

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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

Bonadio & Co., LLP
Certified Public Accountants

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

October 3, 2018

To the Board of Education and Superintendent of
Cooperstown Central School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cooperstown Central School District (District) 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Emphasis of Matter – Change in Accounting Principle

As described in Notes 2 and 12 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial reporting for Postemployment benefits other than Pensions – an amendment of GASB 45*. As a result, a net adjustment was made to decrease net position at July 1, 2017 by \$26,691,672. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total other postemployment benefit liability and related ratios and schedules of contributions-pension plans, and proportionate share of the net pension liability (asset) 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 District's basic financial statements as a whole. The supplemental financial information described in the table of contents as required by the New York State Education Department, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental financial information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the District's internal control over financial reporting and compliance.

COOPERSTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the Cooperstown Central School District's financial performance for the fiscal year ended June 30, 2018. The section summarizes the District's financial activities based on currently known facts, decisions, 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. As this section is only an introduction, it should be read in conjunction with the District's basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide net position of the School District is \$(24,049,015).
- Government-wide net position is \$935,513 less than at July 1, 2017 due predominately to increases in deferred inflows of resources related to pension plans and other postemployment benefit obligations.
- The School District continued to offer all programs, without reducing services.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status. Because of this, the Statement of Net Position will include assets such as building and equipment and long term balances due to the district as well as long term liabilities such as bonds payable. In addition, payments for principal on long term bond obligations will be shown as a reduction of the liability and payments for buildings and equipment will be shown as additions to assets.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the District's operations in *more detail* than the District-wide statements. The fund financial statements concentrate on the District's most significant funds.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending. As such, in this presentation, payments for buildings and equipment will be shown as expenditures rather than an increase in assets, proceeds from new long term borrowings will be shown as a source of revenue rather than a long term liability, and principal payments on the long term borrowings will be shown as expenditures.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information and other supplementary information.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

These schedules further explain and support the financial statements with a comparison of the District's budget for the year, a detailed capital project schedule, and other financial information.

Table A-1 shows how the various sections of this annual report are arranged and related to one another.

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

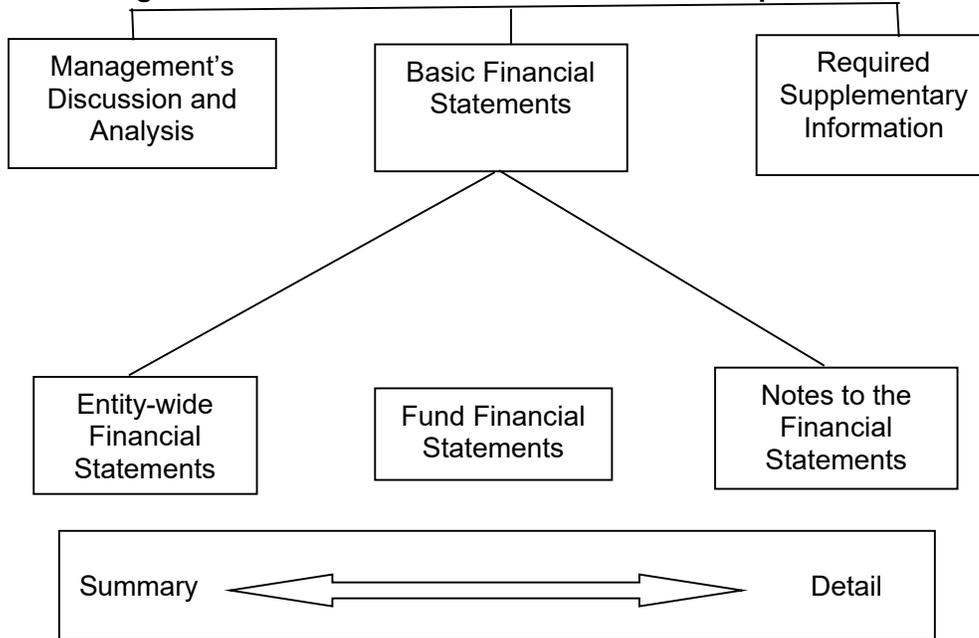


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 Major Features of the District-Wide and Fund Financial Statements

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

District-Wide Statements

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

The two District-wide statements report the School District's net position and how they have changed. Net position – the difference between the School District's assets and liabilities – are one way to measure the School District's financial health or position.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

District-Wide Statements (Continued)

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, debt service fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table A-3 Condensed Statement of Net Position

	Fiscal Year 2018	Fiscal Year 2017 (restated)	Percent Change
Current and other assets	\$ 4,449,748	\$ 6,548,156	-32.05%
Noncurrent assets	<u>15,740,579</u>	<u>14,763,075</u>	6.62%
Total assets	<u>20,190,327</u>	<u>21,311,231</u>	-5.26%
Deferred outflows	<u>4,400,603</u>	<u>4,357,256</u>	0.99%
Long-term liabilities	38,465,844	40,526,905	-5.09%
Other liabilities	<u>7,193,986</u>	<u>8,015,757</u>	-10.25%
Total liabilities	<u>45,659,830</u>	<u>48,542,662</u>	-5.94%
Deferred inflows	<u>2,980,115</u>	<u>239,327</u>	1145.21%
Net position:			
Net investment in capital assets	5,820,777	5,937,662	-1.97%
Restricted	2,011,644	3,872,753	-48.06%
Unrestricted	<u>(31,881,436)</u>	<u>(32,923,917)</u>	-3.17%
Total net position	<u>\$ (24,049,015)</u>	<u>\$ (23,113,502)</u>	4.05%

In Table A-3, total assets at June 30, 2018 were approximately \$1.1 million lower than at June 30, 2017. Non-current assets increased approximately \$978,000, due to additions to capital assets during the year and the recording of a net pension asset for the Teacher's Retirement System. Current assets decreased approximately \$2.1 million due to the decrease in cash as the District works to complete capital projects.

Deferred outflows/inflows fluctuated as a result of changes related to pension and other postemployment benefit obligations.

Total liabilities decreased by approximately \$2.9 million due primarily to payments on bonds payable and a decrease in the net pension liability related to the Employee's Retirement System.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-4 Changes in Net Position from Operating Results

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Revenue			
Program revenue:			
Charges for services	\$ 300,965	\$ 388,562	-22.54%
Operating grants	703,388	607,037	15.87%
General revenue:			
Property and other tax items	11,781,786	11,477,828	2.65%
State aid	5,971,015	5,492,443	8.71%
Federal aid	-	-	
Medicaid reimbursement	26,074	38,481	-32.24%
Interest and use of property	43,217	21,423	101.73%
Sale of property and compensation for loss	19,818	26,846	-26.18%
Miscellaneous	361,133	366,984	-1.59%
Total revenue	<u>19,207,396</u>	<u>18,419,604</u>	4.28%
Expenses			
General support	3,376,959	3,229,983	4.55%
Instruction	14,448,039	13,116,201	10.15%
Pupil transportation	1,505,487	1,247,479	20.68%
Debt service - Interest	329,875	392,304	-15.91%
School lunch program	482,549	470,483	2.56%
Total expenses	<u>20,142,909</u>	<u>18,456,450</u>	9.14%
Change in Net Position	<u>\$ (935,513)</u>	<u>\$ (36,846)</u>	2438.98%

