21,830
2020	18,282
2021	(13,643)
2022	(13,643)
2023	(13,643)
Thereafter	(45,026)
Total	\$ (45,843)

XII. Risk Management

A. General Information

The District is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

(XII.) (Continued)

B. Health Plan

The District incurs costs related to the Orleans-Niagara Experience Rated Health Insurance Group Plan (Plan) sponsored by the Orleans-Niagara Board of Cooperative Educational Services and its component districts. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage. Membership in the Plan may be offered to only public school districts and BOCES served by Blue Cross/Blue Shield of Western New York or by any other health or medical insurance organizations as determined by the Board of Governors. There is a required waiting period of one year from request of enrollment to actual enrollment date. Also, during the year prior to requested membership acceptance the new members experience rating should equal or better the experience rating of the group as then constituted.

Voluntary withdrawal from the Plan is subject to the following constraints:

1. If the member's experience rating is better than the group as a whole, upon one year's written notice and at the anniversary date of membership or
2. If the member's experience rating is below that of the group as a whole, upon one month's written notice.

Plan members include Orleans-Niagara BOCES and nine districts with the Holley Central School District bearing an equal and proportionate share of the Plan's assets and claim liabilities. Pursuant to the Municipal Cooperative Agreement as signed by the participants, the Plan is a risk sharing pool and all monies paid to the Treasurer shall be pooled and administered as a common fund. No refunds shall be made to a participant and no assessment shall be charged to a participant other than the annual premium equivalent. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

The Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid within any fiscal year.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2018, the District incurred premiums or contribution expenditures totaling \$3,285,237.

(XII.) (Continued)

C. Workers' Compensation

The District incurs costs related to the Rochester Area School Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services, Second Supervisory District of Monroe and Orleans Counties and its component districts. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the Monroe #1 and Monroe #2 BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of two BOCES and seventeen districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments are charged to a participant other than the annual premium equivalent. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported.

Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2018, the District incurred premiums or contribution expenditures totaling \$140,259.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2017, revealed that the Plan was underfunded.

(XII.) (Continued)

D. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2017-18 fiscal year totaled \$12,324. The balance of the fund at June 30, 2018 was \$711,697 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2018, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XIII. Commitments and Contingencies

A. Litigation

There are pending claims filed against the District for which the outcome and any potential liability cannot be determined at this time.

B. Grants

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

XIV. Tax Abatement

The County of Orleans IDA, and the District enter into various property tax abatement programs for the purpose of Economic Development. As a result the District property tax revenue was reduced \$105,246. The District received payment in lieu of tax (PILOT) payment totaling \$82,328 to help offset the property tax reduction.

XV. Rental of District Property

The District leases a classroom. Total rental income for the 2017-18 fiscal year totaled \$8,800.

XVI. Subsequent Event

On July 11, 2018 the District issued a Renewal Bond Anticipation Note for a capital project in the amount of \$6,210,000 at 2.5% which matures June 25, 2019.

On August 15, 2018 the District issued a Renewal Bond Anticipation Note for buses in the amount of \$956,914 at 2.34% which matures August 14, 2019.

Required Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Changes in District's Total OPEB Liability and Related Ratio
(Unaudited)
For Year Ended June 30, 2018

TOTAL OPEB LIABILITY		
	<u>2018</u>	<u>2017</u>
Service cost	\$ 52,374	\$ 55,366
Interest	94,126	78,804
Changes in benefit terms	(16,276)	243,724
Differences between expected and actual experiences	27,547	13,120
Changes of assumptions or other inputs	75,324	(153,647)
Benefit payments	<u>(109,728)</u>	<u>(92,811)</u>
Net Change in Total OPEB Liability	\$ 123,367	\$ 144,556
Total OPEB Liability - Beginning	<u>\$ 2,534,350</u>	<u>\$ 2,389,794</u>
Total OPEB Liability - Ending	<u>\$ 2,657,717</u>	<u>\$ 2,534,350</u>
Covered Employee Payroll	\$ 9,781,199	\$ 9,781,199
Total OPEB Liability as a Percentage of Covered		
Employee Payroll	27.17%	25.91%

Required Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability
(Unaudited)
For Year Ended June 30, 2018

