

**AVERILL PARK CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2019**

AVERILL PARK CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Averill Park Central School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1- A8, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of district contributions on page C5 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 supplemental 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Averill Park Central School District's basic financial statements. The supplemental information on pages D1 - D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page F3 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations 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.

These supplemental schedules 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 supplemental information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

Marvin and Company, P.C.

Latham, NY

September 10, 2019

AVERILL PARK CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2019

The following discussion and analysis of the Averill Park Central School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2019. This discussion and analysis are intended to serve as an introduction to the District's basic financial statements; we encourage readers to consider the information presented here, in conjunction with information provided in the financial statements.

Financial Highlights

- The District's 2018-19 actual revenues exceeded budgeted revenues by \$1,015,801.
- The primary revenue account generating this positive variance was an additional \$851,797 that exceeded budget in the Refund Prior Year Expense account. The \$851,797 positive variance was generated primarily by a one-time return of a self-insured workers' compensation reserve balance resulting from the District's exit from the Rensselaer-Columbia-Greene Workers' Compensation Consortium in the amount of \$757,513. Also contributing to the overall positive revenue variance was the receipt of \$124,462 in Medicaid payments over the budgeted amount which included a one-time Medicaid cost-reconciliation payment of \$52,480.
- These positive revenue variances were offset by the deferment of a planned \$400,000 transfer from the Retirement Systems Reserve to the General Fund.
- The 2018-19 expenditure budget was approved for \$58,828,115, carryover encumbrances totaled \$703,878 and the Board of Education approved additional budgetary expenditures of \$72,760 bringing the total adjusted budget to \$59,604,753.
- District expenditures and encumbrances for the 2018-19 fiscal year concluded with a positive variance from budget of \$639,593 or about 1.1% of the revised \$58,604,753 budget.
- The District also issued a 5-year \$720,538 statutory installment bond at 2.89% to finance the purchase of eight school buses.
- The District's liability for compensated absences using the "Vesting Method" of accounting, increased by \$41,296 to \$1,833,650 as of June 30, 2019.
- The District has continued its efforts to maintain its unassigned fund balance in order to strengthen its financial position for the future. The District's General Fund unassigned fund balance as of June 30, 2019 was \$2,449,946, an increase of \$31,791 from June 30, 2018. The June 30, 2019 fund balance is 4.11% of the 2019-20 General Fund budget.
- In 2011, the State Legislature and Governor enacted legislation applicable beginning with the 2012-13 school year, establishing a cap on the amount that a school district property tax levy can increase each year. Under this law, the growth in school tax levy will be capped at 2% or the rate of inflation, whichever is less, with some exceptions that allow the tax levy increase to exceed 2%, but still to be considered within the tax levy cap for voting purposes. A school district tax levy that is within the cap threshold requires only a simple majority vote for approval. However, to raises taxes above the tax levy cap, requires a super majority (60% plus one yes vote) to approve the tax levy increase.
- In May 2019, the \$59,665,424 Board of Education's 2019-20 proposed budget was approved by a 78% positive margin. The 2019-20 budget represented an increase of \$837,309 from 2018-19 budget.

- For 2019-20 the tax levy inflation factor for school districts is 2.0% and the District's overall tax levy cap is 2.59%. In August 2019, the Board approved the 2019-20 tax levy of \$31,664,969 which was within the allowable levy limit and compliant with the requirement of the property tax relief credit program and as a result qualifying taxpayers will receive property tax relief credits as established by law.
- The District renewed its lease agreement with the Questar III BOCES through June 30, 2020 for use of the George Washington Elementary school, generating about \$200,000 in net revenue annually.

Overview of the Financial Statements

The District's annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and the single audit section. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term and long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
 - 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 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 District's budget for the year.

District-wide Statements

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

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

The *statement of activities* presents information showing how the assets of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. retirement system liabilities and earned but unused vacation leave).

The District-wide financial statements can be found on pages B1 and B2 of this report.

Fund Financial Statements

A *fund* is a group of related account that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses

fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into two categories: government funds and fiduciary funds.

- *Governmental funds:* Most of the 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 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 District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The 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 District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$93 million at the close of the most recent fiscal year.

Net Position (in thousands of dollars)

| | <i>Fiscal Year</i> <u>2019</u> | <i>Fiscal Year</i> <u>2018</u> |
|---|-----------------------------------|-----------------------------------|
| <u><i>Governmental Activities</i></u> | | |
| <i>Current and other assets</i> | \$ 11,735 | \$ 10,717 |
| <i>Long-Term Receivables</i> | 85 | 175 |
| <i>Capital assets</i> | 55,475 | 58,248 |
| <i>Net Pension Assets</i> | <u>2,420</u> | <u>1,031</u> |
| <i>Total assets</i> | \$ <u>69,715</u> | \$ <u>70,171</u> |
| <i>Deferred Outflows of Resources</i> | | |
| <i>Loss on Refunding</i> | 382 | 382 |
| <i>Pension – NYSLRS</i> | 1,270 | 2,254 |
| <i>Pension – NYSTRS</i> | 12,707 | 13,494 |
| <i>Other Post-Employment Benefits</i> | <u>1,042</u> | <u>248</u> |
| <i>Total Deferred Outflows</i> | <u>15,401</u> | <u>16,378</u> |
| <i>Total Assets & Deferred Outflows</i> | \$ <u><u>85,116</u></u> | \$ <u><u>86,549</u></u> |
| <i>Current Liabilities</i> | | |
| <i>Long-term liabilities</i> | \$ 6,606 | \$ 6,402 |
| <i>Total liabilities</i> | <u>154,006</u> | <u>164,725</u> |
| | \$ <u><u>160,612</u></u> | \$ <u><u>171,127</u></u> |

Deferred Inflows of Resources

| | | |
|----------------------------|------------------|-----------------|
| <i>Pensions & OPEB</i> | \$ <u>17,592</u> | \$ <u>5,463</u> |
|----------------------------|------------------|-----------------|

Net position

| | | |
|--|--------------------|--------------------|
| <i>Invested in capital assets, net of related debt</i> | \$ 33,854 | \$ 33,672 |
| <i>Restricted</i> | 4,632 | 3,844 |
| <i>Unrestricted</i> | <u>(131,575)</u> | <u>(127,416)</u> |
| <i>Total Net Position (Deficit)</i> | \$ <u>(93,089)</u> | \$ <u>(89,900)</u> |

Net Position decreased by \$3,189,376. Total assets and deferred outflows of resources decreased by \$1,573,839, total liabilities and deferred outflows of resources increased \$1,615,537.

The decline in assets is substantially due to a decrease of \$2,772,230 in the net value of capital assets resulting from asset retirements and depreciation of capital assets. An increase in the District's cash position in reserve funds of \$838,278 and an increase in the District's net pension asset proportional share from the NYS Teachers Retirement System of \$1,389,421 offset the decrease in capital asset value.

The primary factor impacting the change in deferred inflows was an increase in the deferred inflow of resources from OPEB in the amount of \$13,777,763. This increase was mitigated by a \$9,495,645 reduction of Other Post-Employment Benefits liabilities (OPEB) for retiree health insurance benefits due and the retirement of \$2,711,734 of long-term bonds.

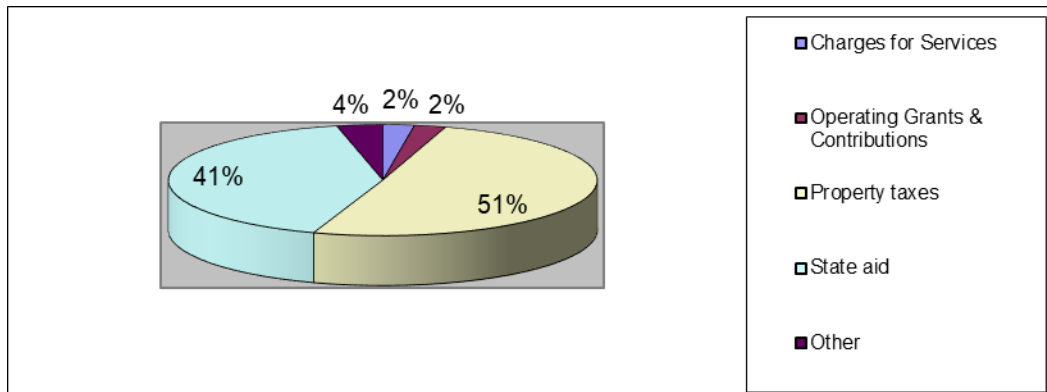
The District has reserved funds from unrestricted funds for the following purposes:

- *Appropriated fund balance* of \$780,000. The District has designated this portion for the subsequent year to reduce the tax levy.
- *Reserve for encumbrances* of \$456,589. Net assets within the General fund are reserved to pay for commitments at June 30 that will be reappropriated during the subsequent fiscal year.
- *Retirement System Reserve* of \$2,009,956. The District has reserved funds to pay for future employees retirement system cost.
- *Workers' Compensation Reserve* of \$634,316. The District has reserved funds to pay for future self-funded workers' compensation cost.
- *Reserve for Debt* of \$154,274. The District will use these funds to pay down debt.
- *Reserve for Employee Benefit Accrued Liability* of \$1,833,650. The District will use these funds to pay accrued employee benefits due upon an employee's separation from service.