Changes in Net Position

The District's total fiscal year 2018 revenues totaled \$19,207,396. (See Table A-4). Property taxes (including other tax items), state, and federal sources formula aid accounted for most of the District's revenue. (See Chart A-1). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$20,142,909 for fiscal year 2018. These expenses are predominately related to general instruction, which account for 72% of District expenses. (See Chart A-2). The District's general support activities accounted for 17% of total costs.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Chart A-1 Sources of Revenue for 2018

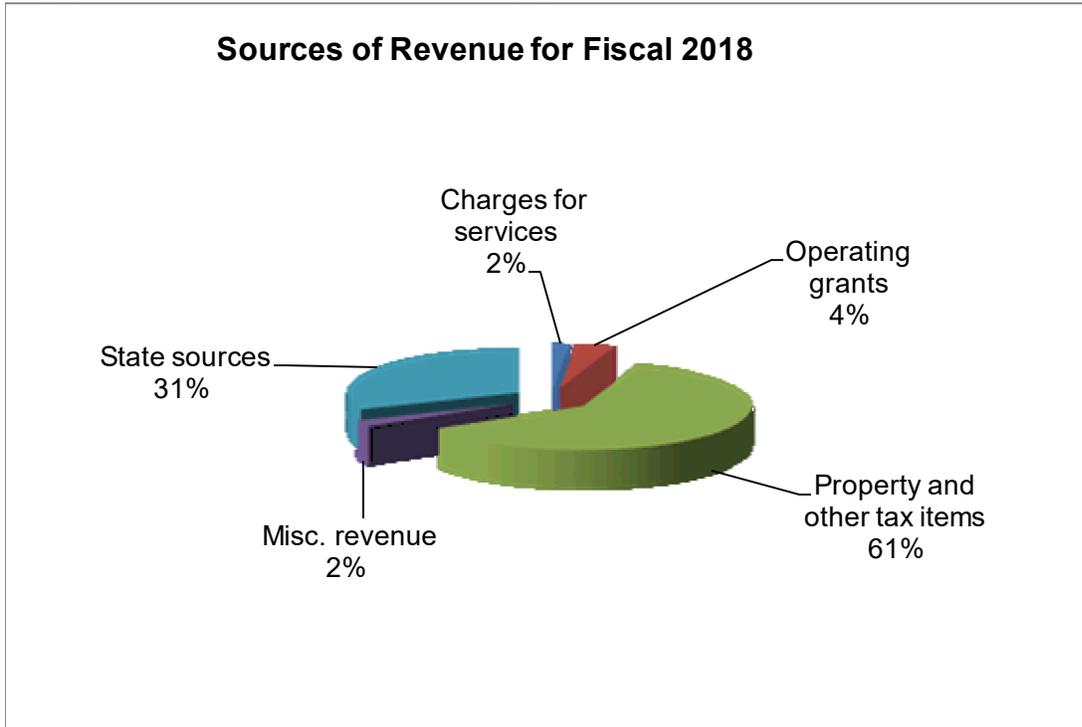
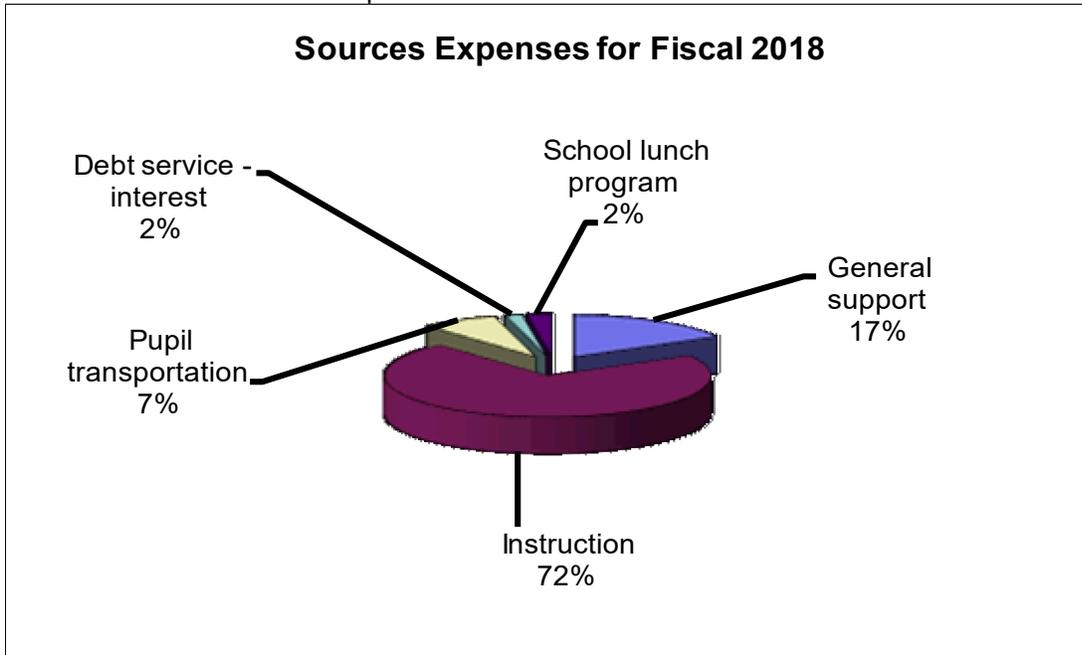


Chart A-2 Sources of Expenses for 2018



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Table A-5 presents the cost of several of the District's major programs or activities as well as each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. See the Statement of Activities for further information.

Table A-5 Net costs of Governmental Activities

	Total Cost Of Services <u>2018</u>	Total Cost Of Services <u>2017</u>	Percent Change	(Net) Cost Of Services <u>2018</u>	(Net) Cost Of Services <u>2017</u>	Percent Change
Functions:						
General support	\$ 3,376,959	\$ 3,229,983	4.55%	\$ 3,376,959	\$ 3,229,983	4.55%
Instruction	14,448,039	13,116,201	10.15%	13,831,639	12,503,472	10.62%
Pupil transportation	1,505,487	1,247,479	20.68%	1,505,487	1,247,479	20.68%
Debt service - Interest	329,875	392,304	-15.91%	329,875	392,304	-15.91%
Cost of sales	482,549	470,483	2.56%	94,596	87,613	7.97%
Total	<u>\$ 20,142,909</u>	<u>\$ 18,456,450</u>	<u>9.14%</u>	<u>\$ 19,138,556</u>	<u>\$ 17,460,851</u>	<u>9.61%</u>

- The total cost of all governmental activities for the year was \$20,142,909.
- The users of the School District's programs financed \$300,965 the costs.
- The federal and state operating grants financed \$703,388 of the costs.
- The remainder of the costs were mostly financed by the School District's taxpayers and state aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

General Fund Budgetary Highlights

The Board of Education recognizes the greatest financial support for educating students in the District comes from its residents and strives to develop a budget that meets the needs of students while maintaining a sustainable tax environment.

The *Schedule of Revenue, Expenditures, and Changes in Fund Balance* on pages 51 and 52 in the required supplementary information section compares actual revenues and expenditures to the amount budgeted. See Table A-6.

GENERAL STATEMENT ON BUDGET REVENUE AND EXPENDITURES, PLANNING AND OUTCOMES

In the serious and important work inherent in the school district budgeting process, three stages, including development, management, and analysis require thoughtful discussion and judicious decision-making. The Cooperstown Central School District Board of Education insists on an inclusive and transparent atmosphere involving all stakeholders in the process. Input from the administrative team, our Board of Education members, staff, and taxpayers is represented and considered throughout the process.