<u>NYSERS Pension Plan</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.007949%	0.007899%	0.008010%	0.008421%
Proportionate share of the net pension liability (assets)	\$ 256,540	\$ 742,240	\$ 1,285,585	\$ 284,497
Covered-employee payroll	\$ 2,430,877	\$ 2,255,178	\$ 2,279,189	\$ 2,319,653
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	10.553%	32.913%	56.405%	12.265%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%
<u>NYSTRS Pension Plan</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.051415%	0.052039%	0.052520%	0.051118%
Proportionate share of the net pension liability (assets)	\$ (390,804)	\$ 557,364	\$ (5,455,111)	\$ (5,694,258)
Covered-employee payroll	\$ 8,259,647	\$ 8,249,797	\$ 7,889,156	\$ 7,555,616
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-4.731%	6.756%	-69.147%	-75.365%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

10 years of historical information is not available and will be reported each year going forward

Required Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions
(Unaudited)
For Year Ended June 30, 2018

NYSERS Pension Plan				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 359,841	\$ 336,500	\$ 396,515	\$ 406,991
Contributions in relation to the contractually required contribution	<u>(359,841)</u>	<u>(336,500)</u>	<u>(396,515)</u>	<u>(406,991)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,430,877	\$ 2,255,178	\$ 2,279,189	\$ 2,319,653
Contributions as a percentage of covered-employee payroll	14.80%	14.92%	17.40%	17.55%

NYSTRS Pension Plan				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 819,018	\$ 999,349	\$ 1,064,805	\$ 1,382,969
Contributions in relation to the contractually required contribution	<u>(819,018)</u>	<u>(999,349)</u>	<u>(1,064,805)</u>	<u>(1,382,969)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,259,647	\$ 8,249,797	\$ 8,030,204	\$ 7,889,156
Contributions as a percentage of covered-employee payroll	9.92%	12.11%	13.26%	17.53%

10 years of historical information is not available and will be reported each year going forward

Required Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2018

	<u>Original</u>	<u>Amended</u>	<u>Current</u>	<u>Over (Under)</u>
	<u>Budget</u>	<u>Budget</u>	<u>Year's</u>	<u>Revised</u>
			<u>Revenues</u>	<u>Budget</u>
REVENUES				
Local Sources -				
Real property taxes	\$ 5,214,610	\$ 5,293,657	\$ 5,286,837	\$ (6,820)
Real property tax items	1,845,851	1,766,804	1,768,504	1,700
Non-property taxes	6,000	6,000	13,411	7,411
Charges for services	69,000	69,000	59,559	(9,441)
Use of money and property	10,800	10,800	20,413	9,613
Sale of property and compensation for loss	-	-	37,240	37,240
Miscellaneous	105,000	110,000	244,881	134,881
State Sources -				
Basic formula	14,438,565	14,438,565	12,056,280	(2,382,285)
Lottery aid	-	-	1,965,237	1,965,237
BOCES	1,617,518	1,617,518	1,423,321	(194,197)
Textbooks	61,000	61,000	60,231	(769)
All Other Aid -				
Computer software	34,023	34,023	34,738	715
Library loan	6,450	6,450	6,331	(119)
Federal Sources	50,000	50,000	36,437	(13,563)
TOTAL REVENUES	\$ 23,458,817	\$ 23,463,817	\$ 23,013,420	\$ (450,397)
Appropriated fund balance	\$ 1,041,183	\$ 1,041,183		
Prior year encumbrances	\$ 76,479	\$ 76,479		
TOTAL REVENUES AND FUND BALANCE	\$ 24,576,479	\$ 24,581,479		

