

**EDWARDS-KNOX
CENTRAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)

June 30, 2018

INTRODUCTION

Our discussion and analysis of Edwards-Knox Central School District (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$ 22,197,755 at June 30, 2018. This was an increase of \$ 18,631,407 over the prior year. The District implemented GASB Statement 75 which is reflected in the increase in the net position.
- ❑ Overall revenues were \$ 15,451,377 which was more than expenditures of \$ 15,332,665 by \$118,712.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ Fund financial statements focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
 - Governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

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

The Government-wide financial statements were restated due to changes in accounting for OPEB, as outlined in the notes to financial statements.

Government-Wide Statements

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

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

- ❑ Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in enrollment, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the District include government activities. Most of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Property taxes and federal and state grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Education establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has two kinds of 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 government-wide statements, we provide additional information at the bottom of the government funds statements that explain the relationship (or differences) between them.
- ❑ Fiduciary Funds – the District is the trustee, or fiduciary, for assets that belong to others; for the district, the student body activities fund is an agency fund. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance its operations.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$22,197,755 at June 30, 2018. See Table 1.

Table 1:
Net Position

| | Governmental Activities | | Total Dollar Change |
|--|-------------------------|------------------------|----------------------|
| | 2018 | 2017 | 2018-2017 |
| <i>Assets</i> | | | |
| Cash | \$ 5,239,089 | \$ 5,177,261 | \$ 61,828 |
| Net Pension Asset | \$ 190,850 | \$ - | \$ 190,850 |
| State and Federal Aids Receivable | \$ 935,856 | \$ 873,944 | \$ 61,912 |
| Prepaid Expenditures | \$ 6,417 | \$ 38,286 | \$ (31,869) |
| Other Receivables | \$ 267,540 | \$ 183,975 | \$ 83,565 |
| Due from Other Funds | \$ 175,687 | \$ 142,296 | \$ 33,391 |
| Inventories | \$ 13,949 | \$ 16,828 | \$ (2,879) |
| <i>Capital Assets,</i> Net of Accumulated Depreciation | \$ 24,564,086 | \$ 24,623,844 | \$ (59,758) |
| TOTAL ASSETS | <u>\$ 31,393,474</u> | <u>\$ 31,056,434</u> | <u>\$ 337,040</u> |
| DEFERRED OUTFLOWS | <u>\$ 24,051,646</u> | <u>\$ 2,446,647</u> | <u>\$ 21,604,999</u> |
| <i>Liabilities</i> | | | |
| Accounts Payable | \$ 26,318 | \$ 136,367 | \$ (110,049) |
| Accrued Liabilities Due Within One Year | \$ 10,180 | \$ 13,216 | \$ (3,036) |
| Short Term Debt | \$ 2,118,722 | \$ 1,958,687 | \$ 160,035 |
| Other Long Term Debt | \$ 19,419,662 | \$ 15,789,904 | \$ 3,629,758 |
| Debt Related to Capital Assets | \$ 10,625,000 | \$ 11,855,000 | \$ (1,230,000) |
| TOTAL LIABILITIES | <u>\$ 32,199,882</u> | <u>\$ 29,753,174</u> | <u>\$ 2,446,708</u> |
| DEFERRED INFLOWS | <u>\$ 1,047,483</u> | <u>\$ 183,559</u> | <u>\$ 863,924</u> |
| Net Position | | | |
| Invested Capital Assets, Net of Related Debt | \$ 12,413,934 | \$ 11,448,844 | \$ 965,090 |
| Restricted | \$ 3,670,852 | \$ 4,665,182 | \$ (994,330) |
| Unrestricted | <u>\$ 6,112,969</u> | <u>\$ (12,547,678)</u> | <u>\$ 18,660,647</u> |
| TOTAL NET POSITION | <u>\$ 22,197,755</u> | <u>\$ 3,566,348</u> | <u>\$ 18,631,407</u> |

Changes in Net Position

The District's total revenues were \$ 15,451,377. The largest portion of the revenue comes from Federal and State Aid (83.9%). The next largest portion of revenue comes from property taxes (12.6%).