We are mindful of the taxpayer burden, we monitor and adjust our spending behaviors, and frequently deliberate over choices that ultimately benefit the quality of education our students receive. Increased reliance on building relationships through communication, increasing rigor throughout our programs, and applying measurements of relevance in our decisions is a hallmark of our institution, as evidenced through the enduring goals created by our Board of Education.

Our enduring goals contain the reasons we make decisions and our aspirations for our District. Goal #8, in particular, pertains to the responsibility of budgeting:

Address the needs of students and the concerns of taxpayers while exploring alternative funding sources through a fiscally sound and responsible budget.

This narrative turns to an analysis of the audit with regard to General Support, Instruction and Transportation categories of the budget, which all demonstrate an overall commitment to responsible fiscal development and management. A brief explanation for the positive balances that appear on Table A6-Results Versus Budget appear below:

I. GENERAL SUPPORT

- resizing and reassigning duties within the administrative structure;
- less overtime paid to employees;
- deferment of salary for Director of Facilities during the search process;
- savings in operational costs (*fuel, transportation, etc.*)
- deferred Building Aid (*based on estimates and timing of the completion of the Capital Project*);
- increased interest earnings (*higher interest yields from intentional decisions to take advantage of better investment options*)

II. INSTRUCTION

- Newer faculty and staff due to retirements
- Long-term substitutes placed in probationary positions (*teachers, LTAs, etc.*)
- Savings in BOCES programs and special education placements;
- BOCES services refunds (*for services unused or overestimated*);

III. TRANSPORTATION

- Fuel savings
- Consolidations of bus trips/routes
- Operating costs

Overall, we leverage both our experiential knowledge and caution when estimating revenues and expenditures, which have dependence on variable factors that need to be considered during the development portion of the budget process. Our budget reflects numbers based on our expectations and needs known or anticipated at the time of development in any given year.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Table A-6 – Results vs. Budget

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumb.</u>	<u>Variance</u>
Revenue:					
Real property taxes	\$ 11,690,399	\$ 11,049,672	\$ 11,048,746	\$ -	\$ (926)
Other tax items	88,713	729,440	733,040	-	3,600
Charges for services	119,331	119,331	69,898	-	(49,433)
Use of money and property	13,500	13,500	42,112	-	28,612
Miscellaneous	219,594	219,594	329,037	-	109,443
State sources	5,880,886	5,880,886	5,971,015	-	90,129
Medicaid reimbursement	25,000	25,000	26,074	-	1,074
Transfers in	110,000	110,000	110,000	-	-
Total revenue	<u>18,147,423</u>	<u>18,147,423</u>	<u>18,329,922</u>	<u>-</u>	<u>182,499</u>
Expenditures:					
General support	2,340,849	2,383,865	2,242,533	24,376	116,956
Instruction	9,370,576	9,433,616	8,958,267	14,216	461,133
Pupil transportation	856,768	856,768	739,757	-	117,011
Employee benefits	5,024,806	5,024,806	4,990,800	-	34,006
Debt service - principal	730,000	730,000	715,000	-	15,000
Debt service - interest	393,938	393,938	330,438	-	63,500
Payment to redeem BAN	300,000	300,000	300,000	-	-
Transfers out	45,000	45,000	64,103	-	(19,103)
Total expenses	<u>19,061,937</u>	<u>19,167,993</u>	<u>18,340,898</u>	<u>38,592</u>	<u>788,503</u>
Net change in fund balance	(914,514)	(1,020,570)	(10,976)		
Fund balance - beginning of year	<u>3,086,906</u>	<u>3,086,906</u>	<u>3,086,906</u>		
Fund balance - end of year	<u>\$ 2,172,392</u>	<u>\$ 2,066,336</u>	<u>\$ 3,075,930</u>		

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2018, the District had \$15,471,059 invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers, and other educational equipment.

Capital Assets (Net of Depreciation)

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>
Land	\$ 49,600	\$ 49,600
Construction in progress	-	4,341,343
Buildings and improvements	14,824,338	9,452,519
Equipment and furniture	597,121	919,613
Total capital assets	<u>\$ 15,471,059</u>	<u>\$ 14,763,075</u>

Long-Term Debt

As of June 30, 2018, the School District had \$39,205,844 in general obligation bonds and other long-term liabilities outstanding. More detailed information about the School District's long-term debt is included in Note 9 of the financial statements.

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u> (restated)
General obligation bonds (financed with property taxes)	\$ 4,525,000	\$ 5,240,000
Net pension liability	235,374	1,132,604
Compensated absences	173,531	149,758
Other postemployment benefits	34,271,939	34,719,543
Total long-term liabilities	<u>\$ 39,205,844</u>	<u>\$ 41,241,905</u>

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Ms. Amy Kukenberger, Business Administrator
Cooperstown Central School District
39 Linden Avenue
Cooperstown, New York 13326

COOPERSTOWN CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS

CURRENT ASSETS:

Cash and cash equivalents - unrestricted	\$ 1,997,811
Cash and cash equivalents - restricted	1,969,501
Other receivables	37,955
Due from other governments	168,245
State and federal aid receivable	261,904
Inventories	<u>14,332</u>
Total current assets	<u>4,449,748</u>

NONCURRENT ASSETS:

Net pension asset-TRS	269,520
Capital assets, net	<u>15,471,059</u>
Total noncurrent assets	<u>15,740,579</u>

TOTAL ASSETS 20,190,327

DEFERRED OUTFLOWS

Pension related-TRS	3,639,007
Pension related-ERS	<u>761,596</u>

TOTAL DEFERRED OUTFLOWS 4,400,603

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	170,000
BAN payable	5,560,000
Due to other governments	3,097
Unearned revenue	1,160
Bond interest accrual	4,382
Due to Teachers' Retirement System	632,320
Due to Employees' Retirement System	83,027
Bonds and notes payable due within one year	<u>740,000</u>
Total current liabilities	<u>7,193,986</u>

NON-CURRENT LIABILITIES:

Net pension liability-ERS	235,374
Bonds and notes payable	3,785,000
Compensated absences	173,531
Other postemployment benefits payable	<u>34,271,939</u>
Total non-current liabilities	<u>38,465,844</u>

TOTAL LIABILITIES 45,659,830

DEFERRED INFLOWS

Other postemployment benefits related	1,467,425
Pension related-ERS	772,473
Pension related-TRS	<u>740,217</u>

TOTAL DEFERRED INFLOWS 2,980,115

NET POSITION

Net investment in capital assets	5,820,777
Restricted	2,011,644
Unrestricted	<u>(31,881,436)</u>

TOTAL NET POSITION \$ (24,049,015)

The accompanying notes are an integral part of these statements.