Required Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2018

	Original	Amended	Current		Unencumbered
	<u>Budget</u>	<u>Budget</u>	<u>Year's</u>	<u>Encumbrances</u>	<u>Balances</u>
EXPENDITURES			<u>Expenditures</u>		
General Support -					
Board of education	\$ 35,218	\$ 40,043	\$ 37,847	\$ -	\$ 2,196
Central administration	226,899	295,413	294,213	-	1,200
Finance	252,670	254,240	228,823	6,050	19,367
Staff	199,651	199,651	161,989	-	37,662
Central services	1,988,474	1,991,560	1,827,854	3,280	160,426
Special items	413,679	390,141	327,059	-	63,082
Instructional -					
Instruction, administration and improvement	1,025,022	1,029,765	999,265	-	30,500
Teaching - regular school	5,759,072	5,735,457	5,689,160	2,772	43,525
Programs for children with handicapping conditions	3,059,040	3,067,428	2,974,675	12,588	80,165
Occupational education	489,426	489,426	489,426	-	-
Teaching - special schools	11,800	11,800	10,020	-	1,780
Instructional media	180,759	186,228	174,862	779	10,587
Pupil services	826,276	883,686	828,365	-	55,321
Pupil Transportation	1,297,319	1,298,827	1,147,938	-	150,889
Community Services	5,000	5,000	-	-	5,000
Employee Benefits	6,078,500	5,975,140	5,383,282	-	591,858
Debt service - principal	1,587,658	1,587,658	1,587,658	-	-
Debt service - interest	617,973	617,973	617,973	-	-
TOTAL EXPENDITURES	<u>\$ 24,054,436</u>	<u>\$ 24,059,436</u>	<u>\$ 22,780,409</u>	<u>\$ 25,469</u>	<u>\$ 1,253,558</u>
Other Uses -					
Transfers - out	\$ 522,043	\$ 522,043	\$ 354,579	\$ -	\$ 167,464
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 24,576,479</u>	<u>\$ 24,581,479</u>	<u>\$ 23,134,988</u>	<u>\$ 25,469</u>	<u>\$ 1,421,022</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (121,568)</u>		
FUND BALANCE, BEGINNING OF YEAR	<u>4,446,388</u>	<u>4,446,388</u>	<u>4,446,388</u>		
FUND BALANCE, END OF YEAR	<u><u>\$ 4,446,388</u></u>	<u><u>\$ 4,446,388</u></u>	<u><u>\$ 4,324,820</u></u>		

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

(See Independent Auditors' Report)

Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change From Adopted Budget To Final Budget
And The Real Property Tax Limit
For Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 24,500,000
Prior year's encumbrances	<u>76,479</u>
Original Budget	\$ 24,576,479
Budget revisions -	
Grant	<u>5,000</u>
FINAL BUDGET	<u><u>\$ 24,581,479</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2018-19 voter approved expenditure budget	\$ 25,210,000
<u>Unrestricted fund balance:</u>	
Assigned fund balance	\$ 870,469
Unassigned fund balance	<u>976,747</u>
Total Unrestricted fund balance	<u>\$ 1,847,216</u>
<u>Less adjustments:</u>	
Appropriated fund balance	\$ 845,000
Encumbrances included in assigned fund balance	<u>25,469</u>
Total adjustments	<u>\$ 870,469</u>
General fund fund balance subject to Section 1318 of	
Real Property Tax Law	<u>976,747</u>
ACTUAL PERCENTAGE	<u><u>3.87%</u></u>

Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
CAPITAL PROJECTS FUND
Schedule of Project Expenditures
For Year Ended June 30, 2018

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>		<u>Fund Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		<u>Local Sources</u>	<u>Total</u>	
2014-15 Phase	\$ 8,955,000	\$ 8,955,000	\$ 2,157,458	\$ 6,284,741	\$ 8,442,199	\$ 512,801	\$ 2,500,760	\$ 2,500,760	\$ (5,941,439)
15-16 Bus Purchases	355,000	355,000	351,658	-	351,658	3,342	141,658	141,658	(210,000)
16-17 Bus Purchases	339,000	339,000	338,400	-	338,400	600	67,000	67,000	(271,400)
17-18 Equipment Purchases	496,600	496,600	-	487,057	487,057	9,543	-	-	(487,057)
BOCES CIP	960,230	960,230	560,000	332,043	892,043	68,187	892,043	892,043	-
Old Capital Projects	-	49,130	8,357	21,995	30,352	18,778	49,130	49,130	18,778
TOTAL	\$ 11,105,830	\$ 11,154,960	\$ 3,415,873	\$ 7,125,836	\$ 10,541,709	\$ 613,251	\$ 3,650,591	\$ 3,650,591	\$ (6,891,118)

Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Combined Balance Sheet - Nonmajor Governmental Funds
June 30, 2018

