

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2018

CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 2
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	3 – 11
<u>BASIC FINANCIAL STATEMENTS</u>	
Statement of net position	12
Statement of activities and change in net position	13
Balance sheet – governmental funds.....	14
Reconciliation of governmental funds balance sheet to statement of net position	15
Statement of revenues, expenditures and changes in fund balances – governmental funds	16
Reconciliation of governmental funds statement of revenues, expenditures and changes in fund balances to statement of activities	17
Statement of fiduciary net position and statement of changes in fiduciary net position.....	18
<u>NOTES TO BASIC FINANCIAL STATEMENTS</u>	19 – 46
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of revenues, expenditures and changes in fund balance – budget (Non-GAAP basis) and actual – general fund	47 – 48
Schedule of funding progress other post-employment benefits.....	49
Schedule of the local government's proportionate share of the net pension liability	50
Schedule of local government contributions.....	51
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule of change from adopted budget to final budget – general fund.....	52
Section 1318 of real property tax law limit calculation	52
Schedule of capital projects fund – project expenditures and financing resources.....	53
Net investment in capital assets	54
<u>FEDERAL AWARD PROGRAM INFORMATION (SINGLE AUDIT)</u>	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	56 – 57
Independent auditors' report on compliance for each major program and internal control over compliance required by the Uniform Guidance	58 – 59
Schedule of expenditures of federal awards	60
Notes to schedule of expenditures of federal awards.....	61
Schedule of findings and questioned costs	62
<u>EXTRAClassroom Activity Funds</u>	
Independent auditors' report	64 – 65
Statement of assets and liabilities arising from cash transactions.....	66
Statement of revenues collected and expenses paid.....	67
Notes to financial statements	68
<u>MANAGEMENT LETTER</u>	69 – 70



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Fonda-Fultonville Central School District
Fonda, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fonda-Fultonville Central School District (the "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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress other post-employment benefits and schedules of local government's proportionate share of the net pension liability and contributions on pages 3 through 11 and pages 47 through 51 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. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information on pages 52 through 54, as described in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
October 9, 2018

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2018

The following is a narrative overview and analysis of the financial activities of the Fonda-Fultonville Central School District (District) for the fiscal year ended June 30, 2018. This discussion is intended to serve as an introduction to the District's basic financial statements, which immediately follow this section. The basic financial statements have the following components: (1) management's discussion and analysis (MD&A), (2) District-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Voters passed the 2018-2019 \$29,327,099 budget with an 88% yes and 12% no vote.
- A three phase \$19.4 capital project began in the summer of 2015. The project is expected to be completed during the spring of 2019.
- The District has consistently performed cost savings measures and implemented a "reorganization" of staffing to ensure savings in personnel along with creating more efficiency within departments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 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 School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the District-wide statements. The fund financial statements concentrate on the School District's most significant funds with all other nonmajor funds listed in total in one column.
- 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.
- Fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

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

Table A-1 - Major Features of the District-Wide and Fund Financial Statements

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, 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 revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

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

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the District-wide and fund financial statements. The notes also present certain required supplementary information.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table A-2 – Condensed Statement of Net Position

	Fiscal Year 2018	Fiscal Year 2017	Percentage Change (Incr.;- Decr.)
Assets			
Current and other assets	\$ 9,338,794	\$ 9,311,787	0.3%
Capital assets - net	30,334,481	25,390,131	19.5%
Total Assets	39,673,275	34,701,918	14.3%
Deferred Outflows of Resources			
Pensions	6,449,283	6,454,231	-0.1%
Total Deferred Outflows of Resources	6,449,283	6,454,231	-0.1%
Liabilities			
Current liabilities	20,099,952	15,413,319	30.4%
Long-term liabilities	68,453,064	26,244,821	160.8%
Total Liabilities	88,553,016	41,658,140	112.6%
Deferred Inflows of Resources			
Other post employment benefits	2,510,939	0	100.0%
Pensions	1,922,508	413,466	365.0%
Total Deferred Inflows of Resources	4,433,447	413,466	972.3%
Net Position			
Net investment in capital assets	4,863,241	3,512,717	38.4%
Restricted	2,572,001	1,421,410	80.9%
Unrestricted	(54,299,147)	(5,849,584)	-828.3%
Total Net Position (Deficit)	<u>\$ (46,863,905)</u>	<u>\$ (915,457)</u>	-5019.2%

Changes in Net Position

The School District's 2018 revenue was \$29,405,418 (see Table A-3). Property taxes and New York State aid accounted for the majority of revenue by contributing 31% and 55%, respectively, of the total revenue raised (see Table A-4). The remainder of revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$28,974,836 for 2018. These expenses are predominantly for the education, supervision and transportation of students (see Table A-5). The School District's administrative, occupancy and business activities accounted for the remainder of the costs.

Net position increased during the year by \$430,852.

Table A-3 – Changes in Net Position from Operating Results

	Fiscal Year 2018	Fiscal Year 2017	Percentage Change (Incr.;- Decr.)
Revenues			
Program revenues:			
Charges for services	\$ 598,058	\$ 577,170	3.6%
Operating grants and contributions	1,368,316	1,340,824	2.1%
General revenues:			
Property taxes	10,931,493	10,586,553	3.3%
State formula aid	16,173,060	15,808,828	2.3%
Federal sources	52,223	47,732	9.4%
Miscellaneous	280,472	68,478	309.6%
Use of money and property	1,796	141,128	-98.7%
Total Revenues	29,405,418	28,570,713	2.9%
Expenses			
General support	4,715,863	4,322,498	9.1%
Instruction	19,829,181	20,063,933	-1.2%
Transportation	3,303,473	3,368,264	-1.9%
Community service	28,198	28,089	0.4%
Debt service	562,117	514,948	9.2%
Cost of sales – Lunch Program	536,004	583,093	-8.1%
Total Expenses	28,974,836	28,880,825	0.3%
Change In Net Position from Operations	\$ 430,582	\$ (310,112)	238.8%