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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

GOVERNMENTAL ACTIVITIES	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changed in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 3,376,959	\$ -	\$ -	\$ (3,376,959)
Instruction	14,448,039	69,898	546,502	(13,831,639)
Pupil transportation	1,505,487	-	-	(1,505,487)
Debt service - interest	329,875	-	-	(329,875)
School lunch program	<u>482,549</u>	<u>231,067</u>	<u>156,886</u>	<u>(94,596)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 20,142,909</u>	<u>\$ 300,965</u>	<u>\$ 703,388</u>	<u>(19,138,556)</u>
GENERAL REVENUE:				
Real property taxes				11,048,746
Other tax items				733,040
Use of money and property				43,217
Sale of property and compensation for loss				19,818
State sources				5,971,015
Medicaid reimbursement				26,074
Miscellaneous				<u>361,133</u>
TOTAL GENERAL REVENUE				<u>18,203,043</u>
CHANGE IN NET POSITION				<u>(935,513)</u>
NET POSITION - beginning of year, as previously reported				3,578,170
PRIOR PERIOD ADJUSTMENT (Note 2)				<u>(26,691,672)</u>
NET POSITION - beginning of year, as restated				(23,113,502)
CHANGE IN NET POSITION				<u>(935,513)</u>
NET POSITION - end of year				<u>\$ (24,049,015)</u>

The accompanying notes are an integral part of these statements.

COOPERSTOWN CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
ASSETS						
Cash and cash equivalents - unrestricted	\$ 1,732,633	\$ 2,896	\$ 15,635	\$ -	\$ 246,647	\$ 1,997,811
Cash and cash equivalents - restricted	1,534,783	-	-	434,718	-	1,969,501
Due from other funds	453,262	25,409	25,000	42,143	-	545,814
Due from other governments	168,245	-	-	-	-	168,245
Other receivables	32,335	-	5,620	-	-	37,955
State and federal aid receivable	74,301	177,679	9,924	-	-	261,904
Inventories	-	-	14,332	-	-	14,332
TOTAL ASSETS	\$ 3,995,559	\$ 205,984	\$ 70,511	\$ 476,861	\$ 246,647	\$ 4,995,562
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 150,169	\$ 5,019	\$ 12,537	\$ -	\$ 2,275	\$ 170,000
BAN payable	-	-	-	-	5,560,000	5,560,000
Due to other funds	50,410	200,965	246,446	-	47,993	545,814
Due to other governments	2,543	-	554	-	-	3,097
Due to Teachers' Retirement System	632,320	-	-	-	-	632,320
Due to Employees' Retirement System	83,027	-	-	-	-	83,027
Unearned revenue	1,160	-	-	-	-	1,160
TOTAL LIABILITIES	919,629	205,984	259,537	-	5,610,268	6,995,418
FUND BALANCE:						
Nonspendable						
Inventory	-	-	14,332	-	-	14,332
Restricted for:						
Unemployment insurance reserve	76,620	-	-	-	-	76,620
Retirement contributions reserve	762,954	-	-	-	-	762,954
Workers' compensation reserve	137,261	-	-	-	-	137,261
Tax certiorari reserve	122,848	-	-	-	-	122,848
Debt service reserve	-	-	-	476,861	-	476,861
Employee benefit accrued liabilities reserve	435,100	-	-	-	-	435,100
Total restricted fund balance	1,534,783	-	-	476,861	-	2,011,644
Assigned						
Appropriated for subsequent years expenditures	714,514	-	-	-	-	714,514
Encumbrances	38,592	-	-	-	-	38,592
Total assigned fund balance	753,106	-	-	-	-	753,106
Unassigned	788,041	-	(203,358)	-	(5,363,621)	(4,778,938)
TOTAL FUND BALANCE	3,075,930	-	(189,026)	476,861	(5,363,621)	(1,999,856)
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,995,559	\$ 205,984	\$ 70,511	\$ 476,861	\$ 246,647	\$ 4,995,562

COOPERSTOWN CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
GOVERNMENT-WIDE NET POSITION
JUNE 30, 2018**

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balances per above	\$ (1,999,856)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	15,471,059
Deferred outflows/inflows of resources related to pensions are applicable to future periods and; therefore are not reported in the funds.	
Deferred outflows - ERS/TRS	4,400,603
Deferred inflows - ERS/TRS	(1,512,690)
Deferred inflows of resources related to other postemployment benefits are applicable to future periods and; therefore are not reported in the funds.	(1,467,425)
Net pension obligations are not due and payable in the current period and; therefore are not reported in the funds.	
Net pension asset - TRS	269,520
Net pension liability - ERS	(235,374)
Long-term liabilities, such as bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the funds.	(4,525,000)
Other postemployment benefits liability is recorded in the government-wide statements under full accrual accounting.	(34,271,939)
Compensated absences liability is recorded in the government-wide statements under full accrual accounting.	(173,531)
Interest payable is recorded in the government-wide statements under full accrual accounting.	<u>(4,382)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (24,049,015)</u>

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
REVENUE:						
Real property taxes	\$ 11,048,746	\$ -	\$ -	\$ -	\$ -	\$ 11,048,746
Other tax items	733,040	-	-	-	-	733,040
Charges for services	69,898	-	-	-	-	69,898
Use of money and property	42,112	-	4	1,101	-	43,217
Sale of property and compensation for loss	19,818	-	-	-	-	19,818
Miscellaneous	309,219	9,446	380	42,088	-	361,133
State sources	5,971,015	55,984	6,334	-	-	6,033,333
Medicaid reimbursement	26,074	-	-	-	-	26,074
Federal sources	-	490,518	150,552	-	-	641,070
Sales - school lunch	-	-	231,067	-	-	231,067
Total revenue	<u>18,219,922</u>	<u>555,948</u>	<u>388,337</u>	<u>43,189</u>	<u>-</u>	<u>19,207,396</u>
EXPENDITURES:						
General support	2,242,533	-	-	-	-	2,242,533
Instruction	8,958,267	587,995	-	-	-	9,546,262
Pupil transportation	739,757	-	-	-	-	739,757
Employee benefits	4,990,800	7,056	105,790	-	-	5,103,646
Debt service - principal	715,000	-	-	-	-	715,000
Debt service - BAN principal payment	300,000	-	-	-	-	300,000
Debt service - interest	330,438	-	-	-	-	330,438
Cost of sales	-	-	362,537	-	-	362,537
Capital outlay	-	-	-	-	1,419,423	1,419,423
Total expenditures	<u>18,276,795</u>	<u>595,051</u>	<u>468,327</u>	<u>-</u>	<u>1,419,423</u>	<u>20,759,596</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(56,873)</u>	<u>(39,103)</u>	<u>(79,990)</u>	<u>43,189</u>	<u>(1,419,423)</u>	<u>(1,552,200)</u>
OTHER SOURCES AND (USES):						
BANs redeemed from appropriations	-	-	-	-	300,000	300,000
Operating transfers in	110,000	39,103	25,000	422,771	-	596,874
Operating transfers (out)	(64,103)	-	-	(110,000)	(422,771)	(596,874)
Total other sources (uses)	<u>45,897</u>	<u>39,103</u>	<u>25,000</u>	<u>312,771</u>	<u>(122,771)</u>	<u>300,000</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(10,976)</u>	<u>-</u>	<u>(54,990)</u>	<u>355,960</u>	<u>(1,542,194)</u>	<u>(1,252,200)</u>
FUND BALANCE - beginning of year	<u>3,086,906</u>	<u>-</u>	<u>(134,036)</u>	<u>120,901</u>	<u>(3,821,427)</u>	<u>(747,656)</u>
FUND BALANCE - end of year	<u>\$ 3,075,930</u>	<u>\$ -</u>	<u>\$ (189,026)</u>	<u>\$ 476,861</u>	<u>\$ (5,363,621)</u>	<u>\$ (1,999,856)</u>

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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

Net change in fund balance - Total governmental funds	\$ (1,252,200)
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position	1,318,127
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(610,143)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	715,000
Other postemployment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(1,019,821)
Compensated absences do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(23,773)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions is reported as pension expense.	(63,266)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	<u>563</u>
Change in net position - Governmental activities	<u>\$ (935,513)</u>

The accompanying notes are an integral part of these statements.