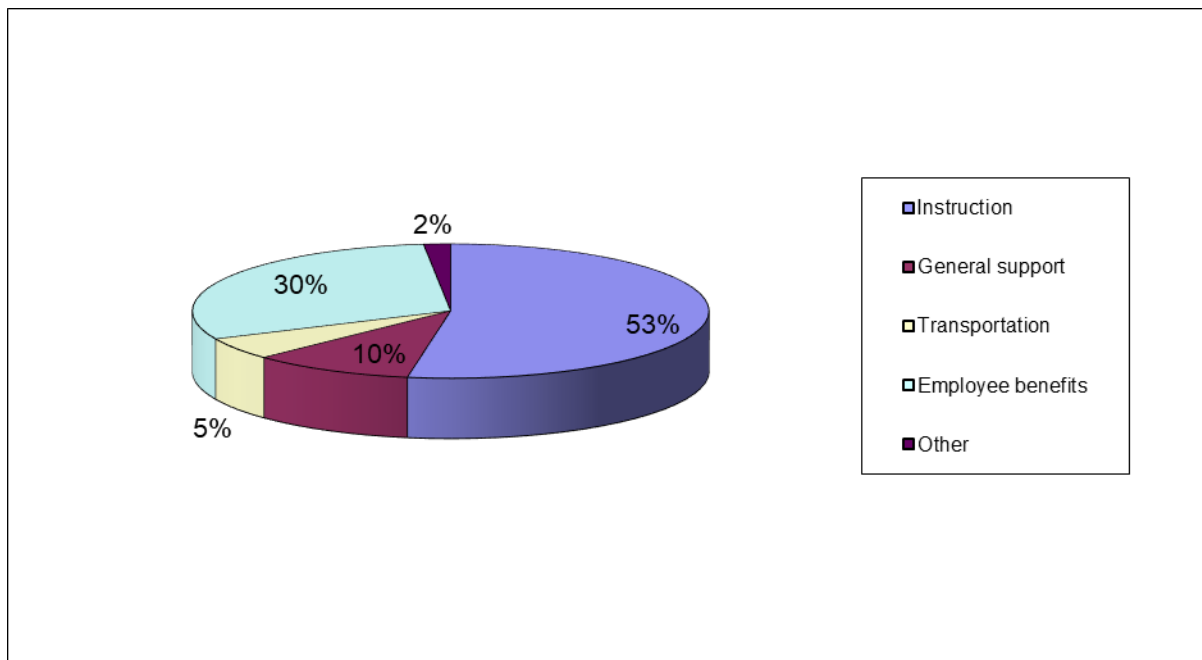
Statement of Activities (in thousands of dollars)

| | <i>Fiscal Year</i> <u>2019</u> | <i>Fiscal Year</i> <u>2018</u> |
|--|-----------------------------------|-----------------------------------|
| <i>Revenues</i> | | |
| <i>Program revenues</i> | | |
| Charges for services | \$ 1,444 | \$ 1,372 |
| Operating Grants & Contributions | <u>1,449</u> | <u>1,415</u> |
| Total Program Revenues | <u>2,893</u> | <u>2,787</u> |
| <i>General revenues</i> | | |
| Property taxes | 30,846 | 30,090 |
| State aid | 25,264 | 25,210 |
| Other | <u>2,109</u> | <u>1,489</u> |
| Total General Revenues | <u>58,219</u> | <u>56,789</u> |
| Total Revenues | <u>\$ 61,112</u> | <u>\$ 59,576</u> |
| <i>Expenses</i> | | |
| General support | \$ 6,524 | \$ 6,283 |
| Instruction | 33,871 | 33,468 |
| Transportation | 3,417 | 3,076 |
| Employee benefits | 19,410 | 21,604 |
| Debt service – interest | 643 | 855 |
| Other Expenses | - | 112 |
| Cost of sales – Food | <u>436</u> | <u>410</u> |
| Total Expenses | <u>\$ 64,301</u> | <u>\$ 65,808</u> |
| Increase (Decrease) in net position | \$ (3,189) | \$ (6,232) |
| Cumulative effect of change in Accounting principle | \$ - | \$ (85,597) |
| Total change in net position | <u>\$ (3,189)</u> | <u>\$ (91,829)</u> |

Sources of Revenues for Fiscal Year 2019



Expenses for Fiscal Year 2019



Financial Analysis of The District's Funds

As explained earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General fund is the chief operating fund of the District. At the end of the fiscal year, cash and investments totaled \$9,746,995 comprising 13.98% of total district assets. \$4,681,386 of this amount is held to fund reserves established by the District with the balance available to pay current liabilities.

General Fund Budgetary Highlights

For the year, final revenues exceeded revised budgetary estimates by \$1,015,801 or 1.7% and expenditures and encumbrances were under revised budgetary estimates by \$639,593 or 1.1%.

The District's unassigned fund balance of \$2,449,947 as of June 30, 2019 was 4.11% of the \$59,665,424 2019-20 budget an increase of \$31,791 from the June 30, 2018 unassigned fund balance of \$2,418,155.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the District had invested \$55,475,427, net of accumulated depreciation, in a broad range of capital assets, including school buildings. Total depreciation expense for the year was \$4,089,776. The District initiated a \$750,000 Smart Schools Bond Act project in 2017-18 to enhance safety and security that is currently pending NYS Education Department approval. The District also began pre-referendum planning activities for a district-wide capital project in 2018-19 that is anticipated to be presented for referendum vote in May 2020.

The following summarizes capital assets, net of accumulated depreciation, at June 30, 2019 and 2018:

| | <u>6/30/19</u> | <u>6/30/18</u> |
|---|------------------|------------------|
| Land | \$ 90 | \$ 90 |
| Construction in progress | 77 | 21 |
| Buildings | 50,887 | 54,103 |
| Furniture and equipment | 1,637 | 1,475 |
| Land/site improvements | 160 | 99 |
| Licensed vehicles | <u>2,624</u> | <u>2,459</u> |
| Total Capital Assets, Net of Depreciation | <u>\$ 55,475</u> | <u>\$ 58,247</u> |

Long-Term Debt

At June 30, 2019, the District had \$154,500,030 in general obligation bonds and other long-term debt outstanding, a decrease of 7.43% from the prior year. (More detailed information about the District's long-term liabilities is presented in Note 3B, II to the financial statements.)

The following summarizes long-term debt at June 30, 2019 and 2018:

| | <u>6/30/19</u> | <u>6/30/18</u> |
|-------------------------------|----------------|----------------|
| Serial Bonds | \$ 17,830 | \$ 20,670 |
| Unamortized Premiums | 1,896 | 2,279 |
| Deferred amounts on refunding | (382) | (523) |
| Installment Purchase Debt | 2,277 | 2,149 |

| | | |
|--------------------------------|-------------------|-------------------|
| Other Post Employment Benefits | \$ 131,045 | \$ 140,540 |
| Compensated Absences | <u>1,834</u> | <u>1,792</u> |
| Total Long-Term Debt | \$ <u>154,500</u> | \$ <u>166,907</u> |

Economic Factors and Next Year’s Budgets and Rates

- In May 2019 the 2019-20 proposed \$59,665,424 budget was approved by the voters. The 2019-20 budget represented an increase of \$837,309 from the 2018-19 budget.
- The voter approved 2019-20 tax levy of \$31,664,969, an increase of 2.59% over the prior year tax levy.
- The State’s adoption of a tax levy cap may impact the District’s ability to raise the revenues necessary to maintain educational programs and support services.
- Enrollment is projected to decline which could negatively impact State and Federal aid.
- The District is experiencing an increase in the number of students qualifying for free & reduced price lunch.
- The District has maintained a consistent level of reliance on fund balance as a source of revenue.

Contacting the District’s Financial Management

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

Michael J. Ouimet, CPA
Assistant Superintendent for Business
Averill Park Central School District
146 Gettle Road, Station 1
Averill Park, New York 12018

**AVERILL PARK CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS

| | | |
|---|-----------|-------------------|
| Cash - Unrestricted | \$ | 5,065,609 |
| Cash - Restricted | | 4,681,386 |
| State and Federal Aid Receivable | | 1,073,277 |
| Due From Other Governments | | 747,527 |
| Other Receivables, net | | 236,048 |
| Inventories | | 15,703 |
| Capital Assets, net | | 55,475,427 |
| Net Pension Asset, Proportionate Share | | 2,420,005 |
| Total Assets | | 69,714,982 |
| | | |
| Deferred Outflows of Resources | | |
| Loss on Refunding | | 382,173 |
| Pension - ERS | | 1,270,391 |
| Pension - TRS | | 12,706,692 |
| Pension - OPEB | | 1,042,186 |
| Total Deferred Outflows of Resources | | 15,401,442 |
| Total Assets and Deferred Outflow of Resources | \$ | 85,116,424 |

LIABILITIES

| | | |
|---|----|-------------|
| Accounts Payable | \$ | 715,298 |
| Due to Other Governments | | 307 |
| Due to Other Funds | | 225 |
| Accrued Interest Payable | | 39,979 |
| Refundable Advances | | 19,346 |
| Due to Teachers' Retirement System | | 2,371,711 |
| Due to Employees' Retirement System | | 343,306 |
| Long-Term Liabilities - Due and Payable Within One Year | | |
| Bonds | | 3,116,380 |
| Long-Term Liabilities - Due and Payable After One Year | | |
| Bonds | | 16,991,087 |
| Compensated Absences | | 1,833,650 |
| Workers Compensation | | 634,316 |
| Other postemployment benefits payable | | 131,044,561 |
| Premium on Bonds | | 1,896,525 |
| Net Pension Liability, Proportionate Share | | 1,606,649 |
| Total Liabilities | | 160,613,340 |
| | | |
| Deferred Inflows of Resources | | |
| Pension - ERS | | 558,573 |
| Pension - TRS | | 3,256,131 |
| Pension - OPEB | | 13,777,763 |
| Total Deferred Inflows of Resources | | 17,592,467 |

NET POSITION

| | | |
|---|-----------|-------------------|
| Net Investment in Capital Assets | | 33,853,608 |
| Restricted | | 4,632,196 |
| Unrestricted | | (131,575,187) |
| Total Net Position | | (93,089,383) |
| Total Liabilities, Deferred Inflows and Net Position | \$ | 85,116,424 |

See accompanying notes to financial statements.