TABLE A-4 – REVENUES

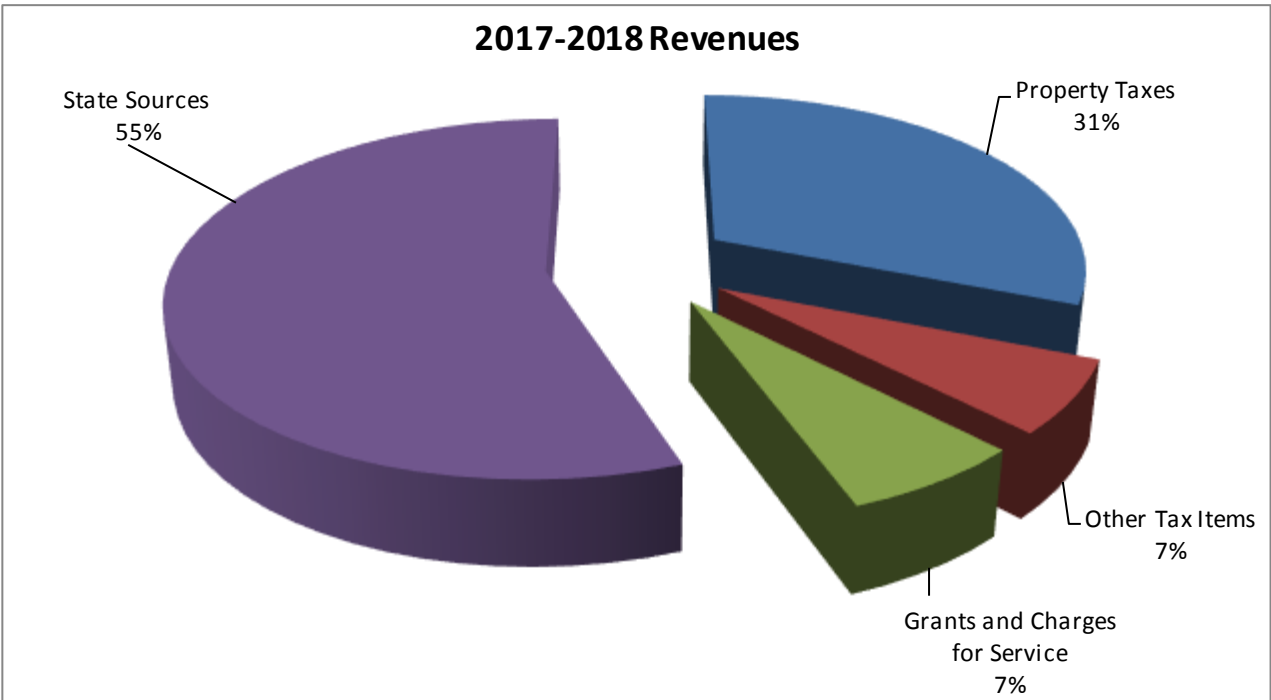
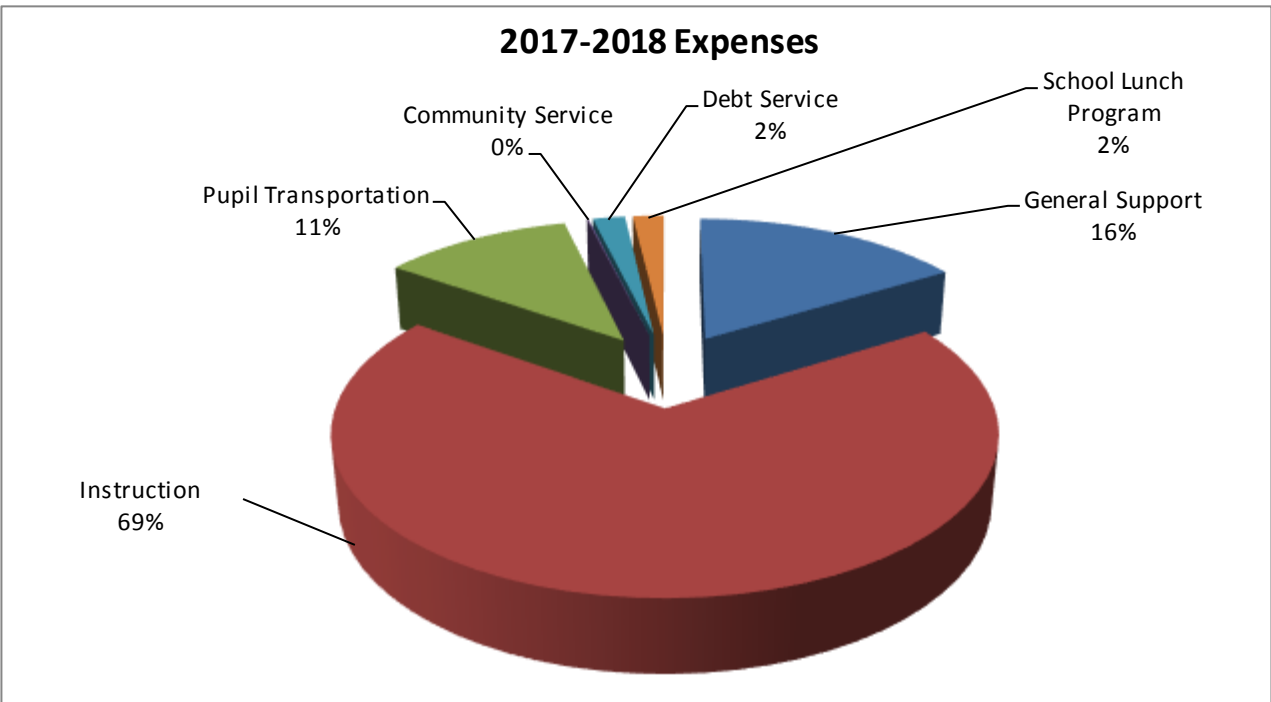


TABLE A-5 – EXPENDITURES



Governmental Activities

Revenue for the School District's governmental activities totaled \$29,405,418 while total expenses were \$28,974,836. Accordingly, net position increased by \$430,852.

Table A-6 presents the cost of several of the School District's major activities. The table also shows 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 School District's taxpayers by each of these functions.

Table A-6

Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2018	2017	Change (Incr.; -Decr.)	2018	2017	Change (Incr.; -Decr.)
General support	\$ 4,715,863	\$ 4,322,498	9.1%	\$ 4,715,863	\$ 4,322,498	9.1%
Instruction	19,829,181	20,063,933	-1.2%	18,330,317	18,627,975	-1.6%
Pupil transportation	3,303,473	3,368,264	-1.9%	3,303,473	3,368,264	-1.9%
Community service	28,198	28,089	0.4%	28,198	28,089	0.4%
Debt service - interest	562,117	514,948	9.2%	562,117	514,948	9.2%
Cost of sales - lunch program	536,004	583,093	-8.1%	68,494	101,057	-32.2%
Totals	\$ 28,974,836	\$ 28,880,825		\$ 27,008,462	\$ 26,962,831	

- The cost of all governmental activities for the year was \$28,974,836.
- The users of the School District's programs financed \$598,058 of the costs.
- The federal and state government grants financed \$1,368,316.
- The majority of costs were 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 statement are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

No other variances are reflected in the governmental fund financial statements for 2018.

General Fund Budgetary Highlights

The General Fund is the only fund for which a budget is legally adopted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets includes land, buildings, equipment and infrastructure, including things such as parking lots and curbing.

Table A-7

Capital Assets - Balances Net of Accumulated Depreciation

	Governmental Activities and Total School District		Percentage Change (Incr.; -Decr.)
	2018	2017	
Land	\$ 81,242	\$ 81,242	0.0%
Buildings	10,582,528	11,178,591	-5.3%
Construction in progress	18,988,164	13,286,582	42.9%
Furniture and equipment	682,547	843,716	-19.1%
Totals	\$ 30,334,481	\$ 25,390,131	19.5%

Debt Administration

The long-term debt outstanding at June 30, 2018, totaled \$67,114,275. During the fiscal year, the District paid \$1,536,174 in principal on bonds and lease financing.

Table A-8

Outstanding Long-Term Debt

	Total School District		Percentage Change (Incr.; -Decr.)
	2018	2017	
General obligation bonds (financed with property taxes)	\$ 9,330,000	\$ 10,866,174	-14.1%
Other debt	57,784,275	13,057,293	342.5%
Totals	\$ 67,114,275	\$ 23,923,467	180.5%

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Fonda-Fultonville Central School District recognizes the cultural importance of maintaining a healthy fund balance in consideration of the following:
 - The District is also susceptible to the increasing costs of providing adequate healthcare to its employees, both active and inactive. Continued governance is done to ensure that costs are within the budgeted amount. As with many other expenses within the General Fund Budget, healthcare expenses can surge after the final approval of the General Fund Budget, therefore creating fiscal problems throughout the budget year.