COOPERSTOWN CENTRAL SCHOOL DISTRICT

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018**

	<i>Private Purpose Trusts</i>	<i>Agency</i>
	<u> </u>	<u> </u>
ASSETS:		
Cash - restricted	\$ 594,564	\$ 94,251
Investment	18,238	-
Total assets	<u>612,802</u>	<u>94,251</u>
LIABILITIES:		
Extraclassroom activity balances	<u>-</u>	<u>94,251</u>
Total liabilities	<u>-</u>	<u>\$ 94,251</u>
NET POSITION:		
Restricted for scholarships	<u>\$ 612,802</u>	

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<i>Private Purpose Trusts</i>
	<u> </u>
ADDITIONS:	
Gifts and contributions	\$ 66,529
Investment earnings	<u>6,946</u>
Total additions	73,475
DEDUCTIONS:	
Scholarships and awards	<u>52,457</u>
CHANGE IN NET POSITION	21,018
NET POSITION - beginning of year	<u>591,784</u>
NET POSITION - end of year	<u>\$ 612,802</u>

The accompanying notes are an integral part of these statements.

COOPERSTOWN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

1. NATURE OF OPERATIONS

Cooperstown Central School District provides K-12 public education to students living within its geographic boundaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

The reporting entity of the School District is based upon criteria set forth by generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The School District is a component school district in Otsego Northern Catskills Board of Cooperative Education Services. 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.

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

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

Basis of Presentation

The School District's financial statements consist of school government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

Government-Wide Statements

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

The fund types used by the School District are as follows:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities (except those accounted for in the fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of the changes in financial position rather than upon determination of net income. The following are the School District's governmental fund types:

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- **School Lunch Fund:** Used to account for transactions of the lunch and breakfast programs.
- **Special Aid Fund:** Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State or Local grants.
- **Capital Projects Fund:** Used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. The principal sources of financing are from the sale of bonds or issuance of bond anticipation notes.
- **Debt Service Fund:** Used to account for the accumulation of resources to pay long-term debt.

Fiduciary Fund Types

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and 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.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Cash and Cash Equivalents and Investments

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

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

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

Investments in the fiduciary fund are stated at fair value.

Restricted Cash and Cash Equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Due from other governments

Due from other governments relates to receivables due from BOCES. Further information is described in Note 6. Management does not believe an allowance for doubtful accounts is necessary.

State and Federal aid receivable

State and federal aid receivable relates to receivables due from New York State and/or the federal government. Management does not believe an allowance for doubtful accounts is necessary.

Inventory

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

Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. 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 revenue 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, with the exception of those due from or to the fiduciary funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	N/A	N/A
Buildings and improvements	\$20,000	SL	30-50
Furniture and equipment	\$ 1,000	SL	5
Buses	\$10,000	SL	8

Vested Employee Benefits

Compensated Absences

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

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

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.

The liability for compensated absences 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.

Retirement Benefits

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

Other Postemployment Benefits

In addition to providing pension benefits, the District provides postemployment health insurance 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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

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

Uncollected real property taxes are subsequently enforced by the County of Otsego in which the School District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following May 31st.

Tax Abatement Programs

The District is subjected to tax abatements granted by the Otsego County Industrial Development Agency. The Agency was created in accordance with the New York State Industrial Development Agency Act of 1969 to promote and develop the economic growth within the County and to assist in attracting industry to the County through various programs and other activities. The tax abatements are for the acquisition, construction and renovation of various properties in Otsego County. The total property taxes abated were \$149,250 for the year ended June 30, 2018.

Unearned Revenue

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded. Unearned revenue recorded in governmental funds is generally not recorded in the School District-wide statements.

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, 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 (current) or due within more than one year (non-current) in the Statement of Net Position.

Encumbrances

Encumbrance accounting is used for budgetary 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.

All encumbrances are classified as either restricted or assigned fund balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Debt

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued. The District did not issue any budget notes during the 2017-20178 fiscal year.

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 BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

Restricted Resources

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

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The 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 separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. All deferred outflows relate to the pension plans. The amortization is expensed against pension expense in future periods. Deferred inflows relate to pension plans and other postemployment benefits. The amortization is expensed against pension or other postemployment benefit expenses in the future.

Fund Balance / Net Position Classifications

Government-Wide Statements

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

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

Restricted net position - reports net position when constraints placed on 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Government-Wide Statements (Continued)

Restricted net position includes the following:

Unemployment insurance	\$	76,620
Retirement contributions		762,954
Debt service		476,861
Workers' compensation		137,261
Tax certiorari		122,848
Employee benefit accrued liabilities		435,100
Total restricted net position	\$	<u>2,011,644</u>

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

Governmental Fund Statements

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

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

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The School District has available the following restricted fund balances:

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated.

Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Debt Service

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

Capital Projects

The capital projects reserve accounts for restricted funds for various projects accounted for in the capital projects fund. This reserve was not required at June 30, 2018.

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings.

Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability

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

Retirement Contribution

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

Committed fund balance – Includes amounts that can 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 School District has no committed fund balances as of June 30, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Assigned fund balance – Includes amounts that are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. This balance includes appropriations of \$714,514 to fund fiscal year 2018-2019 operating expenditures. All encumbrances of the general fund are classified as assigned fund balance. Encumbrances reported in the general fund amounted to \$38,592. As of June 30, 2018, the School District’s encumbrances were classified as follows:

General support	\$	24,376
Instruction		14,216
	\$	<u>38,592</u>

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

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

Order of Fund Balance Spending Policy

The District’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable 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, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Deficit Fund Balances

The Capital Projects Fund has a deficit fund balance which will be eliminated through the redemption of bond anticipation notes which will be replaced with long-term financing in a future year. The School Lunch Fund has a deficit fund balance that will be eliminated by ongoing transfers from the General Fund.

Change in Accounting Principle

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, beginning net position was decreased from \$3,578,170 to \$(23,113,502) and other postemployment benefit liability was increased from \$8,027,871 to \$34,719,543. The result was to restate beginning net position \$26,691,672 on the Statement of Net Position.

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

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

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

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

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

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 for the general fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law).

These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations that occurred during the 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 project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Portions of fund balances are reserved and are not available for current expenses or expenditures, as reported in the governmental funds balance sheet.

5. CASH AND CUSTODIAL CREDIT, CONCENTRATION OF CREDIT RISK

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 were insured and collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	\$ 8,382,777	\$ 4,656,127
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 7,632,777	
Covered by FDIC insurance	<u>750,000</u>	
Total	<u>\$ 8,382,777</u>	

6. PARTICIPATION IN BOCES

During the year, the School District was billed \$1,693,946 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$377,589.