B1.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|-------------------|---------------------------------|-----------------------------|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants</u> | |
| Functions/Programs | | | | |
| General Support | \$ 6,523,984 | \$ - | \$ - | \$ (6,523,984) |
| Instruction | 33,870,809 | 1,004,997 | 1,087,929 | (31,777,883) |
| Pupil Transportation | 3,417,327 | - | - | (3,417,327) |
| Employee Benefits | 19,410,444 | - | - | (19,410,444) |
| Interest Expense | 642,671 | - | - | (642,671) |
| Other Expenses | - | - | - | - |
| School Lunch Program | 436,021 | 439,388 | 360,580 | 363,947 |
| Total Functions and Programs | \$ 64,301,256 | \$ 1,444,385 | \$ 1,448,509 | (61,408,362) |
| General Revenues | | | | |
| Real Property Taxes | | | | 30,845,847 |
| Other Tax Items | | | | 48,822 |
| Use of Money and Property | | | | 407,856 |
| Sale of Property and Compensation for Loss | | | | 20,362 |
| State Sources | | | | 25,264,377 |
| Federal Sources | | | | 200,864 |
| Miscellaneous | | | | 1,430,858 |
| Total General Revenues | | | | 58,218,986 |
| Change in Net Position | | | | (3,189,376) |
| Total Net Position - Beginning of Year | | | | (89,900,007) |
| Total Net Position - End of Year | | | | \$ (93,089,383) |

See accompanying notes to financial statements.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | <u>General Fund</u> | <u>Special Aid Fund</u> | <u>School Lunch Fund</u> | <u>Capital Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|-------------------------|-----------------------------|----------------------------------|-------------------------|----------------------------------|---|
| ASSETS | | | | | | |
| Unrestricted Cash | \$ 3,991,066 | \$ 175 | \$ 407,942 | \$ 666,426 | \$ - | \$ 5,065,609 |
| Restricted Cash | 4,477,922 | - | - | - | 203,464 | 4,681,386 |
| State and Federal Receivable | 751,395 | 295,065 | 26,817 | - | - | 1,073,277 |
| Due From Other Governments | 747,527 | - | - | - | - | 747,527 |
| Due From Other Funds | 1,475,862 | - | 11,049 | - | 50,810 | 1,537,721 |
| Other Receivables, net | 151,094 | - | 102 | - | - | 151,196 |
| Inventories | - | - | 15,703 | - | - | 15,703 |
| Total Assets | <u>\$ 11,594,866</u> | <u>\$ 295,240</u> | <u>\$ 461,613</u> | <u>\$ 666,426</u> | <u>\$ 254,274</u> | <u>\$ 13,272,419</u> |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 703,157 | \$ 10,685 | \$ 1,456 | \$ - | \$ - | \$ 715,298 |
| Accrued Liabilities | - | - | - | - | - | - |
| Bond Anticipation Notes | - | - | - | - | - | - |
| Due to Other Funds | 12,235 | 284,555 | 364,533 | 776,623 | 100,000 | 1,537,946 |
| Due to Other Governments | - | - | 307 | - | - | 307 |
| Due to Teachers' Retirement System | 2,371,711 | - | - | - | - | 2,371,711 |
| Due to Employees' Retirement System | 343,306 | - | - | - | - | 343,306 |
| Refundable Advances | - | - | 19,346 | - | - | 19,346 |
| Total Liabilities | <u>3,430,409</u> | <u>295,240</u> | <u>385,642</u> | <u>776,623</u> | <u>100,000</u> | <u>4,987,914</u> |
| FUND BALANCES | | | | | | |
| Non-spendable | - | - | 15,703 | - | - | 15,703 |
| Restricted | 4,477,922 | - | - | - | 154,274 | 4,632,196 |
| Committed | - | - | - | - | - | - |
| Assigned | 1,236,589 | - | 60,268 | - | - | 1,296,857 |
| Unassigned | <u>2,449,946</u> | <u>-</u> | <u>-</u> | <u>(110,197)</u> | <u>-</u> | <u>2,339,749</u> |
| Total Fund Equity | <u>8,164,457</u> | <u>-</u> | <u>75,971</u> | <u>(110,197)</u> | <u>154,274</u> | <u>8,284,505</u> |
| Total Liabilities and Fund Equity | <u>\$ 11,594,866</u> | <u>\$ 295,240</u> | <u>\$ 461,613</u> | <u>\$ 666,426</u> | <u>\$ 254,274</u> | <u>\$ 13,272,419</u> |

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

| | |
|--|------------------------|
| Total governmental fund balances per above | \$ 8,284,505 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 55,475,427 |
| Long-term liabilities, including bonds payable, installment purchase debt, workers compensation, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds | (151,786,344) |
| Compensated Absences | (1,833,650) |
| Accrued Interest | (39,979) |
| Net Pension Liability | (1,606,649) |
| Net Pension Asset | 2,420,005 |
| Net Deferred (inflows)/outflows related to net pension asset/liability adjustments | 10,162,379 |
| Deferred inflows related to OPEB adjustments | (13,777,763) |
| Deferred outflows related to OPEB adjustments | 1,042,186 |
| Long-Term Accounts Receivable not available in the current period and, therefore, is not reported in the funds | 84,852 |
| Deferred loss on refunding is recorded as an expense in the fund financial statements, but is amortized over the life of the bond under full accrual accounting | 382,173 |
| Bond premium is recorded as revenue in the fund financial statements, but is amortized over the life of the bond under full accrual accounting | (1,896,525) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ (93,089,383)</u> |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>General</u> | <u>Special Aid Fund</u> | <u>School Lunch Fund</u> | <u>Capital Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-----------------------------|----------------------------------|-------------------------|----------------------------------|---|
| Revenues | | | | | | |
| Real Property Taxes and Tax Items | \$ 30,894,669 | \$ - | \$ - | \$ - | \$ - | \$ 30,894,669 |
| Charges for services | 1,004,997 | - | - | - | - | 1,004,997 |
| Use of money and property | 406,677 | - | - | - | 1,179 | 407,856 |
| Sale of property and compensation for loss | 20,362 | - | - | - | - | 20,362 |
| Miscellaneous | 1,430,858 | - | - | - | - | 1,430,858 |
| State sources | 25,072,594 | 191,783 | 13,469 | - | - | 25,277,846 |
| Federal sources | 200,864 | 1,087,929 | 347,111 | - | - | 1,635,904 |
| Sales | - | - | 439,388 | - | - | 439,388 |
| Total Revenues | <u>59,031,021</u> | <u>1,279,712</u> | <u>799,968</u> | <u>-</u> | <u>1,179</u> | <u>61,111,880</u> |
| Expenditures | | | | | | |
| General support | 5,575,526 | - | 349,863 | - | - | 5,925,389 |
| Instruction | 29,833,542 | 1,327,658 | - | - | - | 31,161,200 |
| Pupil transportation | 3,089,301 | - | - | - | - | 3,089,301 |
| Employee benefits | 15,634,530 | - | 104,339 | - | - | 15,738,869 |
| Debt service | | | | | | |
| Principal | 3,432,272 | - | - | - | - | 3,432,272 |
| Interest | 887,106 | - | - | - | - | 887,106 |
| Cost of sales | - | - | 331,682 | - | - | 331,682 |
| Bond Issuance Cost | - | - | - | - | - | - |
| Capital outlay | - | - | - | 773,491 | - | 773,491 |
| Total Expenditures | <u>58,452,277</u> | <u>1,327,658</u> | <u>785,884</u> | <u>773,491</u> | <u>-</u> | <u>61,339,310</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>578,744</u> | <u>(47,946)</u> | <u>14,084</u> | <u>(773,491)</u> | <u>1,179</u> | <u>(227,430)</u> |
| Other Financing Sources And (Uses) | | | | | | |
| Bond Refunding Proceeds | - | - | - | - | - | - |
| Other Financing Sources | - | - | - | - | - | - |
| Bond Proceeds | - | - | - | 720,538 | - | 720,538 |
| Payments to Escrow Agent - Refunding | - | - | - | - | - | - |
| Interfund Transfers In | 100,000 | 47,946 | 8,348 | - | 49,263 | 205,557 |
| Interfund Transfers (Out) | (56,294) | - | - | (49,263) | (100,000) | (205,557) |
| Total Other Sources (Uses) | <u>43,706</u> | <u>47,946</u> | <u>8,348</u> | <u>671,275</u> | <u>(50,737)</u> | <u>720,538</u> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses) | <u>622,450</u> | <u>-</u> | <u>22,432</u> | <u>(102,216)</u> | <u>(49,558)</u> | <u>493,108</u> |
| Fund Equity - Beginning of Year | 7,542,007 | - | 53,539 | (7,981) | 203,832 | 7,791,397 |
| Fund Equity - End of Year | <u>\$ 8,164,457</u> | <u>\$ -</u> | <u>\$ 75,971</u> | <u>\$ (110,197)</u> | <u>\$ 154,274</u> | <u>\$ 8,284,505</u> |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

| | |
|---|-----------------------|
| Net changes in fund equity - total governmental funds | \$ 493,108 |
| Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position | 1,337,699 |
| The net book value, cost less accumulated depreciation, of capital assets disposed of are removed from the statement of net position. Any gain or loss resulting is recorded in the statement of activities | (20,154) |
| Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities | (4,089,776) |
| Long-Term receivables payment received in the current period recorded as a reduction to expense in the statement of activities | (90,508) |
| Proceeds from long-term debt are recorded as revenue in the governmental funds, but are recorded as liabilities in the statement of net position | (720,538) |
| Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position | 3,432,272 |
| Amortization of bond premium is an adjustment to interest expense in the statement of activities | 382,635 |
| Amortization of deferred expenses on advanced bond refunding is an adjustment to interest expense in the statement of activities | (141,128) |
| Accrued post employment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds | (3,100,302) |
| Accrued workers compensation does not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds | (634,316) |
| Compensated absences do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds | (41,296) |
| Accrued interest expense does not require the expenditure of current resources and is, therefore, not reported as expenditures in the governmental funds | <u>2,928</u> |
| Change in net position - Governmental activities | <u>\$ (3,189,376)</u> |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019**

| | Agency | Private Purpose Trusts |
|----------------------------------|---------------|---------------------------------------|
| ASSETS | | |
| Cash - unrestricted | \$ 896 | \$ - |
| Cash - restricted | 142,533 | 110,772 |
| Due from other funds | 1,186 | - |
| Total Assets | \$ 144,615 | \$ 110,772 |
| LIABILITIES | | |
| Due to other funds | \$ 961 | \$ - |
| Other liabilities | - | - |
| Extraclassroom activity balances | 143,654 | - |
| Total Liabilities | \$ 144,615 | \$ - |
| NET POSITION | | |
| Reserved for scholarships | | \$ 110,772 |

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | |
|----------------------------------|---------------------------------------|
| | Private Purpose Trusts |
| ADDITIONS | |
| Gifts and contributions | \$ 39,937 |
| Total Additions | 39,937 |
| DEDUCTIONS | |
| Scholarships and awards | 22,604 |
| Contractual and other | 3,905 |
| Total Deductions | 26,509 |
| Change in Net Position | 13,428 |
| Net Position - Beginning of year | 97,344 |
| Net Position - End of year | \$ 110,772 |

See accompanying notes to financial statements.