- The combination of increasing mandates associated with the instruction of Special Education Students and the continued reduction of federal funding has added financial pressure to the General Fund Budget. This financial pressure has been an ongoing issue with the District and will continue to put a strain on the General Fund Budget along with the needs of the students. The District, as with all other public school districts within New York State, face increasing expenses due to mandates set by both the State and Federal Governments. These mandates are usually unfunded and are not included in the foundation aid calculation for Districts.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT TEAM

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

Fonda-Fultonville Central School District
Business Office
112 Old Johnstown Road, PO Box 1501
Fonda, NY 12068-1501
518-853-3732

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

Cash

Unrestricted	\$ 4,262,731
Restricted	2,297,939

Receivables

State and Federal aid	2,067,062
Due from fiduciary funds	166,940
Other receivables	87,192

Inventories

7,609

Net pension asset - proportionate share

449,321

Capital assets, net of depreciation

30,334,481

Total Assets

39,673,275

DEFERRED OUTFLOWS OF RESOURCES

Pensions

6,449,283

Total Deferred Outflows of Resources

6,449,283

LIABILITIES

Payables

Accounts payable	308,184
Accrued liabilities	1,623,543
Accrued interest payable	38,225
Bond anticipation notes payable	18,130,000

Long-term liabilities

Due and payable within one year

Due to Teachers' Retirement System	1,115,946
Due to Employees' Retirement System	53,813
Bonds payable	1,305,000

Due and payable after one year

Bonds payable	8,025,000
Other post-employment benefits	57,758,016
Net pension liability - proportionate share	169,030
Compensated absences payable	26,259

Total Liabilities

88,553,016

DEFERRED INFLOWS OF RESOURCES

Other post employment benefits

2,510,939

Pensions

1,922,508

Total Deferred Inflows of Resources

4,433,447

NET POSITION

Net investment in capital assets

4,863,241

Restricted

Reserve for employee benefit accrued liability	400,000
Capital reserve	550,000
Repair reserve	250,000
Insurance reserve	100,000
Retirement contribution reserve	250,000
Tax certiorari reserve	200,000
Debt service	822,001

Unrestricted (54,299,147)

Total Net Position (Deficit)

\$ (46,863,905)

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net (Expense)</u>
		<u>Services</u>	<u>Grants</u>	<u>Revenue and</u>	<u>Changes in</u>
				<u>Net Position</u>	
FUNCTIONS/PROGRAMS					
General support	\$ 4,715,863	\$ 0	\$ 0		\$ (4,715,863)
Instruction	19,829,181	(437,513)	(1,061,351)		(18,330,317)
Pupil transportation	3,303,473	0	0		(3,303,473)
Debt service	562,117	0	0		(562,117)
Community service	28,198	0	0		(28,198)
School lunch program	536,004	(160,545)	(306,965)		(68,494)
Total Functions and Programs	<u>\$ 28,974,836</u>	<u>\$ (598,058)</u>	<u>\$ (1,368,316)</u>		<u>(27,008,462)</u>
GENERAL REVENUES					
Real property taxes					9,025,558
Other tax items					1,905,935
Use of money and property					1,796
Miscellaneous					280,472
State sources					16,173,060
Federal sources					52,223
Total General Revenues					<u>27,439,044</u>
CHANGE IN NET POSITION					430,582
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR, AS RESTATED					<u>(47,294,487)</u>
TOTAL NET POSITION (DEFICIT) - END OF YEAR					<u>\$ (46,863,905)</u>

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 2,669,733	\$ 6,630	\$ 5,050	\$ 0	\$ 1,581,318	\$ 4,262,731
Restricted	1,750,000	0	0	547,939	0	2,297,939
Due from other funds	1,400,082	184,349	0	419,062	876,886	2,880,379
Due from fiduciary funds	226,233	0	0	0	0	226,233
State and Federal aid	1,501,347	546,882	18,833	0	0	2,067,062
Other receivables	51,284	35,908	0	0	0	87,192
Inventories	0	0	7,609	0	0	7,609
TOTAL ASSETS	\$ 7,598,679	\$ 773,769	\$ 31,492	\$ 967,001	\$ 2,458,204	\$ 11,829,145
LIABILITIES						
Accounts payable	\$ 258,905	\$ 10,882	\$ 0	\$ 0	\$ 38,397	\$ 308,184
Accrued liabilities	1,623,543	0	0	0	0	1,623,543
Due to other funds	1,321,183	689,629	34,554	145,000	676,169	2,866,535
Due to fiduciary funds	0	73,137	0	0	0	73,137
Bond anticipation notes payable	0	0	0	0	18,130,000	18,130,000
Due to Employees' Retirement System	53,813	0	0	0	0	53,813
Due to Teachers' Retirement System	1,115,946	0	0	0	0	1,115,946
Total Liabilities	4,373,390	773,648	34,554	145,000	18,844,566	24,171,158
FUND BALANCE						
Nonspendable - Inventory	0	0	7,609	0	0	7,609
Restricted						
Reserve for tax certiorari	200,000	0	0	0	0	200,000
Reserve for employee benefit accrued liability	400,000	0	0	0	0	400,000
Reserve for debt service	0	0	0	822,001	0	822,001
Capital reserve	550,000	0	0	0	0	550,000
Repair reserve	250,000	0	0	0	0	250,000
Insurance reserve	100,000	0	0	0	0	100,000
Retirement contribution reserve	250,000	0	0	0	0	250,000
Assigned	0	121	0	0	0	121
Unassigned	1,475,289	0	(10,671)	0	(16,386,362)	(14,921,744)
Total Fund Balance	3,225,289	121	(3,062)	822,001	(16,386,362)	(12,342,013)
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,598,679	\$ 773,769	\$ 31,492	\$ 967,001	\$ 2,458,204	\$ 11,829,145

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION**

FOR THE YEAR ENDED JUNE 30, 2018

Total fund balance (deficit) - governmental funds balance sheet (page 14)	\$ (12,342,013)
Add:	
Land, building and equipment, net of accumulated depreciation	30,334,481
Net pension asset - proportionate share	449,321
Pensions	6,449,283
	<hr/>
Total	37,233,085
	<hr/>
Deduct:	
Accrued interest payable	38,225
Compensated absences	26,259
Other post-employment benefits	60,268,955
Net pension liability - proportionate share	169,030
Pensions	1,922,508
Long and short-term bonds payable	9,330,000
	<hr/>
Total	71,754,977
	<hr/>
NET POSITION (DEFICIT), GOVERNMENTAL ACTIVITIES	\$ (46,863,905)
	<hr/>