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

7. CAPITAL ASSETS

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

	July 1, 2017				June 30, 2018	
	Balance	Reclassifications	Additions	Disposals	Balance	
Governmental activities:						
Capital assets that are not depreciated:						
Land	\$ 49,600	\$ -	\$ -	\$ -	\$ 49,600	
Construction in Progress	4,341,343	(4,341,343)	-	-	-	
Total nondepreciable historical cost	<u>4,390,943</u>	<u>(4,341,343)</u>	<u>-</u>	<u>-</u>	<u>49,600</u>	
Capital assets that are depreciated:						
Buildings and improvements	16,308,989	4,341,343	1,419,423	-	22,069,755	
Furniture and equipment	3,551,959	-	-	(533,921)	3,018,038	
Total depreciable historical cost	<u>19,860,948</u>	<u>4,341,343</u>	<u>1,419,423</u>	<u>(533,921)</u>	<u>25,087,793</u>	
Total costs	<u>24,251,891</u>	<u>-</u>	<u>1,419,423</u>	<u>(533,921)</u>	<u>25,137,393</u>	
Less accumulated depreciation:						
Buildings	(6,856,470)	-	(388,947)	-	(7,245,417)	
Furniture and equipment	(2,632,346)	-	(221,196)	432,625	(2,420,917)	
Total accumulated depreciation	<u>(9,488,816)</u>	<u>-</u>	<u>(610,143)</u>	<u>432,625</u>	<u>(9,666,334)</u>	
Total cost, net	<u>\$ 14,763,075</u>	<u>\$ -</u>	<u>\$ 809,280</u>	<u>\$ (101,296)</u>	<u>\$ 15,471,059</u>	

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

General support	\$ 378,289
Instruction	79,318
Pupil transportation	152,536
Total	<u>\$ 610,143</u>

8. SHORT-TERM DEBT

The District had the following transactions for short-term debt as of June 30, 2018:

Type	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	6/29/2018	2.00%	\$ 5,860,000	\$ -	\$ 5,860,000	\$ -
BAN	6/28/2019	2.75%	-	5,560,000	-	5,560,000
Total			<u>\$ 5,860,000</u>	<u>\$ 5,560,000</u>	<u>\$ 5,860,000</u>	<u>\$ 5,560,000</u>

9. LONG-TERM DEBT

Interest on long-term debt for the year was composed of:

Interest paid	\$ 330,438
Less : interest accrued in the prior year	(4,945)
Plus : interest accrued in the current year	<u>4,382</u>
 Total expense	 <u>\$ 329,875</u>

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

	Beginning <u>Balance</u> (restated)	<u>Issued</u>	<u>Payments</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Government activities:					
Bonds and notes payable:					
Renovations 2006	\$ 1,060,000	\$ -	\$ 250,000	\$ 810,000	\$ 260,000
Capital improvement bond	4,180,000	-	465,000	3,715,000	480,000
Total bonds and notes payable	<u>\$ 5,240,000</u>	<u>\$ -</u>	<u>\$ 715,000</u>	<u>\$ 4,525,000</u>	<u>\$ 740,000</u>
Other long-term debt:					
Compensated absences	\$ 149,758	\$ 23,773	\$ -	\$ 173,531	\$ -
Net pension liability	1,132,604	-	897,230	235,374	-
Other postemployment benefits	34,719,543	367,066	814,670	34,271,939	-
Total other long-term debt	<u>\$ 36,001,905</u>	<u>\$ 390,839</u>	<u>\$ 1,711,900</u>	<u>\$ 34,680,844</u>	<u>\$ -</u>

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

Bond Issue	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	June 30, 2018 <u>Balance</u>
Renovations	2006	2021	3.875-4.00%	\$ 810,000
Capital improvement bond	2011	2025	2.00-5.00%	<u>3,715,000</u>
				<u>\$ 4,525,000</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 740,000	\$ 203,238	\$ 943,238
2020	775,000	174,238	949,238
2021	810,000	139,438	949,438
2022	550,000	102,988	652,988
2023	570,000	84,438	654,438
2024-2025	<u>1,080,000</u>	<u>129,212</u>	<u>1,209,212</u>
Total	<u>\$ 4,525,000</u>	<u>\$ 833,552</u>	<u>\$ 5,358,552</u>

10. INTERFUND BALANCES AND ACTIVITY

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

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

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

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 453,262	\$ 50,410	\$ 110,000	\$ 64,103
Special aid fund	25,409	200,965	39,103	-
School lunch fund	25,000	246,446	25,000	-
Capital funds	-	47,993	-	422,771
Fiduciary funds	-	-	-	-
Debt Service	42,143	-	422,771	110,000
Total	<u>\$ 545,814</u>	<u>\$ 545,814</u>	<u>\$ 596,874</u>	<u>\$ 596,874</u>

11. PENSION PLANS

New York State Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the System, the election is irrevocable.

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

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Contributions

The system is noncontributory except for employees who joined the System after July 27, 1976, who contribute 3.0% 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% percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2018	\$	334,707
2017	\$	322,755
2016	\$	322,500

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

At June 30, 2018, the District reported a net pension liability of \$235,374 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the District's proportion was 0.0072929% percent, which was an increase of 0.0079360% from its proportionate share measured at June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$310,559. At June 30, 2018, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 83,950	\$ 69,373
Changes of assumptions	156,072	-
Net difference between projected and actual earnings on pension plan investments	341,862	674,801
Changes in proportion and differences between the District's contributions and proportionate share of contributions	96,685	28,299
Contributions subsequent to the measurement date	83,027	-
Total	<u>\$ 761,596</u>	<u>\$ 772,473</u>

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

Plan's Year Ended March 31:	
2019	\$ 76,390
2020	62,596
2021	(155,946)
2022	(76,944)
	<u>\$ (93,904)</u>

The District recognized \$83,027 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2018 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2019.

Actuarial Assumptions

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

The actuarial valuation used the following actuarial assumptions:

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

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

The long-term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	36.0	4.55
International Equity	14.0	6.35
Private Equity	10.0	7.50
Real Estate	10.0	5.55
Absolute Return Strategies	2.0	3.75
Opportunistic Portfolio	3.0	5.68
Real Asset	3.0	5.29
Bonds, Cash & Mortgages	17.0	1.31
Cash	1.0	-0.25
Inflation Indexed Bonds	4.0	1.25
	100%	

Discount Rate

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

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

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount (7.00%)</u>	<u>1% Increase (8.00%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 1,780,902	\$ 235,374	\$ (1,072,081)

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Pension Plan Fiduciary Net Position (000's)

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

	Pension Plan's Fiduciary Net Position	District's Proportionate Share of Plan's Fiduciary Net Position
Total pension liability	\$ 183,400,560	\$ 13,375
Plan net position	(180,173,145)	(13,140)
Net pension liability (asset)	<u>\$ 3,227,415</u>	<u>\$ 235</u>
ERS net position as a percentage of total pension liability	98.24%	98.24%

New York State Teachers' Retirement System

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

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

Contributions

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

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

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

2018	\$	691,272
2017	\$	656,892
2016	\$	737,121

11. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

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

At June 30, 2018, the District reported net pension asset of \$269,520 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018 the District's proportionate share was 0.035458%, which was a decrease of 0.036126% from the proportionate share measured at June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$685,939. At June 30, 2018 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 221,749	\$ 105,083
Changes of assumptions	2,742,416	-
Net difference between projected and actual earnings on pension plan investments	-	634,797
Changes in proportion and differences between the District's contributions and proportionate share of contributions	42,522	337
Contributions subsequent to the measurement date	<u>632,320</u>	<u>-</u>
Total	<u>\$ 3,639,007</u>	<u>\$ 740,217</u>

The District recognized \$632,320 as a deferred outflow of resources related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2017, which will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Plan's Year Ended June 30:

2018	\$ 70,704
2019	733,894
2020	527,556
2021	137,231
2022	526,045
Thereafter	<u>271,040</u>
	<u>\$ 2,266,470</u>

11. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Actuarial Assumptions

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

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

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale MP 2014, applied on a generational basis.