Excluding the impact of GASB 75, the cost of all programs and services was \$ 14,180,600. The District's expenses are predominately related to educating and caring for students (64%). General support, which includes administrative activities and plant services accounted for 15.3% of total costs. The remaining expenses were interest, depreciation, transportation, and the School Lunch Program.

Table 2:
Changes in Net Position

| Revenues | Governmental Activities | | Percentage Change |
|----------------------------|-------------------------|----------------------|-------------------|
| | 2018 | 2017 | 2018-2017 |
| <i>Program Revenues</i> | | | |
| Charges for Services | \$ 281,359 | \$ 141,028 | 99.51% |
| Operating Grants | \$ 1,109,335 | \$ 1,170,040 | (5.19)% |
| <i>General Revenues</i> | | | |
| Property Taxes | \$ 1,947,761 | \$ 1,922,868 | 1.29% |
| State/Federal Revenues | \$ 11,860,730 | \$ 11,459,937 | 3.50% |
| Other Revenues | \$ 252,192 | \$ 1,169,960 | (78.44)% |
| TOTAL REVENUES | \$ 15,451,377 | \$ 15,863,833 | (2.6)% |
| Expenses | | | |
| General Support | \$ 2,172,917 | \$ 2,444,615 | (11.11)% |
| Instruction | \$ 9,080,464 | \$ 9,569,136 | (5.11)% |
| Pupil Transportation | \$ 1,458,830 | \$ 1,359,477 | (7.30)% |
| Interest Expense | \$ 575,637 | \$ 296,080 | 94.42% |
| Other Expenditures (OPEB) | \$ (17,360,630) | \$ 2,139,013 | (911.62)% |
| Depreciation | \$ 533,498 | \$ 539,668 | (1.16)% |
| School Lunch Program | \$ 359,254 | \$ 280,733 | 27.97% |
| TOTAL EXPENSES | \$ (3,180,030) | \$ 16,628,722 | (119.12)% |
| INCREASE (DECREASE) | | | |
| IN NET POSITION | \$ 18,631,407 | \$ (764,889) | (3002.09)% |

Governmental Activities

Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants, and contributions.

Table 3
Net Cost of Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|------------------------------|------------------------|---------------|----------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| General Support | \$ 2,172,917 | \$ 2,444,615 | \$ 2,172,917 | \$ 2,444,615 |
| Instruction | \$ 9,080,464 | \$ 9,569,136 | \$ 8,052,206 | \$ 9,012,403 |
| Transportation | \$ 1,458,830 | \$ 1,359,477 | \$ 1,458,830 | \$ 1,359,477 |
| Interest Expense | \$ 575,637 | \$ 296,080 | \$ 575,637 | \$ 296,080 |
| Other Expenditures (OPEB) | \$ (17,360,630) | \$ 2,139,013 | \$ (17,360,630) | \$ 2,139,013 |
| Depreciation | \$ 533,498 | \$ 539,668 | \$ 533,498 | \$ 539,668 |
| School Lunch Program | \$ 359,254 | \$ 280,733 | \$ (3,182) | \$ (58,801) |
| TOTAL | \$ (3,180,030) | \$ 16,628,722 | \$ (4,570,724) | \$ 15,732,455 |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$ 6,089,991, which is \$ 413,864 greater than last year's amount.

General Fund Budgetary Highlights

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. A schedule of the District's original and final budget amounts compared with actual revenues and expenses are provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested \$ 37,524,721 in a broad range of capital assets, including buildings and improvements, equipment and vehicles. See Table 4. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

| | 2018 | Governmental Activities 2017 | Total Dollar Change 2018-2017 |
|--------------------------------|-----------------|---------------------------------|----------------------------------|
| Land | \$ 512 | \$ 30,512 | \$ - |
| Building | \$ 33,729,345 | \$ 24,432,226 | \$ 9,297,119 |
| Work in Progress | | \$ 8,946,558 | \$ (8,946,558) |
| Machinery and Equipment | \$ 1,865,790 | \$ 1,850,584 | \$ 15,206 |
| Vehicles | \$ 1,899,073 | \$ 1,732,270 | \$ 166,803 |
| Totals at Historical Cost | \$ 37,524,721 | \$ 36,992,150 | \$ 532,571 |
| Total Accumulated Depreciation | \$ (12,960,635) | \$ (12,368,307) | \$ (592,328) |
| NET CAPITAL ASSETS | \$ 24,564,086 | \$ 24,623,843 | \$ (59,757) |