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital	Total Governmental Funds
REVENUES						
Real property taxes	\$ 9,025,558	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,025,558
Other tax items	1,905,935	0	0	0	0	1,905,935
Charges for services	437,513	0	0	0	0	437,513
Use of money and property	1,198	0	7	591	0	1,796
Miscellaneous	97,438	0	463	0	182,571	280,472
State sources	16,173,060	414,580	9,844	0	0	16,597,484
Federal sources	52,223	646,771	259,468	0	0	958,462
Surplus food	0	0	37,653	0	0	37,653
Sales - school lunch	0	0	160,545	0	0	160,545
Total Revenues	27,692,925	1,061,351	467,980	591	182,571	29,405,418
EXPENDITURES						
General support	3,175,351	0	0	0	0	3,175,351
Instruction	12,337,942	1,013,716	0	0	0	13,351,658
Pupil transportation	2,224,340	0	0	0	0	2,224,340
Community service	28,198	0	0	0	0	28,198
Employee benefits	7,349,140	51,292	0	0	0	7,400,432
Debt service						
Principal	1,536,174	0	0	0	0	1,536,174
Interest	570,451	0	0	0	0	570,451
Cost of sales	0	0	494,482	0	0	494,482
Capital outlay	0	0	0	0	5,701,582	5,701,582
Total Expenditures	27,221,596	1,065,008	494,482	0	5,701,582	34,482,668
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	471,329	(3,657)	(26,502)	591	(5,519,011)	(5,077,250)
OTHER FINANCING SOURCES AND USES						
Operating transfers (out)	(8,778)	3,778	5,000	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND USES	462,551	121	(21,502)	591	(5,519,011)	(5,077,250)
FUND BALANCE - BEGINNING OF YEAR	3,512,738	0	18,440	821,410	(11,617,351)	(7,264,763)
OTHER CHANGE IN FUND BALANCE	(750,000)	0	0	0	750,000	0
FUND BALANCE - END OF YEAR	\$ 3,225,289	\$ 121	\$ (3,062)	\$ 822,001	\$ (16,386,362)	\$ (12,342,013)

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2018

REVENUES - STATEMENT OF ACTIVITIES		\$ 29,405,418
EXPENDITURES	\$ 34,482,668	
Add:		
Depreciation	781,090	
Pensions	122,135	
Increase in other post-employment benefits	858,891	
	<u>1,762,116</u>	
Deduct:		
Decrease in accrued interest payable	8,334	
Change in fixed assets	5,725,440	
Principal payments of long-term debt	1,536,174	
	<u>7,269,948</u>	
EXPENDITURES - STATEMENT OF ACTIVITIES		<u>28,974,836</u>
CHANGE IN NET POSITION		<u><u>\$ 430,582</u></u>

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash	\$ 80,113	\$ 329,822
Due from governmental funds	0	62,053
Total Assets	<u>\$ 80,113</u>	<u>\$ 391,875</u>
LIABILITIES		
Due to governmental funds	\$ 25	\$ 228,968
Extraclassroom activity balances	0	98,352
Other liabilities	0	64,555
Total Liabilities	<u>25</u>	<u>\$ 391,875</u>
NET POSITION		
Reserved for scholarships	<u>\$ 80,088</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

ADDITIONS	
Gifts and contributions	<u>\$ 26,610</u>
Total Additions	26,610
DEDUCTIONS	
Scholarships and awards	<u>19,125</u>
CHANGE IN NET POSITION	7,485
NET POSITION - BEGINNING OF YEAR	<u>72,603</u>
NET POSITION - END OF YEAR	<u>\$ 80,088</u>

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fonda-Fultonville Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as apply 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 District are described below:

A. Reporting Entity

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

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

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

i) Extraclassroom Activity Funds

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

B. Joint Venture

The District is one of 15 component districts in the Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services (BOCES). A 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.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B. Joint Venture – (Continued)

BOCES are organized under Section 1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the 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, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$3,315,120 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued \$-0- of serial bonds on behalf of BOCES. As of year end, the District had outstanding BOCES debt of \$-0-.

The District's share of BOCES aid amounted to \$1,138,142.

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

C. Basis of Presentation

1. District-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

2. Funds Statements

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C. Basis of Presentation – (Continued)

2. Funds Statements – (Continued)

The District reports the following major governmental funds:

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

School Lunch Fund – This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted for expenditures of the school breakfast and lunch programs.

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

Debt Service Fund – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

Capital Projects Fund – These funds are used to account for the financial resources used for acquisition, construction or major repair of capital facilities.

The District reports the following fiduciary funds:

Fiduciary Fund – 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.

- i) **Private Purpose Trust Funds** – These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- ii) **Agency Funds** – These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D. Measurement Focus and Basis of Accounting

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

D. Measurement Focus and Basis of Accounting – (Continued)

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

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

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

E. Property Taxes

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

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

F. Restricted Resources

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

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund 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 revenues to provide financing or other services.

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

G. Interfund Transactions – (Continued)

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

Refer to Note 7 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. Estimates

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

I. Cash (and Cash Equivalents)/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 are stated at fair value.

J. 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.

K. Inventories and Prepaid Items

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

K. Inventories and Prepaid Items – (Continued)

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

A reserve for these nonliquid assets (inventories) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Capital Assets

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on direct costing, standard costing or normal costing methods, 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 District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	Straight-line	15 – 40
Equipment and furniture	5,000	Straight-line	5 – 20

M. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. 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 (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the District-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

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

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
District's proportionate share of the net pension asset (liability)	\$ (169,030)	\$ 449,321
District's portion of the Plan's total net pension asset (liability)	.0052373%	.059113%
Change in proportion since the prior measurement date	.0000603%	.000748%

For the year ended June 30, 2018, the District's recognized pension expense of \$213,370 for ERS and \$1,026,180 for TRS. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 60,288	\$ 369,681	\$ 49,819	\$ 175,185
Changes of assumptions	112,081	4,571,931	0	0
Net difference between projected and actual earnings on pension plan investments	245,503	0	484,599	1,058,281
Changes in proportion and differences between the District's contributions and proportionate share of contributions	7,909	1,897	15,796	138,828
District's contributions subsequent to the measurement date	53,813	1,026,180	0	0
Total	\$ 479,594	\$ 5,969,689	\$ 550,214	\$ 1,372,294

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

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

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

		<u>ERS</u>	<u>TRS</u>
Year ended:			
	2019	\$ 28,370	\$ 1,187,137
	2020	24,468	843,148
	2021	(122,373)	192,430
	2022	(54,898)	840,630
	2023	0	426,346
	Thereafter	0	0

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.0%	7.25%
Salary scale	3.8%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	Systems experience	Systems experience
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 through March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 through June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

Actuarial Assumptions – (Continued)

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

Measurement date	<u>ERS</u> March 31, 2018	<u>TRS</u> June 30, 2017
<u>Asset type</u>		
Domestic equity	4.55%	5.90%
International equity	6.35	7.40
Real estate	5.55	4.30
Domestic fixed income securities	0	1.60
Global fixed income securities	0	1.30
High-yield fixed income securities	0	3.90
Mortgages	0	2.80
Short-term	0	0.60
Private equity/alternative investments	7.50	9.00
Absolute return strategies	3.75	0
Opportunistic portfolio	5.68	0
Bonds and mortgages	1.31	0
Cash	(0.25)	0
Inflation index bonds	1.25	0
Real assets	5.29	0

Discount Rate

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

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

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>ERS</u>			
District's proportionate share of the net pension asset (liability)	\$ (1,278,930)	\$ (169,030)	\$ 769,900
	<u>1% Decrease (6.25%)</u>	<u>Current Assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
<u>TRS</u>			
District's proportionate share of the net pension asset (liability)	\$ (7,740,474)	\$ 449,321	\$ 7,307,868

Pension Plan Fiduciary Net Position

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

	(Dollars in thousands)		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Measurement date	March 31, 2018	June 30, 2017	
Employers' total pension asset (liability)	\$(183,400,590)	\$(114,708,261)	\$(298,108,851)
Plan fiduciary net position asset (liability)	180,173,145	115,468,360	295,641,505
Employers' net pension asset (liability)	(3,227,445)	760,099	(2,467,346)
Ratio of plan fiduciary net position to the employers' total pension asset (liability)	98.24%	100.7%	99.17%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$53,813.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November, 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amount to \$1,115,946.