B6.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Averill Park Central School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standards-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The 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 its component unit. The District is not a component unit of another reporting entity.

The decision to include a potential component unit in the District's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of an entity included in the District's reporting entity within its Fiduciary funds:

The Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions, and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office, located at 146 Gettle Rd, Averill Park, NY.

B. Joint Venture

The District is a component district of the Rensselaer, Columbia, and Greene Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

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

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

During the year ended June 30, 2019, the Averill Park Central School District was billed \$4,649,999 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,605,418. Financial statements for the BOCES are available from the BOCES administrative office.

Also, during the year ended June 30, 2015 the District entered into an agreement with BOCES where BOCES will return amounts to the District as a reduction to the administrative levy totaling \$565,677. The amounts will be credited over a 5 year period starting in 2015-16. The District was credited \$90,508 in 2018-19. The remaining balance of \$84,852 is recorded as a receivable in the statement of net position.

C. Basis of Presentation

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, while the capital grants column, if any, reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to the particular function. 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.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

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

The District reports the following major governmental funds:

I. 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.

Special Aid Fund

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.

School Lunch Fund

Used to account for transactions of the District's lunch and breakfast programs.

Capital Fund

The Capital Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities, or equipment.

Debt Service Fund

This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligations 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.

II. Fiduciary Funds

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and 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:

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

II. Fiduciary Funds

a. Private Purpose Trust Funds

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

b. 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 withholdings.

D. Basis of Accounting/Measurement Focus

General Information

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other postemployment benefits payable, pensions 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 sources.

E. Refundable Advances

Refundable advances arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenue is recognized.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Property Taxes

I. Calendar

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

II. Enforcement

Uncollected real property taxes are subsequently enforced by the County of Rensselaer, in which the District is located. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid by the county to the District no later than the following April 1.

G. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the line item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at 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 which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

| | |
|---|------------------|
| From Additional Revenues: | |
| Expenses associated with student fees | \$ 24,815 |
| Expenses associated with equipment | 7,245 |
| Expenses associated with educational programs | 35,045 |
| | |
| From Reserved Fund Balance: | |
| Expenses associated with employee benefits | 5,655 |
| Total Supplemental Appropriations | <u>\$ 72,760</u> |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

- e. 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.
- f. 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.

II. 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.

III. Budget Basis of Accounting

The District is not required to formally adopt annual budgets for its special revenue funds. Accordingly, although the school lunch fund does have a management approved budget and each special aid fund project follows an approved project budget, no statement of budget and actual revenues and expenditures is presented for the special revenue funds.

H. Cash and Investments

The District investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and U.S. 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 Federal Deposit 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 School Districts. Investments are stated at fair value. Certificates of deposit are classified as investments in these financial statements if their maturity date is 90 days past year-end. There were no investments at June 30, 2019.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. 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.

J. Inventories

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

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

K. Interfund Transfers

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.

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 2.A.II. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

L. Equity Classifications

District-wide statements:

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

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, construction or improvements of those assets.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Restricted - reports net position when constraints placed on the assets or deferred outflows 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.

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

Fund Statements:

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

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$15,703.

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all 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 equity. The District has established the following restricted fund balances:

Debt Service

Used to account for the advanced refunding of debt and unspent proceeds of debt restricted for debt service.

Employee Benefit Accrued Liability

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

Retirement Contribution

According to General Municipal Law §6-r, these reserve funds 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. As of June 30, 2019, the District had a reserve set-up for the ERS system and no reserve set up for the TRS system.

Workers' Compensation

According to General Municipal Law §6-j, these reserve funds must be used to pay compensation and benefits, medical, hospital, or other expenses authorized by Article 2 of the Workers' Compensation Law and to pay the expenses of administering a self-insurance workers' compensation program. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year the Board may elect to transfer all or part of the excess amount to certain other reserve funds, or may apply all or part of the excess to the budget appropriation of the next succeeding fiscal year.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Fund statements:

Restricted fund equity includes the following:

| | |
|------------------------------------|---------------------|
| General Fund: | |
| Employee Benefit Accrued Liability | \$ 1,833,650 |
| Retirement Contribution | 2,009,956 |
| Workers' Compensation | 634,316 |
| Debt Service Fund | <u>154,274</u> |
| Total restricted funds | <u>\$ 4,632,196</u> |

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2019.

Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund equity represents the residual amount of fund equity. Assigned fund equity also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted as the end of the fiscal year. Fund balance of the school lunch fund of \$60,268 is considered assigned. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$456,589. Appropriated fund equity in the General Fund amounted to \$780,000.

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.

Purpose of Encumbrances

| | |
|-----------------|-------------------|
| General Fund | |
| General Support | \$ 338,153 |
| Instruction | <u>118,436</u> |
| | <u>\$ 456,589</u> |

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

AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Fund statements:

NYS Real Property Tax Law Section 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity 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. The District exceeded the 4% limit at June 30, 2019 by \$63,329.

Net Position/Fund Balance

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Order of Use of Fund Equity:

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

M. Postemployment Benefits

In addition to providing the retirement benefits described in Note 2.B.I, the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups as governed by Board of Education Policy. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-employment benefits is shared between the District and the retired employee. See Note 4.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Deferred Outflows and Inflows of Resources

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

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

O. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated assets are reported at estimated fair market value at the time received.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar amount 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 In Years</u> |
|----------------------------|-------------------------------------|--------------------------------|---|
| Land | \$ 1,000 | N/A | N/A |
| Construction in Process | 10,000 | N/A | N/A |
| Buildings | 10,000 | SL | 30-60 |
| Site improvements | 10,000 | SL | 10-50 |
| Buildings and improvements | 10,000 | SL | 20-60 |
| Furniture and equipment | 1,000 | SL | 5-10 |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P. Short-Term Debt

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

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

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

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.

Q. Accrued Liabilities and Long-Term Obligations

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

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

R. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

R. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

- a. Total Fund equity of governmental fund vs. net position of governmental activities:

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

- b. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of five broad categories. The differences represent:

Long-Term Revenue and Expense 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.

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 an asset on the Statement of Net Position and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

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

Pension Differences

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

OPEB Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other postemployment benefits, actuarial calculation of net pensions asset/liability, deferred inflows/outflows, potential contingent liabilities, and the lives of long-term assets.

T. Vested Benefits

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first-out (LIFO) basis.

Upon retirement, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

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

U. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2019, the District implemented the following new standard issued by GASB. There was no impact of implementing these new standards:

GASB issued Statement 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, effective for the year ending June 30, 2019.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

V. Future Changes in Accounting Standards

GASB issued Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2021.

GASB has issued Statement 90, *Accounting and Financial Reporting for Majority Equity Interest*, effective for the year ending June 30, 2020.

GASB has issued Statement 91 *Conduit Debt Obligations*, effective for the year ending June 30, 2022.

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

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2019 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

The District follows an investment and deposit policy, overall the objective of which is to adequately safeguard the principal amounts of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investment will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits.

The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest by the United States Treasury and the United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization

Restricted Cash

General

Restricted cash of \$4,477,922 at June 30, 2019 consist of \$634,316 restricted for Workers' Compensation Reserve, \$2,009,956 for Retirement Contribution Reserve and \$1,833,650 restricted for Employee Benefit Accrued Liability Reserve.

Debt Service

Restricted cash (some of which is in due from other funds) of \$203,464 at June 30, 2019 are restricted for the repayment of debt.

Fiduciary

Restricted cash of \$253,305 at June 30, 2019 consist of \$142,533 restricted for Extraclassroom Activity Funds, and \$110,772 restricted for Scholarships.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Interfund Receivables and Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund receivable and payable balances at June 30, 2019 are as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> | <u>Interfund Revenues</u> | <u>Interfund Expenditures</u> |
|-----------------------------|---------------------------------|------------------------------|-------------------------------|-----------------------------------|
| General Fund | \$ 1,475,862 | \$ 12,235 | \$ 100,000 | \$ 56,294 |
| Special Aid Fund | - | 284,555 | 47,946 | - |
| School Lunch | 11,049 | 364,533 | 8,348 | - |
| Debt Service Fund | 50,810 | 100,000 | 49,263 | 100,000 |
| Capital Funds | <u>-</u> | <u>776,623</u> | <u>-</u> | <u>49,263</u> |
| Total Government Activities | 1,537,721 | 1,537,946 | 205,557 | 205,557 |
| Fiduciary Funds | <u>1,186</u> | <u>961</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,538,907</u> | <u>\$ 1,538,907</u> | <u>\$ 205,557</u> | <u>\$ 205,557</u> |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

| | Balance July 1, 2018 | Additions | Impairments/ Deletions | Balance June 30, 2019 |
|--|-------------------------------------|-----------------------|-----------------------------------|--------------------------------------|
| Governmental Activities | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 90,062 | \$ - | \$ - | \$ 90,062 |
| Construction in process | <u>21,375</u> | <u>56,015</u> | <u>-</u> | <u>77,390</u> |
| Total nondepreciable historical Cost | <u>111,437</u> | <u>56,015</u> | <u>-</u> | <u>167,452</u> |
| Capital assets that are depreciated: | | | | |
| Buildings and improvements | 97,882,237 | 218,099 | - | 98,100,336 |
| Furniture and equipment | <u>9,464,377</u> | <u>1,063,586</u> | <u>656,474</u> | <u>9,871,489</u> |
| Total depreciable historical cost | <u>107,346,614</u> | <u>1,281,685</u> | <u>656,474</u> | <u>107,971,825</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 43,734,289 | 3,427,791 | - | 47,162,080 |
| Machinery and equipment | <u>5,476,105</u> | <u>661,985</u> | <u>636,320</u> | <u>5,501,770</u> |
| Total accumulated Depreciation | <u>49,210,394</u> | <u>4,089,776</u> | <u>636,320</u> | <u>52,663,850</u> |
| Total Capital Assets, Net | \$ <u>58,247,657</u> | \$ <u>(2,752,076)</u> | \$ <u>20,154</u> | \$ <u>55,475,427</u> |