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

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

11. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Actuarial Assumptions (Continued)

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

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	35.0	5.9
International Equity	18.0	7.4
Real Estate	11.0	4.3
Alternative Investments	8.0	9.0
Domestic Fixed Income Securities	16.0	1.6
Global Fixed Income Securities	2.0	1.3
High-yield fixed income securities	1.0	3.9
Mortgages	8.0	2.8
Short-term	1.0	0.6
	<u>100%</u>	

Discount Rate

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

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

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

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Proportionate Share of Net Pension liability (asset)	\$ 4,643,027	\$ (269,520)	\$ (4,383,534)

11. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Pension Plan Fiduciary Net Position (000's)

The components of the current year net pension liability of the employers as of June 30, 2017, were as follows:

	Pension Plan's Fiduciary Net Position	District's Proportionate Share of Plan's Fiduciary Net Position
Total pension liability	\$ 114,708,261	\$ 40,673
Plan net position	<u>(115,468,360)</u>	<u>(40,943)</u>
Net pension liability (asset)	\$ <u>(760,099)</u>	\$ <u>(270)</u>
NYSTRS net position as a percentage of total pension liability	100.66%	100.66%

12. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION

Plan Description

The District provides post-employment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

Funding Policy

As of the date of these financial statements, New York State did not yet have legislation that would enable government entities to establish a qualifying trust for the purpose of funding Other Postemployment Benefits. As such, there are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to fund this obligation and benefits are paid on a pay as you go basis.

Employees Covered by Benefit Terms

At July 1, 2016, the following employees were covered by the benefit terms:

Actives	156
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees or beneficiaries currently receiving benefits	<u>123</u>
Total participants	<u>279</u>

Total OPEB Liability

The District's total OPEB liability of \$34,271,939 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2016.

12. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2017, as restated	<u>\$ 34,719,543</u>
Changes for the Year-	
Service cost	874,666
Interest	1,228,377
Changes of benefit terms	-
Changes in assumptions	-
Differences between expected and actual experience	(1,735,977)
Benefit payments	<u>(814,670)</u>
Net changes	<u>(447,604)</u>
Balance at June 30, 2018	<u>\$ 34,271,939</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% in 2017 to 3.87% in 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Discount rate	3.58% as of June 30, 2017; 3.87% as of June 30, 2018. Discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.
Real wage growth	1.00%
Wage inflation	3.20%
Salary increases, including wage inflation	10.47% - 3.20%
Healthcare cost trends:	
Pre-Medicare	5.50% for 2018, decreasing to an ultimate rate of 3.84% by 2078.
Medicare	5.50% for 2018, decreasing to an ultimate rate of 3.84% by 2078.
Mortality rates	Mortality rates were based on April 1, 2010 - March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

12. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	Discount Rate		
	1% <u>Decrease</u> (2.87%)	Current <u>Discount</u> (3.87%)	1% <u>Increase</u> (4.87%)
Total OPEB Liability	\$42,077,159	\$34,271,939	\$29,717,001

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

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

	Healthcare Cost Trend Rate		
	1% <u>Decrease</u> (4.5%)	Current <u>Cost Trend</u> (5.5%)	1% <u>Increase</u> (6.5%)
Total OPEB Liability	\$29,300,367	\$34,271,939	\$42,736,830

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 \$1,834,491. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Changes of assumptions	Deferred Outflows of Resources	Deferred Inflows of Resources
Total	\$ -	\$ (1,467,425)
	<u>\$ -</u>	<u>\$ (1,467,425)</u>

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

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2019	\$ (268,552)
2020	(268,552)
2021	(268,552)
2022	(268,552)
2023	(268,552)
Thereafter	<u>(124,665)</u>
	<u>\$ (1,467,425)</u>

13. OPERATING LEASES

The District leases buses and other equipment under the term of various non-cancelable operating leases that expire at various dates through fiscal year 2023. Future minimum lease payments under the terms of these agreements are as follows for the years ending June 30:

<u>Year</u>	<u>Amount</u>
2019	\$ 161,361
2020	278,504
2021	73,754
2022	138,590
2023	<u>46,628</u>
Total	<u>\$ 698,837</u>

Total rent expense under the terms of these agreements was \$161,131 for the year ended June 30, 2018.

14. RISK MANAGEMENT

General

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

Worker Compensation

Otsego Northern Catskill BOCES administers the Catskill Area Workers' Compensation Plan (CASWCP) consisting of several school districts, including Cooperstown Central School District, for workers' compensation insurance coverage. Entities joining the Plan must remain members for a minimum of one year; a member may withdraw from the Plan effective July 1st but must submit a notice of withdrawal no later than April 1st of the previous year (15 months in advance). Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

Health Insurance

The District provides health insurance to its eligible employees and participates in the NY44 Health Trust. The Trust is controlled by Trustees who are employees of Erie One BOCES. The Trust offers various premium based plans and administers all aspects of the health insurance offered by the District. There is no risk retained by the District for health costs.

15. CONTINGENCIES AND COMMITMENTS

The School District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial. The School District has tax certiorari pending with certain property owners. While the outcome of these matters is uncertain, the School District intends to vigorously defend its position.

16. NEW ACCOUNTING PRONOUNCEMENTS

Implemented in the Current Year

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The District adopted the provisions of these Statements for the current year ended June 30, 2018.

Not Yet Implemented

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. The Statement addresses a variety of topics including issued related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt- are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In June 2017, GASB issued Statement No. 87, *Leases*. The Statement requires recognition of certain lease assets and liabilities for leases previously classified as operating leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit, assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

16. NEW ACCOUNTING PRONOUNCEMENTS

Not Yet Implemented (Continued)

In June 2018, the GASB issued Statement No. 89 *Accounting for Interest Costs Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest incurred before the end of construction period. The Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the cost of a capital asset reported in a business-type activity or enterprise fund.