Additional pension information can be found in Note 8.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N. Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized. The District had no unearned revenue at June 30, 2018.

O. 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.

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

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

P. Other Benefits

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

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

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Q. Short-Term Debt

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

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

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

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

R. Accrued Liabilities and Long-Term Obligations

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

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

S. Equity Classifications

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

i) Net Investment in Capital Assets

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

ii) Restricted Net Position

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

iii) Unrestricted Net Position

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

Funds Statements

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

1. Nonspendable Fund Balance

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$7,609.

2. Restricted

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

Currently Utilized by the District:

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the Debt Service Fund under Restricted Fund Balance.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund under Restricted Fund Balance.

Insurance

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

Repairs

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

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Tax Certiorari

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that 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.

Capital Reserve

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

Encumbrances

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

3. Committed

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

Funds Statements – (Continued)

4. Assigned

Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

5. Unassigned

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

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the 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 Use of Fund Balance

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

T. New Accounting Standards

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

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Post-employment 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 Post-employment Benefit Plans Other than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

U. Future Changes in Accounting Standards

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019. This statement establishes criteria for determining the timing and pattern of recognition of liability and corresponding deferred outflow of resources for asset retirement obligations.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2019. This statement requires the recognition of certain lease assets and liabilities for leases previously classified as operating leases along with recognition of inflows and outflows of resources, as appropriate.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019. This statement establishes new disclosure requirements related to debt.

GASB has issued Statement No. 89, *Accounting Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021. This statement requires that interest cost incurred during construction be expensed in that period rather than being included in the cost of the capital asset.

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

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

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

Total fund balance of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of four broad categories, described as follows:

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS – (CONTINUED)

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities – (Continued)

i) Long-Term Revenue Differences

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

ii) Capital Related Differences

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

iii) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension Differences

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (CONTINUED)

Budgets – (Continued)

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

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

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

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments 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.

Excess Fund Balance – Real Property Tax Limit

The portion of the District's fund balance subject to the New York State Real Property Tax Law §1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year.

Deficit Fund Balance

The Capital Fund had a deficit fund balance of \$16,386,362 at June 30, 2018. This deficit will be eliminated when the District obtains permanent financing for the project.

The School Lunch Fund had a deficit fund balance of \$3,062 at June 30, 2018. This deficit will be eliminated after management reviews the fund and makes necessary changes.

NOTE 4 – CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Custodial credit risk is the risk that in the event of a 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.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 – CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS – (CONTINUED)

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

Uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	6,997,236

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,297,939 within the governmental funds and \$409,935 in fiduciary funds.

NOTE 5 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 81,242	\$ 0	\$ 0	\$ 81,242
Construction in process	13,286,582	5,701,582	0	18,988,164
Total nondepreciable historical cost	<u>13,367,824</u>	<u>5,701,582</u>	<u>0</u>	<u>19,069,406</u>
Capital assets that are depreciated:				
Buildings	34,321,697	9,052		34,330,749
Furniture and equipment	4,088,859	14,806	0	4,103,665
Total depreciable historical cost	<u>38,410,556</u>	<u>23,858</u>	<u>0</u>	<u>38,434,414</u>
Less accumulated depreciation:				
Buildings	23,143,106	605,115		23,748,221
Furniture and equipment	3,245,143	175,975		3,421,118
Total accumulated depreciation	<u>26,388,249</u>	<u>781,090</u>	<u>0</u>	<u>27,169,339</u>
Net depreciable historical cost	<u>12,022,307</u>	<u>(757,232)</u>	<u>0</u>	<u>11,265,075</u>
Total historical cost, net	<u>\$ 25,390,131</u>	<u>\$ 4,944,350</u>	<u>\$ 0</u>	<u>\$ 30,334,481</u>
Depreciation was allocated to the following programs as follows:				
General support		\$ 128,871		
Instruction		541,876		
Pupil transportation		90,275		
School lunch program		20,068		
Total		<u>\$ 781,090</u>		

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 6 – SHORT AND LONG-TERM DEBT

Short-Term Debt

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN 8/4/2016 2.00%	\$ 13,000,000	\$ 18,130,000	\$ 13,000,000	\$ 18,130,000
TOTALS	\$ 13,000,000	\$ 18,130,000	\$ 13,000,000	\$ 18,130,000

Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds and notes payable:					
Serial bond	\$10,620,000	\$ 0	\$ 1,290,000	\$ 9,330,000	\$ 1,305,000
Energy performance contract lease financing	246,174	0	246,174	0	0
Total bonds and notes payable	10,866,174	0	1,536,174	9,330,000	1,305,000
Other liabilities:					
Other post-employment benefits	13,031,034	44,726,982	0	57,758,016	0
Compensated absences, net	26,259	0	0	26,259	0
Total other liabilities	13,057,293	44,726,982	0	57,784,275	0
TOTAL LONG-TERM LIABILITIES	\$23,923,467	\$44,726,982	\$ 1,536,174	\$67,114,275	\$ 1,305,000

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

The current portion (amount due within one year) of other liabilities as of June 30, 2018, was not determinable.

The following is a summary of maturity of long-term indebtedness:

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 6 – SHORT AND LONG-TERM DEBT – (CONTINUED)

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2018</u>
Construction	2010	2020	3.860%	\$ 975,000
Renovations	2014	2025	2.500%	1,540,000
Reconstruction of Elementary School	2010	2021	3.094%	420,000
Land Acquisition and Construction	2013	2030	2.634%	6,395,000
Totals				\$ 9,330,000

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2019	\$ 1,305,000	\$ 261,622	\$ 1,566,622
2020	1,320,000	221,100	1,541,100
2021	860,000	178,609	1,038,609
2022	730,000	160,281	890,281
2023	750,000	143,881	893,881
Thereafter	4,365,000	507,753	4,872,753
Totals	\$ 9,330,000	\$ 1,473,246	\$10,803,246

Interest on Debt

Interest on debt for the year was composed of:

Interest paid	\$ 570,451
Less interest accrued in the prior year	46,559
Plus interest accrued in the current year	38,225
Total expense	\$ 562,117

NOTE 7 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,626,315	\$ 1,321,183	\$ 0	\$ 8,778
Special Aid Fund	184,349	762,766	3,778	0
School Lunch Fund	0	34,554	5,000	0
Debt Service Fund	419,062	145,000	0	0
Capital Fund	876,886	676,169	0	0
Total Governmental Activities	3,106,612	2,939,672	8,778	8,778
Fiduciary Agency Fund	62,053	228,993	0	0
TOTALS	\$ 3,168,665	\$ 3,168,665	\$ 8,778	\$ 8,778

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

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

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 – PENSION PLANS

General Information

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

Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 2, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 – PENSION PLANS – (CONTINUED)

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

	<u>NYTRS</u>	<u>NYSERS</u>
2017-2018	\$1,026,180	\$ 213,370
2016-2017	1,071,587	200,637
2015-2016	1,173,449	207,364

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District did not exercise.