Depreciation expense of \$4,089,776 for the year ended June 30, 2019 was allocated to specific functions as follows:

| | |
|----------------------|---------------------|
| General | \$ 592,268 |
| Instruction | 3,169,482 |
| Pupil transportation | <u>328,026</u> |
| | <u>\$ 4,089,776</u> |

B. Liabilities

I. Pension Plans

General Information

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). Collectively, TRS and ERS are referred to herein as the "Systems". 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.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Plan Descriptions

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. 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. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in the 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. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information 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

The New York State and Local Employees' Retirement 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. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). 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. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001 or found at www.osc.state.ny.us/retire/publications/index.php.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Contributions

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 1, 2010 who generally contribute 3% to 3.5% of their salary for their entire length or 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. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

| | <u>ERS</u> | <u>TRS</u> |
|---------|--------------|--------------|
| 2018-19 | \$ 1,083,938 | \$ 2,319,656 |
| 2017-18 | \$ 922,849 | \$ 2,143,253 |
| 2016-17 | \$ 1,022,208 | \$ 2,516,991 |

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Pension Liabilities

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total net pension asset/(liability) used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018 for ERS and June 30, 2017 for TRS. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of 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> |
|--|---------------|---------------|
| Actuarial valuation date | April 1, 2018 | June 30, 2017 |
| Net pension asset/(liability) | \$(1,606,649) | \$2,420,005 |
| District's portion of the Plan's total net pension asset/(liability) | .0226758% | .133830% |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Pension Expense (Credit)

For the year ended June 30, 2019, the District recognized its proportionate share of pension expense of \$1,052,300 for ERS and \$1,875,782 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---------------------------------------|----------------------|--------------------------------------|---------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> |
| Differences between expected and actual experiences | \$ 316,383 | \$ 1,808,451 | \$ 107,851 | \$ 327,581 |
| Changes of assumptions | 403,846 | 8,459,506 | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | - | 412,355 | 2,686,390 |
| Changes in proportion and differences between contributions and proportionate share of contributions subsequent to the measurement date | 206,856 | 119,079 | 38,367 | 242,160 |
| | <u>343,306</u> | <u>2,319,656</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,270,391</u> | <u>\$ 12,706,692</u> | <u>\$ 558,573</u> | <u>\$ 3,256,131</u> |

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension (liability)/asset in the year ended March 31, 2020 for ERS and June 30, 2019 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized within pension expense as follows:

| | <u>ERS</u> | <u>TRS</u> |
|-------------|------------|--------------|
| Year ended: | | |
| 2019 | \$ - | \$ 2,387,844 |
| 2020 | 408,781 | 1,615,973 |
| 2021 | (271,466) | 142,776 |
| 2022 | (5,476) | 1,610,271 |
| 2023 | 236,673 | 1,098,338 |
| Thereafter | - | 275,703 |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

The total pension (liability)/asset 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)/asset to the measurement date. The actuarial valuation used the following actuarial assumptions:

| | <u>ERS</u> | <u>TRS</u> |
|---|--|--|
| Measurement date | March 31, 2019 | June 30, 2018 |
| Actuarial valuation date | April 1, 2018 | June 30, 2017 |
| Interest Rate | 7.0% | 7.25% |
| Salary Scale | 4.2% | 1.9% - 4.72% |
| Decrement tables | April 1, 2010 - March 31, 2015 System's Experience | July 1, 2009 - June 30, 2014 System's Experience |
| Inflation rate | 2.5% | 2.25% |
| Projected Cost of Living Adjustments | 1.3% annually | 1.5% annually |

For ERS, annuitant mortality rates are based on April 1, 2010 – 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 - June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

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

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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

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

| <u>ERS</u> | <u>Target Allocation</u> | <u>Long-term expected Real rate of return*</u> |
|-------------------------------|--------------------------|--|
| | <u>2019</u> | <u>2019</u> |
| Asset Class: | | |
| Domestic equity | 36% | 4.55% |
| International equity | 14 | 6.35 |
| Private equity | 10 | 7.50 |
| Real estate | 10 | 5.55 |
| Absolute return strategies(1) | 2 | 3.75 |
| Opportunistic portfolio | 3 | 5.68 |
| Real assets | 3 | 5.29 |
| Bonds and mortgages | 17 | 1.31 |
| Cash | 1 | (0.25) |
| Inflation-Indexed bonds | <u>4</u> | 1.25 |
| Total | <u>100%</u> | |

* Real rates of return are net of the long-term inflation assumption of 2.5% for 2019.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

| <u>TRS</u> | <u>Target Allocation</u> <u>2018</u> | <u>Long-term expected</u> <u>Real rate of return*</u> <u>2018</u> |
|------------------------------------|---|---|
| Asset Class: | | |
| Domestic equities | 33% | 5.8% |
| International equities | 16 | 7.3 |
| Global equities | 4 | 6.7 |
| Real estate | 11 | 4.9 |
| Private equities | 8 | 8.9 |
| Domestic fixed income securities | 16 | 1.3 |
| Global fixed income securities | 2 | 0.9 |
| Private debt | 1 | 6.8 |
| Real estate debt | 7 | 2.8 |
| High-yield fixed income securities | 1 | 3.5 |
| Short-term | <u>1</u> | 0.3 |
| Total | <u>100%</u> | |

* Real rates of return are net of the long-term inflation assumption of 2.3% for 2018.

Discount Rate

The discount rate used to calculate the total pension (liability)/asset 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 determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (liability)/asset.

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

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

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

| ERS | 1% Decrease <u>(6.0%)</u> | Current Assumption <u>(7.0%)</u> | 1% Increase <u>(8.0%)</u> |
|--|---|--|---|
| Employer's proportionate share of the net pension asset/(liability) | \$ (7,024,528) | \$ (1,606,649) | \$ 2,944,753 |
| TRS | 1% Decrease <u>(6.25%)</u> | Current Assumption <u>(7.25%)</u> | 1% Increase <u>(8.25%)</u> |
| Employer's proportionate share of the net pension asset/(liability) | \$(16,625,832) | \$ 2,420,005 | \$18,375,124 |

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2019 is \$1,157,237 for ERS and \$1,847,254 for TRS.

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$343,306.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$2,237,711.

Other Benefits

District employees may choose to participate in the District's elective deferred compensation plans established under the Internal Revenue Code Section 403(b) and 457.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. There was no short-term debt at June 30, 2019.

Long-Term Debt

Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Interest on long-term debt was comprised of:

| | |
|---|-------------------|
| Interest paid | \$ 887,106 |
| Less interest accrued in the prior year | (42,907) |
| Plus interest accrued in the current year | 39,979 |
| Less amortization of bond premium | (382,635) |
| Plus amortization of deferred expense | <u>141,128</u> |
| Total Expense | <u>\$ 642,671</u> |

Long-Term Obligations

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Changes

The changes in indebtedness during the year ended June 30, 2019 are summarized as follows:

| | <u>Balance July 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30</u> |
|---|---------------------------|-------------------|----------------------|----------------------------|
| Serial Bonds | \$ 20,670,000 | \$ - | \$ 2,840,000 | \$ 17,830,000 |
| Unamortized Premiums | 2,279,160 | - | 382,635 | 1,896,525 |
| Less: Unamortized Loss Refunding* | <u>(523,301)</u> | <u>-</u> | <u>(141,128)</u> | <u>(382,173)</u> |
| Total Bonds | 22,425,859 | - | 3,081,507 | 19,344,352 |
| Statutory Bonds | 2,149,201 | 720,538 | 592,272 | 2,277,467 |
| Compensated Absences | 1,792,354 | 41,296 | - | 1,833,650 |
| Other Postemployment Benefits (see Note 4) | <u>140,540,206</u> | <u>-</u> | <u>9,495,645</u> | <u>131,044,561</u> |
| Total | <u>\$ 166,907,620</u> | <u>\$ 761,834</u> | <u>\$ 13,169,424</u> | <u>\$ 154,500,030</u> |

Additions and deletions to compensated absences is shown net since it is impractical to determine these amounts separately.

The above liabilities are liquidated by the general fund.

*This item is recorded as a deferred outflow on the statement of net position.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$7,635,000 of bonds outstanding are considered defeased.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Maturity

The following is a summary of maturity of indebtedness:

| <u>Description of Issue</u> | <u>Original Issue Date</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Outstanding June 30, 2019</u> |
|----------------------------------|------------------------------------|---------------------------|--------------------------|--|
| <u>Serial Bonds</u> | | | | |
| \$19.5 million Construction | 2005 | 2023 | 3.75%-4.125% | \$ 3,650,000 |
| \$13.1 million Excel I | 2010 | 2024 | 4.875%-5.00% | 4,770,000 |
| \$10.4 million Excel II | 2017 | 2032 | 2.34% | 9,410,000 |
| Total Serial Bonds | | | | <u>\$ 17,830,000</u> |
| Installment Obligation \$647,000 | 2015 | 2020 | 2.17% | \$ 129,400 |
| Installment Obligation \$604,324 | 2015 | 2020 | 2.00% | 241,729 |
| Installment Obligation \$911,161 | 2016 | 2021 | 1.68% | 546,697 |
| Installment Obligation \$798,878 | 2017 | 2022 | 2.27% | 639,103 |
| Installment Obligation \$720,538 | 2018 | 2023 | 2.89% | 720,538 |
| Total Statutory Bonds | | | | <u>\$ 2,277,467</u> |

The following is a summary of maturing debt service requirements for general obligation bonds and notes:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Premium</u> | <u>Total</u> |
|-------------|----------------------|---------------------|---------------------|----------------------|
| 2020 | \$ 3,116,380 | \$ 808,223 | \$ 361,237 | \$ 4,285,840 |
| 2021 | 3,061,979 | 705,736 | 342,621 | 4,110,336 |
| 2022 | 3,016,116 | 610,208 | 298,293 | 3,924,617 |
| 2023 | 2,938,886 | 504,431 | 252,197 | 3,695,514 |
| 2024 | 1,909,106 | 395,515 | 204,192 | 2,508,813 |
| 2025 | 765,000 | 303,250 | 159,967 | 1,228,217 |
| 2026-2033 | <u>5,300,000</u> | <u>953,750</u> | <u>278,018</u> | <u>6,531,768</u> |
| Total | <u>\$ 20,107,467</u> | <u>\$ 4,281,113</u> | <u>\$ 1,896,525</u> | <u>\$ 26,285,105</u> |

III. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2019, the District has exhausted 15.47% of its constitutional debt limit.