The District is in the process of assessing the impact of these statements on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Final Budget Variance with Budgetary Actual</i>
REVENUE					
Local sources:					
Real property taxes	\$ 11,690,399	\$ 11,049,672	\$ 11,048,746	\$ -	\$ (926)
Other tax items	88,713	729,440	733,040	-	3,600
Charges for services	119,331	119,331	69,898	-	(49,433)
Use of money and property	13,500	13,500	42,112	-	28,612
Sale of property and compensation for loss	12,000	12,000	19,818	-	7,818
Miscellaneous	<u>207,594</u>	<u>207,594</u>	<u>309,219</u>	-	<u>101,625</u>
Total local sources	12,131,537	12,131,537	12,222,833	-	91,296
State sources	5,880,886	5,880,886	5,971,015	-	90,129
Medicaid reimbursement	<u>25,000</u>	<u>25,000</u>	<u>26,074</u>	-	<u>1,074</u>
Total revenue	<u>18,037,423</u>	<u>18,037,423</u>	<u>18,219,922</u>	-	<u>182,499</u>

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Variance with Budgetary Actual and Encumbrances</i>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 21,085	\$ 21,085	\$ 14,653	\$ -	\$ 6,432
Central administration	203,597	203,597	198,237	-	5,360
Finance	331,109	331,635	278,352	19,000	34,283
Staff	99,119	100,394	142,684	-	(42,290)
Central services	1,277,788	1,289,944	1,171,667	5,376	112,901
Special items	408,151	437,210	436,940	-	270
Total general support	<u>2,340,849</u>	<u>2,383,865</u>	<u>2,242,533</u>	<u>24,376</u>	<u>116,956</u>
INSTRUCTION:					
Instruction, administration, and improvement	548,028	558,084	521,191	3,248	33,645
Teaching - regular school	4,566,347	4,597,554	4,448,663	4,878	144,013
Programs for children with handicapping conditions	2,056,204	2,058,845	1,840,704	4,840	213,301
Teaching - special school	26,940	26,940	21,755	-	5,185
Occupational education	475,450	475,450	448,679	-	26,771
Instructional media	481,670	482,924	480,309	1,250	1,365
Pupil services	1,215,937	1,233,819	1,196,966	-	36,853
Total instruction	<u>9,370,576</u>	<u>9,433,616</u>	<u>8,958,267</u>	<u>14,216</u>	<u>461,133</u>
Pupil transportation	856,768	856,768	739,757	-	117,011
Employee benefits	5,024,806	5,024,806	4,990,800	-	34,006
Debt service - principal and BAN payment	1,030,000	1,030,000	1,015,000	-	15,000
Debt service - interest	393,938	393,938	330,438	-	63,500
Total expenditures	<u>19,016,937</u>	<u>19,122,993</u>	<u>18,276,795</u>	<u>38,592</u>	<u>807,606</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	110,000	110,000	110,000	-	-
Transfers (to) other funds	(45,000)	(45,000)	(64,103)	-	(19,103)
Total other financing sources (uses)	<u>65,000</u>	<u>65,000</u>	<u>45,897</u>	<u>-</u>	<u>(19,103)</u>
Total expenditures and other financing sources (uses)	<u>18,951,937</u>	<u>19,057,993</u>	<u>18,230,898</u>	<u>38,592</u>	<u>788,503</u>
NET CHANGE IN FUND BALANCES	(914,514)	(1,020,570)	(10,976)	(38,592)	971,002
FUND BALANCE - beginning of year	<u>3,086,906</u>	<u>3,086,906</u>	<u>3,086,906</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 2,172,392</u>	<u>\$ 2,066,336</u>	<u>\$ 3,075,930</u>	<u>\$ (38,592)</u>	<u>\$ 971,002</u>

See independent auditor's report.

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	\$ 874,666									
Interest	1,228,377									
Changes of benefit terms	-									
Differences between expected and actual experience	-									
Changes in assumptions	(1,735,977)									
Benefit payments	(814,670)									
Total change in total OPEB liability	(447,604)									
Total OPEB liability - beginning	34,719,543									
Total OPEB liability - ending	\$ 34,271,939									
Covered-employee payroll	774,361									
Total OPEB liability as a percentage of covered-employee payroll	4425.8%									

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

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

Discount rate	3.87%	3.58%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Plan assets: No assets are accumulated in a trust that meets the criteria of GASB No. 75, paragraph 4 to pay benefits.

COOPERSTOWN CENTRAL SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0072929%	0.0079360%	0.0071925%	0.0070382%						
Proportionate share of the net pension liability (asset)	\$ 235	\$ 746	\$ 1,154	\$ 237						
Covered-employee payroll	\$ 2,311	\$ 2,355	\$ 2,169	\$ 2,116						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.17%	31.68%	53.22%	11.20%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.70%	97.90%						

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

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE TEACHER RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.035458%	0.036126%	0.036141%	0.036188%						
Proportionate share of the net pension liability (asset)	\$ (270)	\$ 387	\$ (3,754)	\$ (4,031)						
Covered-employee payroll	\$ 5,619	\$ 5,619	\$ 5,575	\$ 5,429						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.81%	6.89%	-37.34%	-74.25%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.66%	99.01%	-110.45%	-111.48%						

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

COOPERSTOWN CENTRAL SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 335	\$ 323	\$ 323	\$ 350						
Contributions in relation to the contractually required contribution	<u>335</u>	<u>323</u>	<u>323</u>	<u>350</u>						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 2,311	\$ 2,355	\$ 2,169	\$ 2,116						
Contributions as a percentage of covered-employee payroll	14.50%	13.72%	14.87%	16.54%						

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

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 691	\$ 657	\$ 737	\$ 869						
Contributions in relation to the contractually required contribution	<u>691</u>	<u>657</u>	<u>737</u>	<u>869</u>						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 5,619	\$ 5,619	\$ 5,575	\$ 5,429						
Contributions as a percentage of covered-employee payroll	12.30%	11.69%	13.22%	16.01%						

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

SUPPLEMENTAL FINANCIAL INFORMATION (UNAUDITED)

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 18,874,940
Add: Prior year's encumbrances	<u>76,997</u>
Original budget	18,951,937
Budget revisions	<u>106,056</u>
Final budget	<u>\$ 19,057,993</u>

SECTION 1318 OF THE REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter-approved expenditure budget	<u>\$ 19,700,938</u>
Maximum allowed	<u>\$ 788,038</u>
General fund, fund balance subject to section 1318 of real property tax law:	
Total fund balance	\$ 3,075,930
Less:	
Appropriated fund balance	714,514
Encumbrances included in assigned fund balance	38,592
Restricted fund balance	<u>1,534,783</u>
Total adjustments	<u>2,287,889</u>
General fund, fund balance subject to section 1318 of real property tax law	<u>\$ 788,041</u>
Actual percentage	4.00%

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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

PROJECT TITLE	Expenditures					Unexpended Balance	Methods of Financing			Fund Balance June 30, 2018	
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Improvements CI 2014	\$ 5,959,000	\$ 5,959,000	\$ 4,341,341	\$ 1,383,386	\$ 5,724,727	\$ 234,273	\$ -	\$ -	\$ 399,000	\$ 399,000	\$ (5,325,727)
Smart Schools	496,437	496,437	1,857	36,037	37,894	458,543	-	-	-	-	(37,894)
Total	\$ 6,455,437	\$ 6,455,437	\$ 4,343,198	\$ 1,419,423	\$ 5,762,621	\$ 692,816	\$ -	\$ -	\$ 399,000	\$ 399,000	\$ (5,363,621)

COOPERSTOWN CENTRAL SCHOOL DISTRICT

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

Capital assets, net	<u>\$ 15,471,059</u>
Deduct:	
Expenditures financed through bond anticipation notes	5,125,282
Short-term portion of bonds payable	740,000
Long-term portion of bonds payable	<u>3,785,000</u>
	<u>9,650,282</u>
Net investment in capital assets	<u>\$ 5,820,777</u>

REQUIRED REPORT

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

October 3, 2018

To the Board of Education and Superintendent of
Cooperstown Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to 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 Cooperstown Central School District (District), 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, and have issued our report thereon dated October 3, 2018.

Internal Control over Financial Reporting

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

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

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

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(Continued)

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

Compliance and Other Matters

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

Purpose of this Report

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