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

Additional pension information can be found in Note 1 M.

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information About the OPEB Plan:

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	151
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>141</u>
Total	<u><u>292</u></u>

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Total OPEB Liability:

The District's total OPEB liability of \$57,758,016 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation	2.2%
Salary Increases	3.2%, average, including inflation
Discount Rate	3.87%
Healthcare Cost Trend Rates	5.5% for 2018, decreasing per year to an ultimate rate of 3.84% for 2078 and later years.

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the April 1, 2010 - March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on 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.

Changes in the Total OPEB Liability:

Balance at June 30, 2017	\$ 59,410,064
Changes for the year:	
Service cost	1,032,217
Interest	2,094,512
Changes in benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	(2,970,503)
Benefit payments	<u>(1,808,274)</u>
Net changes	<u>(1,652,048)</u>
Balance at June 30, 2018	<u>\$ 57,758,016</u>

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

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

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 71,578,315	\$ 57,758,016	\$ 50,428,332

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 (4.5 %) or 1 percentage point higher (6.5 %) than the current healthcare cost trend rate:

	<u>1% Decrease (4.5% Decreasing to 2.84%)</u>	<u>Healthcare Cost Trend Rates (5.5% Decreasing to 3.84%)</u>	<u>1% Increase (6.5% Decreasing to 4.84%)</u>
Total OPEB Liability	\$ 49,715,411	\$ 57,758,016	\$ 72,707,106

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 \$858,891. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions or other inputs	<u>0</u>	<u>2,510,939</u>
Total	<u>\$ 0</u>	<u>\$ 2,510,939</u>

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

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

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

Fiscal Year Ending June 30:

2019	\$ 459,564
2020	459,564
2021	459,564
2022	459,564
2023	459,564
Thereafter	<u>213,119</u>
Total	<u>\$ 2,510,939</u>

NOTE 10 – RISK MANAGEMENT

General Information

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

Workers' Compensation Pool, Non-risk Retained

For its workers' compensation insurance coverage, the School District is a participant in the Fulmont Workers' Compensation Plan, a public entity risk pool granted under Article 5 of the Workers' Compensation Law.

Health Insurance, Non-pool, Risk Retained

Effective July 1, 1999, the Fonda-Fultonville Central School District established a self-insured plan for risks associated with employees' (including retirees) health insurance, which is accounted for in the School District's General Fund and includes provisions for unexpected and unusual claims. The benefit program administrator, APA Partners, Inc., is responsible for the approval, processing and payment of claims for which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The District has obtained specific excess loss insurance. The specific deductible amount per policy period is \$100,000. The maximum limit per policy period per covered person is \$900,000.

Liabilities of the Fund/Plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement, trends including frequency and amount of payouts and other economic and social factors. Changes in the balances of claims liabilities during the current and past two fiscal years are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Unpaid claims, beginning of fiscal year	\$ 154,035	\$ 321,529	\$ 225,714
Plus: incurred claims (including IBNRs)	2,915,080	1,491,533	1,767,995
Less: claim payments	<u>(1,457,540)</u>	<u>(1,659,027)</u>	<u>(1,672,180)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,611,575</u>	<u>\$ 154,035</u>	<u>\$ 321,529</u>

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

NOTE 12 – TAX ABATEMENTS

The County of Montgomery, enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. The School District's property tax revenue was reduced \$454,377. The District received Payment in Lieu of Tax (PILOT) payment totaling \$338,252.

NOTE 13 – OTHER CHANGE IN FUND BALANCE

The other change in fund balance is composed of a transfer of \$750,000 from the general fund unassigned fund balance to cover the cost of the local share of the capital project.

NOTE 14 – RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. The implementation of Statement No. 75 resulting in the reporting of a liability and deferred inflows of resources related to the District's other post-employment benefits. The District's net position has been restated as follows:

Net Position beginning of year as previously stated	\$ (915,457)
GASB Statement No. 75 implementation:	
Difference Beginning OPEB Liability and previously recorded OPEB Liability	<u>(46,379,030)</u>
Net position beginning of year as restated	<u>\$ (47,294,487)</u>

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through the issuance date of the audit report. No matters were considered material to the financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual Revenues	Final Budget Variance with Budgetary Actual Over (Under)
REVENUES:				
Local Sources				
Real property taxes	\$ 8,899,418	\$ 8,899,418	\$ 9,025,558	\$ 126,140
Real property tax items	1,798,231	1,798,231	1,905,935	107,704
Charges for services	141,000	141,000	437,513	296,513
Use of money and property	0	0	1,198	1,198
Miscellaneous	20,000	20,000	97,438	77,438
Total Local Sources	10,858,649	10,858,649	11,467,642	608,993
State Sources	16,968,682	16,968,682	16,173,060	(795,622)
Federal Sources	95,000	95,000	52,223	(42,777)
Total Revenues	27,922,331	27,922,331	27,692,925	\$ (229,406)

See paragraph on supplementary schedules included in independent auditors' report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual Expenditures	Year End Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances (Over) Under
EXPENDITURES					
General Support					
Board of Education	12,228	5,755	3,759	\$ 0	\$ 1,996
Central administration	184,697	185,947	184,781	0	1,166
Finance	329,438	338,510	304,098	0	34,412
Staff	175,083	186,200	157,471	0	28,729
Central services	2,092,493	2,236,942	2,051,407	0	185,535
Special items	540,694	501,132	473,835	0	27,297
Instructional					
Instruction, administration and improvements	729,457	704,551	685,673	0	18,878
Teaching – regular school	7,974,480	7,851,812	7,765,324	0	86,488
Programs for children with handicapping conditions	2,513,256	2,432,620	2,116,589	0	316,031
Occupational education	622,981	686,219	627,386	0	58,833
Teaching - special school	19,479	68,295	63,895	0	4,400
Instructional media	314,435	394,818	304,038	0	90,780
Pupil services	799,121	808,198	775,037	0	33,161
Pupil Transportation	2,313,487	2,281,761	2,224,340	0	57,421
Community Services	0	28,198	28,198	0	0
Employee Benefits	6,955,483	7,391,733	7,349,140	0	42,593
Debt Service	2,629,068	2,224,697	2,106,625	0	118,072
Total Expenditures	28,205,880	28,327,388	27,221,596	0	1,105,792
Other Financing Uses					
Transfers to other funds	5,000	8,778	8,778	0	0
Total Expenditures and Other Uses	28,210,880	28,336,166	27,230,374	\$ 0	\$ 1,105,792
NET CHANGE IN FUND BALANCE	(288,549)	(413,835)	462,551		
FUND BALANCE – BEGINNING	3,512,738	3,512,738	3,512,738		
OTHER CHANGE IN FUND BALANCE	0	0	(750,000)		
FUND BALANCE – ENDING	\$ 3,224,189	\$ 3,098,903	\$ 3,225,289		