The voters have authorized the following debt which was unissued at June 30, 2019; \$809,834 to finance the acquisition of vehicles and equipment.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

3. COMMITMENTS AND CONTINGENCIES

A. *Risk Financing and Related Insurance*

General Information

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

Workers' Compensation Insurance

The District is self-insured for workers' compensation benefits on a cost-reimbursement basis. The District has contracted with Benetech, Inc. as a third-party administrator of the District's workers' compensation insurance program. Under the program, the District is responsible for paying all claims. Some qualifying claim payments made by the District are reimbursed through excess cost insurance or through various funds administered by the New York State Workers' Compensation Board. The District purchases workers' compensation insurance coverage for paid workers' compensation claims in excess of \$600,000 per individual occurrence through the Statewide Excess Insurance Purchasing Cooperative.

The District establishes workers compensation claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, referred to as Claim Reserve and of claims that have been incurred but not reported, referred to as IBNR. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims cost projections does not necessarily result in an exact amount. Claims cost projections are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

The District budgets current funds to pay for ongoing claims expense. The District has also established a Workers' Compensation Reserve with a balance of \$634,316 as of June 30, 2019 to fund future claims and as cash flow protection in the event of a significant claim occurrence. Further, the District expects to be fully reimbursed through excess cost insurance on an individual claim with a current claim reserve of \$634,316 which is included in the balance of unpaid claims as of June 30, 2019.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

The following represents changes in those aggregate liabilities for the District during the past two years:

Workers' Compensation Insurance

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Unpaid claims and claim adjustment expenses at beginning of year | \$ 946,096 | \$ 946,589 |
| Incurred claims and claim adjustment expenses | 21,450 | 115,261 |
| Increase (decrease) in provision for incurred events of prior years (Claim Reserve) | <u>(170,694)</u> | <u>(245)</u> |
| Total incurred claims and claim adjustment expenses | 796,852 | 1,061,605 |
| Payments made for claims during the current year | <u>(162,536)</u> | <u>(115,509)</u> |
| Total unpaid claims and claim adjustment expenses at end of year | <u>\$ 634,316</u> | <u>\$ 946,096</u> |

Health Insurance Plan

The District entered on July 1, 2017 as a member of the Capital Area Schools Health Insurance Consortium (the "Consortium"), which is a trust formed under New York State Law on May 1, 1994. The Consortium is considered a public entity risk pool which is defined as a cooperative group of governmental entities joining together to finance an exposure, liability or risk, and is tax-exempt under Section 501(c)(9) of the Internal Revenue Code. The Consortium is governed by a trust agreement and a board of trustees who execute the provisions of the Trust, as set forth in the agreement. The Consortium has contracted with Amsure Associates for third party administration.

The Consortium was formed to allow its member school districts to obtain health insurance and prescription drug benefits at lower cost through a pooled purchasing arrangement. The Consortium procures group insurance contracts with insurance carriers for medical, prescription drug and dental benefits, in which the Consortium is not liable for any medical, prescription drug or dental claims. However, the Consortium also maintains a self-insured prescription drug plan for which the individual Consortium members are liable for any claims in excess of the balances maintained by the Consortium. As of June 30, 2019, the District's prescription drug plan account balance maintained by the Consortium is approximately \$1.7 million. The Consortium also maintains an account balance for the District of \$93,543 to fund supplemental premium payments that may be required under the retrospective funding arrangement in place for one of the insurance contracts.

The District has chosen to establish a self-funded prescription drug benefit program for all eligible employees. The pharmacy benefit manager, Blue Shield of Northeastern New York, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the District. At year-end, the District has a liability of \$0. With electronic claims

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

submissions, all incurred claims are reported within two weeks, and have been included within the fiscal year's claims, effectively representing reported and unreported claims which were incurred on or before year-end, but which were not paid by the District as of that date. Claims activity is summarized below for the past fiscal year and when available in future years, comparative data will also be reported:

| | <u>2018-19</u> |
|---|-----------------------|
| Claims and Administration Fees | \$ 3,528,070 |
| Claim Payments | (3,528,070) |
| Estimated Incurred but not reported as of June 30 | - |
| Balance at End of Year | <u>\$ -</u> |

B. Other Items

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

4. POSTEMPLOYMENT BENEFITS

Plan Description

The District administers a defined benefit OPEB plan and provides OPEB for all permanent full-time general employees of the District. The plan is a single-employer defined benefit plan (the Plan). The Plan provides Article 11 of the State Compiled Statutes which grants the authority to establish and amend the benefit terms and financing requirements to the District's Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in trust that meet the criteria in paragraph 4 of Statement No. 75.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. POSTEMPLOYMENT BENEFITS

Funding Policy

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when they retired and their applicable agreement. Employees are required to reach age 55 and have 5 to 16 years of service to qualify for other postemployment benefits. The District currently funds the plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2019, \$3,111,804 was paid on behalf of 372 retirees.

Benefits Provided

The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under. Retirees and their spouses receive benefits for the lifetime of the retired employee. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms - At June 30, 2019, the following employees were covered by the benefit terms:

| | |
|---|----------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 372 |
| Inactive plan members entitled to but not yet receiving benefit payments | - |
| Active plan members | <u>393</u> |
| Total Plan Members | <u>765</u> |

Net OPEB Liability

The District's total OPEB liability of was measured as of June 30, 2019; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2018.

Actuarial Assumptions and Other Inputs

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

| | |
|-----------------------------|---|
| Inflation | 2.60% (Based on CPI-2017 OASDI Trustee Report) |
| Salary increases | 2.60% (including inflation) |
| Discount Rate | 3.50% (Bond Buyer General Obligation 20-year Municipal Index) |
| Healthcare cost trend rates | |
| Pre-Medicare | 6.10% for 2018 scaling down to 4.10% over 57 years. |
| Medicare | N/A |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. POSTEMPLOYMENT BENEFITS

Mortality rates were based on RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2016.

Retirement participation rate assumed that 100% of future retirees eligible for coverage will elect the benefit and 20% of future spouses of retirees eligible for coverage will elect the benefit. Marriage assumption, it was assumed that 80% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses. For current retirees, actual census information was used. Additionally, a tiered approach based on age and years of service was used to determine retirement rate assumption.

Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System. Rates are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

The discount rate was based on the S&P Municipal Bond 20-year High Grade Rate Index.

Changes in the Net OPEB Liability

Changes in the District's net OPEB liability were as follows:

| | Total OPEB Liability [a] | Plan Fiduciary Net Position [b] | Net OPEB Liability [a] - [b] |
|--|---|--|---|
| Balances at June 30, 2018 | \$140,540,206 | \$ - | \$140,540,206 |
| Changes for the year: | | | |
| Service cost | 5,556,022 | - | 5,556,022 |
| Interest | 4,336,555 | - | 4,336,555 |
| Effect of plan changes | (973,551) | - | (973,551) |
| Effect of demographic gains or losses | 979,944 | - | 979,944 |
| Net investment income | - | - | - |
| Changes of assumptions or other inputs (change in discount rate) | (16,282,811) | - | (16,282,811) |
| Benefit payments | (3,111,804) | - | (3,111,804) |
| Administrative expense | - | - | - |
| Net changes | 9,495,645 | - | 9,495,645 |
| Balances, June 30, 2019 | \$131,044,561 | \$ - | \$131,044,561 |

Changes of benefit terms reflect changes in assumptions and other inputs including a change in the discount rate from 3.87% in 2018 to 3.50% in 2019.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. POSTEMPLOYMENT BENEFITS

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the current discount rate:

| | 1% Decrease (2.50%) | Discount Rate (3.50%) | 1% Increase (4.50%) |
|----------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total OPEB Liability | \$156,751,470 | \$131,044,561 | \$110,871,421 |

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

The following presents the District's total OPEB liability, 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 (5.10% decreasing to 3.10%) or 1 percentage point higher (7.10% decreasing to 5.10%) than the current healthcare cost trend rate:

| | 1% Decrease (5.10% Decreasing to 3.10%) | Healthcare Cost Trend Rate (6.10% Decreasing to 4.10%) | 1% Increase (7.10% Decreasing to 5.10%) |
|----------------------|--|---|--|
| Total OPEB Liability | \$103,589,665 | \$131,044,561 | \$168,153,058 |

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

For the year ended June 30, 2019, the District recognized negative OPEB expense of \$6,599,657. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 1,042,186 |
| Amounts recognized in OPEB expense | - | - |
| Changes of assumptions | (13,777,763) | - |
| Contributions subsequent to the measurement date | - | - |
| Total | <u>\$ (13,777,763)</u> | <u>\$ 1,042,186</u> |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. POSTEMPLOYMENT BENEFITS

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

| Year Ending <u>June 30,</u> | |
|--|----------------|
| 2019 | \$ (2,319,369) |
| 2020 | (2,319,369) |
| 2021 | (2,319,369) |
| 2022 | (2,319,369) |
| 2023 | (2,319,369) |
| Thereafter | (1,138,732) |

5. DEFICIT FUND BALANCE

The Capital Projects fund had a fund deficit of \$110,197. This deficit will be removed when the District transfers funds from local sources.

6. TAX ABATEMENTS

The County of Rensselaer enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. No tax abatements were entered into during June 30, 2019 that impact the District.

7. LEASE OBLIGATIONS

The District leases certain equipment (computers and related equipment, printer and copiers) under the terms of non-cancelable leases.

Minimum annual rentals for each of the remaining years of the lease are the following for the fiscal years ended June 30:

| | |
|------|------------|
| 2020 | \$ 272,160 |
| 2021 | 204,949 |
| 2022 | 122,230 |
| 2023 | 72,684 |
| 2024 | 42,648 |

8. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 10, 2019, which is the date these financial statements were issued. All subsequent events requiring recognition or disclosure as of June 30, 2019 have been incorporated into these financial statements.

AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

| | <u>Adopted Budget</u> | <u>Prior Year Encumbrances</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Final Budget</u> |
|---|-----------------------------|------------------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Revenues | | | | | | |
| Local Sources | | | | | | |
| Real property taxes | \$ 30,865,672 | \$ - | \$ 30,865,672 | \$ 30,865,672 | \$ 30,845,847 | \$ (19,825) |
| Other tax items | 50,000 | - | 50,000 | 50,000 | 48,822 | (1,178) |
| Charges for services | 755,556 | - | 755,556 | 779,921 | 1,004,997 | 225,076 |
| Use of money and property | 324,400 | - | 324,400 | 324,400 | 406,677 | 82,277 |
| Sale of property and compensation for loss | 1,000 | - | 1,000 | 1,000 | 20,362 | 19,362 |
| Miscellaneous | 340,000 | - | 340,000 | 382,740 | 1,430,858 | 1,048,118 |
| Total Local Sources | 32,336,628 | - | 32,336,628 | 32,403,733 | 33,757,563 | 1,353,830 |
| State sources | 25,136,487 | - | 25,136,487 | 25,136,487 | 25,072,594 | (63,893) |
| Federal sources | 75,000 | - | 75,000 | 75,000 | 200,864 | 125,864 |
| Other Sources | | | | | | |
| Transfers from other funds | 500,000 | - | 500,000 | 500,000 | 100,000 | (400,000) |
| Total Revenue and Other Sources | 58,048,115 | - | 58,048,115 | 58,115,220 | <u>\$ 59,131,021</u> | <u>\$ 1,015,801</u> |
| Appropriated Fund Equity | | | | | | |
| Prior Year's Encumbrances | - | 703,878 | 703,878 | 703,878 | | |
| Appropriated reserves | - | - | - | 5,655 | | |
| Appropriated fund balance | 780,000 | - | 780,000 | 780,000 | | |
| Total Revenues and Other Financing Sources | <u>\$ 58,828,115</u> | <u>\$ 703,878</u> | <u>\$ 59,531,993</u> | <u>\$ 59,604,753</u> | | |

AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

| | Adopted Budget | Prior Year Encumbrances | Original Budget | Final Budget | Actual | Year-End Encumbrances | Final Budget Variance With Actual and Encumbrances |
|--|----------------------|----------------------------|----------------------|----------------------|----------------------|--------------------------|---|
| Expenditures | | | | | | | |
| General Support | | | | | | | |
| Board of education | \$ 36,379 | \$ - | \$ 36,379 | \$ 35,252 | \$ 25,956 | \$ - | \$ 9,296 |
| Central administration | 470,040 | - | 470,040 | 470,753 | 462,522 | 5,030 | 3,201 |
| Finance | 717,767 | - | 717,767 | 863,798 | 714,029 | 128,510 | 21,259 |
| Staff | 104,096 | - | 104,096 | 131,606 | 126,207 | 2,500 | 2,899 |
| Central services | 3,070,303 | 400,422 | 3,470,725 | 3,715,046 | 3,398,445 | 202,113 | 114,488 |
| Special items | 887,889 | - | 887,889 | 850,944 | 848,367 | - | 2,577 |
| Total General Support | 5,286,474 | 400,422 | 5,686,896 | 6,067,399 | 5,575,526 | 338,153 | 153,720 |
| Instruction | | | | | | | |
| Instruction, administration and improvement | 1,874,589 | - | 1,874,589 | 1,648,035 | 1,515,469 | 3,304 | 129,262 |
| Teaching - regular school | 16,070,227 | 87,058 | 16,157,285 | 16,303,192 | 16,121,207 | 61,435 | 120,550 |
| Programs for children with handicapping conditions | 6,926,374 | 14,685 | 6,941,059 | 7,055,070 | 7,008,139 | 5,912 | 41,019 |
| Occupational education | 765,442 | - | 765,442 | 745,697 | 739,370 | - | 6,327 |
| Teaching - special school | 53,528 | - | 53,528 | 55,571 | 49,106 | - | 6,465 |
| Instructional media | 1,475,045 | 35,022 | 1,510,067 | 1,678,272 | 1,640,239 | 29,810 | 8,223 |
| Pupil services | 2,700,734 | 34,830 | 2,735,564 | 2,819,304 | 2,760,012 | 17,975 | 41,317 |
| Total Instruction | 29,865,939 | 171,595 | 30,037,534 | 30,305,141 | 29,833,542 | 118,436 | 353,163 |
| Other | | | | | | | |
| Pupil transportation | 3,002,210 | 131,861 | 3,134,071 | 3,133,086 | 3,089,301 | - | 43,785 |
| Community services | - | - | - | - | - | - | - |
| Employee benefits | 16,303,900 | - | 16,303,900 | 15,721,187 | 15,634,530 | - | 86,657 |
| Debt Service - Principal | 3,432,272 | - | 3,432,272 | 3,432,272 | 3,432,272 | - | - |
| Debt Service - Interest | 887,320 | - | 887,320 | 887,320 | 887,106 | - | 214 |
| Total Other | 23,625,702 | 131,861 | 23,757,563 | 23,173,865 | 23,043,209 | - | 130,656 |
| Total Expenditures | 58,778,115 | 703,878 | 59,481,993 | 59,546,405 | 58,452,277 | 456,589 | 637,539 |
| Other Financing Uses | | | | | | | |
| Transfers to other funds | 50,000 | - | 50,000 | 58,348 | 56,294 | - | 2,054 |
| Total Expenditures and Other Uses | \$ 58,828,115 | \$ 703,878 | \$ 59,531,993 | \$ 59,604,753 | \$ 58,508,571 | \$ 456,589 | \$ 639,593 |
| Net Change in fund balance | | | | | \$ 622,450 | | |
| Fund balance - beginning | | | | | 7,542,007 | | |
| Fund balance - ending | | | | | <u>8,164,457</u> | | |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

| | Fiscal Year Ending | |
|--|------------------------------|------------------------------|
| | <u>2019</u> | <u>2018</u> |
| Total OPEB Liability | | |
| Measurement date | 6/30/2019 | 6/30/2018 |
| Service cost at end of year | \$ 5,556,022 | \$ 5,060,746 |
| Interest on total OPEB liability | 4,336,555 | 4,130,949 |
| Effect of plan changes | (973,551) | - |
| Effect of demographic gains or losses | 979,944 | 282,839 |
| Effect of assumption changes or inputs | (16,282,811) | - |
| Benefit payments | <u>(3,111,804)</u> | <u>(3,120,741)</u> |
| Net Change in Total OPEB Liability | (9,495,645) | 6,353,793 |
| Total OPEB Liability - beginning | <u>140,540,206</u> | <u>134,186,413</u> |
| Total OPEB Liability - ending | <u><u>\$ 131,044,561</u></u> | <u><u>\$ 140,540,206</u></u> |
| Covered-employee payroll | \$ 23,537,030 | \$ 28,306,308 |
| Total OPEB Liability as a percentage of covered-employee payroll | 556.76% | 496.50% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of the measurement date disclosed above.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2019**

**ERS Pension Plan
Last 10 Fiscal Years**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Proportion of the net pension liability (asset) | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% |
| Proportionate share of the net pension liability (asset) | \$ 1,606,649 | \$ 726,454 | \$ 2,203,992 | \$ 3,834,738 | \$ 804,227 |
| Covered-employee payroll | \$ 8,056,166 | \$ 6,663,551 | \$ 7,411,942 | \$ 7,533,893 | \$ 6,861,721 |
| Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll | 20% | 11% | 30% | 51% | 12% |
| Plan fiduciary net position as a percentage of the total pension liability | 96.27% | 98.24% | 94.7% | 90.7% | 97.9% |

**TRS Pension Plan
Last 10 Fiscal Years**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|---------------|-----------------|-----------------|
| Proportion of the net pension liability (asset) | 0.13% | 0.14% | 0.13% | 0.13% | 0.13% |
| Proportionate share of the net pension liability (asset) | \$ (2,420,005) | \$ (1,030,584) | \$ 1,426,129 | \$ (13,641,206) | \$ (14,413,357) |
| Covered-employee payroll | \$ 22,585,183 | \$ 21,799,460 | \$ 21,948,466 | \$ 20,546,918 | \$ 19,511,261 |
| Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll | -11% | -5% | 6% | -66% | -74% |
| Plan fiduciary net position as a percentage of the total pension liability | 101.53% | 100.66% | 99.01% | 110.46% | 111.48% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULES OF DISTRICT CONTRIBUTIONS
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2019**

**ERS Pension Plan
Last 10 Fiscal Years**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 979,728 | \$ 961,701 | \$ 1,044,669 | \$ 1,189,507 | \$ 1,308,693 |
| Contributions in relation to the contractually required contribution | <u>(979,728)</u> | <u>(961,701)</u> | <u>(1,044,669)</u> | <u>(1,189,507)</u> | <u>(1,308,693)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 8,056,166 | \$ 6,663,551 | \$ 7,411,942 | \$ 7,533,893 | \$ 6,861,721 |
| Contributions as a percentage of covered-employee payroll | 12.16% | 14.43% | 14.09% | 15.79% | 19.07% |

**TRS Pension Plan
Last 10 Fiscal Years**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 2,136,347 | \$ 2,518,138 | \$ 2,724,521 | \$ 3,458,291 | \$ 3,105,875 |
| Contributions in relation to the contractually required contribution | <u>(2,136,347)</u> | <u>(2,518,138)</u> | <u>(2,724,521)</u> | <u>(3,458,291)</u> | <u>(3,105,875)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 22,585,183 | \$ 21,799,460 | \$ 21,948,466 | \$ 20,546,918 | \$ 19,511,261 |
| Contributions as a percentage of covered-employee payroll | 9.46% | 11.55% | 12.41% | 16.83% | 15.92% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL
BUDGET AND SCHEDULE OF THE SECTION 1318 OF REAL PROPERTY TAX
LAW LIMIT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

| | |
|--------------------------------|----------------------|
| Adopted Budget | \$ 58,828,115 |
| Add: Prior year's encumbrances | <u>703,878</u> |
| Original Budget | 59,531,993 |
| Additions: | |
| Budget Amendments | <u>72,760</u> |
| Final Budget | <u>\$ 59,604,753</u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | |
|---|---------------|
| 2019-2020 [subsequent year's] voter-approved expenditure budget | \$ 59,665,424 |
| Maximum allowed (4% of 2019-20 [subsequent year's] budget) | 2,386,617 |