	Special		
	Revenue Funds		
	Special	School	Total
	Aid	Lunch	Nonmajor
	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
			<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 49,901	\$ 114,898	\$ 164,799
Receivables	369,880	20,748	390,628
Inventories	-	13,048	13,048
TOTAL ASSETS	<u>\$ 419,781</u>	<u>\$ 148,694</u>	<u>\$ 568,475</u>
LIABILITIES AND FUND BALANCES			
<u>Liabilities</u> -			
Due to other funds	\$ 406,661	\$ 56,145	\$ 462,806
Unearned revenue	13,120	3,938	17,058
TOTAL LIABILITIES	<u>\$ 419,781</u>	<u>\$ 60,083</u>	<u>\$ 479,864</u>
<u>Fund Balances</u> -			
Nonspendable	\$ -	\$ 13,048	\$ 13,048
Assigned	-	75,563	75,563
TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 88,611</u>	<u>\$ 88,611</u>
TOTAL LIABILITIES AND			
FUND BALANCES	<u>\$ 419,781</u>	<u>\$ 148,694</u>	<u>\$ 568,475</u>

Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Combined Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended June 30, 2018

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Special Aid Fund	School Lunch Fund	
REVENUES			
State sources	\$ 249,135	\$ 11,901	\$ 261,036
Federal sources	630,074	375,194	1,005,268
Sales	-	117,093	117,093
TOTAL REVENUES	\$ 879,209	\$ 504,188	\$ 1,383,397
EXPENDITURES			
Instruction	\$ 848,880	\$ -	\$ 848,880
Pupil transportation	46,578	-	46,578
Employee benefits	6,287	5,622	11,909
Cost of sales	-	52,160	52,160
Other expenses	-	505,107	505,107
TOTAL EXPENDITURES	\$ 901,745	\$ 562,889	\$ 1,464,634
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (22,536)	\$ (58,701)	\$ (81,237)
OTHER FINANCING SOURCES (USES)			
Transfers - in	\$ 22,536	\$ -	\$ 22,536
TOTAL OTHER FINANCING SOURCES (USES)	\$ 22,536	\$ -	\$ 22,536
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (58,701)	\$ (58,701)
FUND BALANCE, BEGINNING OF YEAR	-	147,312	147,312
FUND BALANCE, END OF YEAR	\$ -	\$ 88,611	\$ 88,611

(See Independent Auditors' Report)

Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
For Year Ended June 30, 2018

Capital assets, net		\$ 39,311,961
Deduct:		
Short-term portion of bonds payable	\$ 1,480,000	
Long-term portion of bonds payable	16,575,000	
Assets purchased with short-term financing	<u>6,909,896</u>	
		<u>24,964,896</u>
Net Investment in Capital Assets		<u><u>\$ 14,347,065</u></u>

Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2018

<u>Grantor / Pass - Through Agency</u>	<u>CFDA</u>	<u>Grantor</u>	<u>Pass-Through</u>	<u>Total</u>
<u>Federal Award Cluster / Program</u>	<u>Number</u>	<u>Number</u>	<u>Agency</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Direct Programs:</u>				
Fund for the Improvement of Education - Fit4U! Program	84.215	N/A	S215F140293-17	\$ 5,866
Total Direct Programs				<u>\$ 5,866</u>
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-17-0705	\$ 822
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-18-0705	302,580
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-18-0705	12,991
Total Special Education Cluster IDEA				<u>\$ 316,393</u>
Title IIA - Supporting Effective Instruction State Grant	84.367	N/A	0147-17-2315	1,575
Title IIA - Supporting Effective Instruction State Grant	84.367	N/A	0147-18-2315	43,871
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-17-2315	3,840
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-18-2315	258,531
Total Indirect Programs				<u>\$ 624,210</u>
Total U.S. Department of Education				<u>\$ 630,076</u>
<u>U.S. Department of Agriculture:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
<u>Child Nutrition Cluster -</u>				
National School Snack Programs	10.555	N/A	N/A	\$ 13,476
National School Lunch Program	10.555	N/A	N/A	230,894
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	N/A	N/A	34,531
National Summer Food Service program	10.559	N/A	N/A	7,909
National School Breakfast Program	10.553	N/A	N/A	88,384
Total Child Nutrition Cluster				<u>\$ 375,194</u>
Total U.S. Department of Agriculture				<u>\$ 375,194</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,005,270</u>

RAYMOND F. WAGER, CPA, P.C.
Certified Public Accountants

**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***

Independent Auditors' Report

To the Board of Education
Holley Central School District, 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 Holley Central School District, New York, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Holley Central School District, New York's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

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

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 Holley Central School District, New York'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rochester, New York
September 28, 2018