See paragraph on supplementary schedules included in independent auditors' report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS OTHER POST-EMPLOYMENT BENEFITS

FOR THE YEAR ENDED JUNE 30, 2018

Measurement date	June 30, 2018
Total OPEB Liability	
Service cost	\$ 1,032,217
Interest	2,094,512
Change of benefit terms	0
Differences between expected and actual experience	0
Change of assumptions or other inputs	(2,970,503)
Benefit payments	<u>(1,808,274)</u>
Net change in total OPEB liability	(1,652,048)
Total OPEB Liability - beginning	<u>59,410,064</u>
Total OPEB Liability - ending	<u><u>\$ 57,758,016</u></u>
Covered-employee payroll	\$ 10,314,193
Total OPEB liability as a percentage of covered-employee payroll	559.99%
Plan's fiduciary net position	\$ 0
Net OPEB Liability	\$ 57,758,016

See paragraph on supplementary schedule included in independent auditors' report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

FOR THE YEARS ENDED JUNE 30, 2018, 2017, 2016 AND 2015

NYS Teachers' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.059113%	0.058365%	0.056616%	0.056316%
District's proportionate share of the net pension liability (asset)	\$ (449,321)	\$ 625,118	\$ (5,880,613)	\$ (6,273,218)
District's covered-employee payroll	9,867,920	9,485,148	9,098,183	8,595,372
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	4.6%	6.6%	64.6%	73.0%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.70%	99.00%	110.50%	111.48%

NYS Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0052373%	0.0051770%	0.0051867%	0.0054295%
District's proportionate share of the net pension liability (asset)	\$ 169,030	\$ 486,446	\$ 832,486	\$ 183,422
District's covered-employee payroll	1,457,298	1,411,859	1,275,268	1,286,393
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.6%	34.5%	65.3%	14.3%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%

See paragraph on supplementary schedule included in independent auditors' report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2018, 2017, 2016 AND 2015

NYS Teachers' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 967,056	\$ 1,111,659	\$ 1,206,419	\$ 1,506,768
Contributions in relation to the contractually required contribution	<u>967,056</u>	<u>1,111,659</u>	<u>1,206,419</u>	<u>1,506,768</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 9,867,920	\$ 9,485,148	\$ 9,098,183	\$ 8,595,372
Contribution as a percentage of covered-employee payroll	9.80%	11.72%	13.26%	17.53%

NYS Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 213,370	\$ 197,873	\$ 202,084	\$ 234,387
Contributions in relation to the contractually required contribution	<u>213,370</u>	<u>197,873</u>	<u>202,084</u>	<u>234,387</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,457,298	\$ 1,411,859	\$ 1,275,268	\$ 1,286,393
Contribution as a percentage of covered-employee payroll	14.64%	14.02%	15.85%	18.22%

See paragraph on supplementary schedule included in independent auditors' report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET –
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2018

ADOPTED BUDGET	\$ 28,210,880
ADDITIONS:	
Prior year's encumbrances	24,134
Appropriated reserves	<u>101,152</u>
FINAL BUDGET	<u><u>\$ 28,336,166</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

FOR THE YEAR ENDED JUNE 30, 2018

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter-approved expenditure budget	\$ 29,327,099
Maximum allowed (4% of 2018-2019 budget)	1,173,084
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	0
Unassigned fund balance	<u>1,475,289</u>
Total unrestricted fund balance	1,475,289
Less:	
Appropriated fund balance and encumbrances	<u>0</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,475,289</u></u>
Actual percentage	5.03%

See paragraph on supplementary schedules included in independent auditors' report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

FOR THE YEAR ENDED JUNE 30, 2018

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance (Deficit)</u>	<u>Methods of Financing</u>			<u>Fund Balances</u>
			<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>		<u>Other Sources</u>	<u>Proceeds of Obligations</u>	<u>Total</u>	
Elementary reconstruction	\$ 2,500,000	\$ 2,000,000	\$ 3,221,304	\$ 0	\$ 3,221,304	\$(1,221,304)	\$ 3,439,120	\$ 1,395,000	\$ 4,834,120	\$ 1,612,816
District-wide Excel renovation project	2,710,000	2,710,000	2,798,112	0	2,798,112	(88,112)	166,889	2,480,000	2,646,889	(151,223)
Capital Imprvt. Projects, 2014- 179 to 2014-181 and 2016- 135	19,400,000	19,400,000	13,286,582	5,701,582	18,988,164	411,836	1,324,940	0	1,324,940	(17,663,224)
K-4 Elementary School Stabilization Project	2,147,012	2,147,012	184,803	0	184,803	1,962,209	72	0	72	(184,731)
TOTALS	\$ 26,757,012	\$ 26,257,012	\$19,490,801	\$5,701,582	\$ 25,192,383	\$ 1,064,629	\$ 4,931,021	\$ 3,875,000	\$ 8,806,021	\$(16,386,362)

See paragraph on supplementary schedules included in independent auditors' report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

NET INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS, NET		\$ 30,334,481
ADD:		
Unspent Bond anticipation note payable proceeds	1,988,760	
DEDUCT:		
Bond anticipation note payable	18,130,000	
Short-term portion of bonds payable	1,305,000	
Long-term portion of bonds payable	<u>8,025,000</u>	
		<u>25,471,240</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 4,863,241</u></u>

See paragraph on supplementary schedules included in independent auditors' report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

**FEDERAL AWARD PROGRAM INFORMATION
(SINGLE AUDIT)**

(UNIFORM GUIDANCE)

JUNE 30, 2018



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

To the President and the Other Members
of the Board of Education of the
Fonda-Fultonville Central School District
Fonda, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fonda-Fultonville Central School 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 9, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fonda-Fultonville Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.

WEST & COMPANY CPAs PC

Gloversville, New York
October 9, 2018



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

To the President and the Other Members
of the Board of Education of the
Fonda-Fultonville Central School District
Fonda, New York

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

WEST & COMPANY CPAs PC

Gloversville, New York
October 9, 2018

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Project Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through NYS Education Department: (Pass-through Grantor's No. 270-6010-40000)			
Title I Grants to Local Educational Agencies	84.010	0021181430	\$ 281,353
Improving Teacher Quality State Grants	84.367	0147181430	48,297
Special Education Cluster:			
Special Education - Grants to States	84.027	0032180398	306,800
Special Education - Preschool Grants	84.173	0033180398	10,321
Total Special Education Cluster			317,121
Total U.S. Department of Education			646,771
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through NYS Education Department: (Pass-through Grantor's No. 270-6010-40000)			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution) National School Lunch Program	10.555	Not applicable	37,653
Cash Assistance			
School Breakfast Program	10.553	Not applicable	47,374
Summer Food Service Program	10.559	Not applicable	1,463
National School Lunch Program	10.555	Not applicable	210,631
Total Child Nutrition Cluster			297,121
Total U.S. Department of Agriculture			297,121
TOTAL FEDERAL AWARDS			\$ 943,892

See notes to schedule of expenditures of federal awards.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

NOTE 2 – SUBRECIPIENTS

No amounts were provided to sub recipients.

NOTE 3 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. At June 30, 2018, the District had food commodities totaling \$5,413 in inventory.