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

| | |
|---------------------------------|---------------------|
| Unrestricted Fund Balance: | |
| Committed Fund Balance | \$ - |
| Assigned Fund Balance | 1,236,589 |
| Unassigned Fund Balance | <u>2,449,946</u> |
| Total Unrestricted Fund Balance | <u>\$ 3,686,535</u> |

Less:

| | |
|--|---------------------|
| Appropriated Fund Balance | \$ 780,000 |
| Insurance Recovery Reserve | - |
| Tax Reduction Reserve | - |
| Encumbrances included in Committed and Assigned Fund Balance | <u>456,589</u> |
| Total Adjustments | <u>\$ 1,236,589</u> |

| | |
|--|---------------------|
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | <u>\$ 2,449,946</u> |
|--|---------------------|

| | |
|-------------------|-------|
| Actual percentage | 4.11% |
|-------------------|-------|

* Per office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

**AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES -
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

| Project Title | SED Project Number | Original Appropriation | Revised Appropriation | Expenditures | | | Methods of Financing | | | | Fund Equity (Deficiency) June 30, 2019 | |
|---|--------------------|------------------------|-----------------------|----------------------|-------------------|----------------------|----------------------|---------------------|---------------|----------------------|--|---------------------|
| | | | | Prior Years | Current Year | Total | Unexpended Balance | State Sources | Local Sources | Financed Sources | | Total |
| Excel II Project \$12.9 million | | | | | | | | | | | | |
| Algonquin Middle School | 0009-009 | \$ 693,600 | \$ 406,842 | \$ 406,842 | \$ - | \$ 406,842 | \$ - | \$ 157,001 | \$ - | \$ 406,842 | \$ 563,843 | \$ 157,001 |
| Algonquin Middle School | 0009-010 | 889,000 | 806,282 | 806,282 | - | 806,282 | - | - | - | 806,282 | 806,282 | - |
| Averill Park High School | 0001-009 | 1,166,000 | 1,086,361 | 1,086,361 | - | 1,086,361 | - | - | - | 1,086,361 | 1,086,361 | - |
| Averill Park High School | 0001-010 | 6,185,300 | 5,892,454 | 5,892,454 | - | 5,892,454 | - | 200,000 | - | 5,692,454 | 5,892,454 | - |
| Averill Park High School | 0001-011 | - | 1,018,711 | 1,018,711 | - | 1,018,711 | - | - | - | 1,018,711 | 1,018,711 | - |
| Averill Park High School | 0001-012 | - | 239,646 | 239,646 | - | 239,646 | - | - | - | 239,646 | 239,646 | - |
| George Washington Elementary School | 0017-006 | 167,400 | 265,631 | 265,631 | - | 265,631 | - | - | - | 265,631 | 265,631 | - |
| George Washington Elementary School | 0017-007 | 174,000 | 25,548 | 25,548 | - | 25,548 | - | - | - | 25,548 | 25,548 | - |
| Miller Hill Elementary School | 0010-005 | 612,500 | 523,328 | 523,328 | - | 523,328 | - | 100,000 | - | 423,328 | 523,328 | - |
| Miller Hill Elementary School | 0010-006 | 525,000 | 550,975 | 550,975 | - | 550,975 | - | - | - | 550,975 | 550,975 | - |
| Miller Hill Elementary School | 0010-007 | 316,600 | 187,327 | 187,327 | - | 187,327 | - | - | - | 187,327 | 187,327 | - |
| Miller Hill Elementary School | 0010-008 | 427,000 | 279,051 | 279,051 | - | 279,051 | - | - | - | 279,051 | 279,051 | - |
| Poestenkill Elementary School | 0004-006 | 343,000 | 442,974 | 442,974 | - | 442,974 | - | - | - | 442,974 | 442,974 | - |
| Poestenkill Elementary School | 0004-007 | 301,900 | 298,224 | 298,224 | - | 298,224 | - | - | - | 298,224 | 298,224 | - |
| Poestenkill Elementary School | 0004-008 | 150,000 | 216,715 | 216,715 | - | 216,715 | - | - | - | 216,715 | 216,715 | - |
| Poestenkill Elementary School | 0004-009 | - | 66,238 | 66,238 | - | 66,238 | 13,352 | - | - | 66,238 | 66,238 | 13,352 |
| Transportation Center | 5016-004 | 413,000 | 267,411 | 267,411 | - | 267,411 | - | - | - | 267,411 | 267,411 | - |
| Transportation Center | 5016-005 | 105,000 | 35,788 | 35,788 | - | 35,788 | - | - | - | 35,788 | 35,788 | - |
| West Sand Lake Elementary School | 0006-008 | 349,100 | 92,641 | 92,641 | - | 92,641 | - | - | - | 92,641 | 92,641 | - |
| West Sand Lake Elementary School | 0006-009 | 81,600 | 197,853 | 197,853 | - | 197,853 | - | - | - | 197,853 | 197,853 | - |
| Capital Project Pre-referendum Planning | | - | - | - | 42,075 | 42,075 | - | - | - | - | - | (42,075) |
| School Bus & Equipment Purchases | | 3,681,861 | 3,681,861 | 2,928,515 | 717,475 | 3,645,990 | 35,871 | - | - | 3,681,901 | 3,681,901 | 35,911 |
| Smart Schools Bond Act Projects | | | | | | | | | | | | |
| Wireless Access & Distance Learning | | 1,085,055 | 1,085,055 | 1,085,055 | - | 1,085,055 | - | 1,085,055 | - | - | 1,085,055 | - |
| Security Enhancements | | - | - | 21,375 | 13,941 | 35,316 | (35,316) | - | - | - | - | (35,316) |
| Transfer to Other Funds | | - | - | 239,070 | - | 239,070 | - | - | - | - | - | (239,070) |
| Totals | | \$ 17,666,916 | \$ 17,666,916 | \$ 17,160,663 | \$ 773,491 | \$ 17,934,154 | \$ 13,907 | \$ 1,542,056 | \$ - | \$ 16,281,901 | \$ 17,823,957 | \$ (110,197) |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019**

| | | |
|---|-------------------|----------------------|
| Capital Assets, Net | | \$ 55,475,427 |
| Add: | | |
| Deferred Bond Costs | \$ <u>382,173</u> | 382,173 |
| Deduct: | | |
| Short-term portion of bonds payable | \$ 3,116,380 | |
| Long-term portion of bonds payable | 16,991,087 | |
| Premium on bonds | <u>1,896,525</u> | |
| | | <u>22,003,992</u> |
| Net Investment in Capital Assets | | <u>\$ 33,853,608</u> |

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

To the President and Members
of the Board of Education of the
Averill Park Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Averill Park Central School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 10, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Marvin and Company, P.C.

Latham, NY

September 10, 2019

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

To the President and Members of the Board of Education of the
Averill Park Central School District

Report on Compliance for Each Major Federal Program

We have audited the Averill Park Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 the 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 Averill Park Central School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Averill Park 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, 2019.

Report on Internal Control Over Compliance

Management of the Averill Park 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Marvin and Company, P.C.

Latham, NY

September 10, 2019

**AVERILL PARK CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

| <u>Federal Grantor/Pass-Through Grantor/Cluster Title/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass- Through Entity Identifying Number</u> | <u>Passed Through To Subrecipient</u> | <u>Total Federal Expenditures</u> |
|--|------------------------------------|--|---|---|
| <u>U.S. Department of Education</u> | | | | |
| Passed Through New York State Education Department: | | | | |
| Special Education Cluster | | | | |
| Special Education - Grants to States | 84.027 | 0032-19-0756 | | \$ 660,623 |
| Special Education - Preschool Grants | 84.173 | 0033-19-0756 | | <u>38,218</u> |
| Total Special Education Cluster | | | | <u>698,841</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-19-2575 | | 282,402 |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-18-2575 | | 11,283 |
| Title IV Grants to Local Educational Agencies | 84.424 | 0204-19-2575 | | 9,887 |
| Improving Teacher Quality State Grants | 84.367 | 0147-19-2575 | | 73,896 |
| Improving Teacher Quality State Grants | 84.367 | 0147-18-2575 | | <u>11,620</u> |
| Total U.S. Department of Education | | | | <u>1,087,929</u> |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Passed Through New York State Division of Homeland Security and Emergency Services: | | | | |
| Disaster Grant - Public Assistance for a Presidentially Declared Disaster | 97.036 | 083-12994-00 | | <u>1,402</u> |
| <u>U.S. Department of Agriculture</u> | | | | |
| Passed Through New York State Education Department: | | | | |
| Child Nutrition Cluster | | | | |
| National School Lunch Program | 10.555 | Not Applicable | | 254,766 |
| School Breakfast Program | 10.553 | Not Applicable | | 60,316 |
| Food Distribution | 10.555 | Not Applicable | | <u>32,029</u> |
| Total Child Nutrition Cluster | | | | <u>347,111</u> |
| Total U.S. Department of Agriculture | | | | <u>347,111</u> |
| Total Expenditures of Federal Awards | | | | <u>\$ 1,436,442</u> |

**AVERILL PARK CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of federal award programs administered by the Averill Park Central School District (District), which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District financial statements. 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 presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This Schedule only presents a selected portion of the operations of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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.

The federal expenditures are recognized under the Uniform Guidance.

3. SCOPE OF AUDIT

The Averill Park Central School District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

4. NON-CASH ASSISTANCE

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling \$32,029.

5. INDIRECT COST RATE

The Averill Park Central School District did not elect to use the 10% de minimus 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. The District's policy is not to charge federal award programs with indirect costs.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified? _____yes X none reported

Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified? _____yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____yes X no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.010 | ESEA Title I Grant |

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

Auditee qualified as low-risk auditee? X yes _____no

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

None

Findings and questioned costs related to Federal awards which are required to be reported in accordance with the Uniform Guidance 2 CFR section 200.516(a):

None

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

Section III: Federal Award Findings and Questioned Costs

Summary Schedule of prior auditing findings

None