NOTE 4 – INDIRECT COST RATE

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. There is no other indirect cost allocation plan in effect.

NOTE 5 – CLUSTERS

The special education cluster consists of Special Education - Grants to States and Special Education - Preschool Grants.

The child nutrition cluster consists of food distribution, School Breakfast Program and National School Lunch Program.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

Material weakness identified? _____ yes X no
Significant deficiency identified that is not
considered to be material weakness? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? _____ yes X no
Significant deficiency identified that is not
considered to be material weakness? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516? _____ yes X no

Identification of major programs:

Name of Federal Program

CFDA Number

Special Education - Grants to States 84.027
Special Education - Preschool Grants 84.173

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

Auditee qualified as low risk? X yes _____ no

B. FINDINGS – BASIC FINANCIAL AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
EXTRACLASSROOM ACTIVITY FUNDS
JUNE 30, 2018



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Fonda-Fultonville Central School District
Fonda, New York

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Fonda-Fultonville Central School District as of June 30, 2018, and the related statement of revenues collected and expenses paid for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts at the point of collections to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Fonda-Fultonville Central School District as of June 30, 2018, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

WEST & COMPANY CPAs PC

Gloversville, New York
October 9, 2018

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2018

ASSETS

Cash

\$ 98,352

TOTAL ASSETS

\$ 98,352

LIABILITIES AND CLUB BALANCES

Club balances

\$ 98,352

TOTAL LIABILITIES AND CLUB BALANCES

\$ 98,352

See independent auditors' report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Receipts	Disbursements	Balance June 30, 2018
Class of 2018	\$ 6,560	\$ 34,537	\$ 35,018	\$ 6,079
Class of 2019	9,841	28,582	24,119	14,304
Class of 2020	2,707	10,373	6,186	6,894
Class of 2021	0	4,882	1,282	3,600
Art Club	4	1,425	656	773
Band	23	9,316	9,278	61
Baseball	1,745	12,872	9,672	4,945
Boys and Girls Track	8,936	7,787	5,178	11,545
Boys Basketball	89	6,842	6,852	79
Boys Soccer	1,177	368	1,255	290
Builders Club	327	0	327	0
Cheerleaders	1,837	5,649	1,241	6,245
Choral Fund	666	263	200	729
Drama Club	7,086	7,031	5,610	8,507
FFA	1,246	27,466	23,287	5,425
Girls Club (Yellow Roses)	56	3,517	2,863	710
Girls Soccer	1,015	492	629	878
Girls Softball	1,229	0	0	1,229
Grade 5 and 6 Band	1,155	580	1,198	537
Key Club	488	4,542	4,095	935
Language Club	666	435	690	411
National Honor Society	790	560	980	370
National Jr. Honor Society	599	5,378	4,973	1,004
School Store	716	0	716	0
Odyssey of the Mind	432	2,801	807	2,426
Robotics Club	2,056	1,350	970	2,436
Student Council - H.S.	1,402	2,675	2,528	1,549
Student Council - M.S.	1,198	5,616	3,266	3,548
Team Mohawk	233	0	233	0
Team Seneca	113	0	113	0
Team Spirit	94	0	94	0
Team Star	494	0	494	0
Volleyball - Girls	967	1,966	1,554	1,379
Wrestling	2,444	0	1,940	504
Yearbook	6,583	11,070	9,573	8,080
Yearbook - M.S.	2,460	2,990	2,647	2,803
Interest	50	27	0	77
TOTALS	\$ 67,484	\$ 201,392	\$ 170,524	\$ 98,352

See note to financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Fonda-Fultonville Central School District. The related year end cash balances are shown as part of the Trust and Agency Fund with the offset being shown as agency liabilities. The Extraclassroom Activity Funds of Fonda-Fultonville Central School District represent funds of the students of the District. The District's Board exercises general oversight on these funds. The Extraclassroom Activity Funds are independent of the District with respect to the financial transactions and the designation of student management.

The books and records of the Fonda-Fultonville Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.

NOTE 2 – MANAGEMENT LETTER

Management letter items associated with the Extraclassroom Activity Funds are included in the management letter accompanying the District's financial statements.



October 9, 2018

To the President and the Other Members
of the Board of Education of the
Fonda-Fultonville Central School District
Fonda, New York

Re: Management Letter
June 30, 2018

Dear Board Members:

In planning and performing our audit of the basic financial statements of the Fonda-Fultonville Central School District for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control as a basis for designing our audit procedures for the purpose of expressing an opinion 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. The memorandum that follows summarizes our comments and recommendations regarding those matters. We previously reported on the District's internal control in our report dated October 9, 2018. This report does not affect our report dated October 9, 2018, on the financial statements of Fonda-Fultonville Central School District.

Prior-Year Findings

(1) Journal Entries

Prior Condition: In order to correct balances, we were required to propose several journal entries.

Status: This condition was corrected as of June 30, 2018.

(2) Extraclassroom Activity Funds

Prior Condition:

1. During testing of disbursements and receipts it was noted that profit and loss summaries were not completed for fundraising activities and we found instances where sales tax was not charged on purchases.
2. Several clubs had no activity in 2017.

Status: Condition 1 is unchanged and only Girls Softball had no fiscal activity.

Recommendation: We recommend that the District review accounting and record keeping procedures with all individuals involved in extraclassroom activities. These procedures can be found in "Safeguarding Accounting and Auditing of Extraclassroom Activity Funds", Finance Pamphlet 2, issued by New York State Education Department.

(3) **Unassigned General Fund Balance**

Prior Condition: The District's unassigned General Fund balance at June 30, 2017, was in excess of the New York State Real Property Tax Law limit, which restricts this balance to an amount not greater than 4% of the District's appropriation budget for the upcoming year.

Status: This condition remains unchanged as of June 30, 2018.

Recommendation: We recommend that the Board review and modify its plan to reduce the District's unassigned General Fund balance to the statutory limit.

(4) **Section 611 and Section 619 Final Expenditure Reports (FS-10-F's)**

Prior Condition: The final expenditure reports for these grants were filed with expenditures in excess of the final approved budgets and in excess of the expenditures recorded in the Special Aid Fund.

Status: This condition was corrected as of June 30, 2018.

(5) **Fixed Assets**

Prior Condition: The District's fixed asset report from Industrial Appraisal Service was not updated for additions and deletions for the year ended June 30, 2017.

Status: This condition has been corrected as of June 30, 2018.

Current-Year Findings

(1) **TRS Liability**

Condition: When reviewing the calculation for the TRS Liability, we noted the District used a semi-annual statement that had the wrong TRS salary information.

Recommendation: We recommend the District review this semi-annual document and make sure the proper salaries have been reported to TRS and make sure they are calculating the liability on the proper amount of salaries.

(2) **Bank Accounts**

Condition: We noted the District has two small bank accounts under its Federal ID that are not recorded in the Trust and Agency Fund.

Recommendation: All bank accounts under the District's identification number should follow the same procedures and be recorded in the proper fund.

* * * * *

We appreciate the assistance and courtesies extended to us by your staff during our fieldwork.

Please let us know if you would like to discuss our comments and recommendations.

Very truly yours,

WEST & COMPANY CPAs PC

WEST & COMPANY CPAs PC