Long-Term Debt

At year-end, the District had \$ 32,617,297 in debt, consisting of general obligation bonds, Bond Anticipation Notes, compensated absences, pension liabilities, and other post-retirement benefit obligations as shown in Table 5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table 5
Long-Term Debt

| | 2018 | Governmental Activities 2017 | Total Dollar Change 2018-2017 |
|--------------------------------|---------------|---------------------------------|----------------------------------|
| General Obligation Bonds | \$ 12,150,152 | \$ 13,175,000 | \$ (1,024,848) |
| Bond Anticipation Notes | \$ - | \$ - | \$ - |
| Net Pension Liability | \$ 159,083 | \$ 732,281 | \$ (573,198) |
| Deferred Inflows | \$ 1,047,483 | \$ 183,559 | \$ 863,924 |
| Compensated Absences | \$ 322,119 | \$ 277,562 | \$ 44,557 |
| | | | \$ - |
| Other Post-Employment Benefits | \$ 18,938,460 | \$ 14,780,061 | \$ 4,158,399 |
| | | | \$ - |
| TOTAL LONG-TERM DEBT | \$ 32,617,297 | \$ 29,148,463 | \$ 3,468,834 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

- ❑ The EKSEA and EKTA contracts run through 2018-2019.
- ❑ The District completed a Capital Outlay project in the 2017-2018 school year. This project included a transfer from the General Fund to the Capital Fund in the amount of \$100,000. The work took place during the school year and the district will be reimbursed at their aid ratio in the 2018-2019 school year. The goal is to use these smaller projects yearly in order to reduce the cost of the full-fledged building projects in the future. The district plans to continue these Capital Outlay projects.
- ❑ The TRS retirement rates have increased from 9.8% to 10.63%, and the ERS rates have decreased from 15.3% to 14.9% in the 2018-2019 school year. Both ERS and TRS rates are expected to stabilize.
- ❑ The District received \$95,261 in Community School Aid for the 2017-2018 school year. This was used to supplement the cafeteria's CEP program, community support and mental health services.
- ❑ The District was over the 4% fund balance and will look at increasing the use next year to offset the tax cap and will consider setting aside in current reserve or creating a Capital Reserve to help fund future capital expenses.
- ❑ The District raised taxes in the 2017- 18 by 1.41% and in 2018-19 by 1.00%, both well below the tax cap.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, 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 or need additional financial information, contact Erin Woods, Superintendent at (315) 562-8130.

FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT

Board of Education
Edwards-Knox Central School District
Russell, New York

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 1-7 and the Schedules SS-1 through SS-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

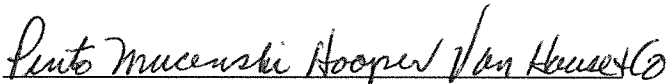
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Edwards-Knox Central School District's basic financial statements. The introductory section and the Schedules SS-5 through SS-7 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules SS-5 through SS-7 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 Schedules SS-5 through SS-7 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018, on our consideration of the Edwards-Knox Central School'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 Edwards-Knox Central School's internal control over financial reporting and compliance.


Certified Public Accountants, P.C.

October 9, 2018

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

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EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2018**

| | <u>6/30/2018</u> |
|--|--------------------------|
| ASSETS | |
| Cash | |
| Unrestricted | \$ 2,396,400 |
| Restricted | 2,842,689 |
| Receivables | |
| Accounts Receivable | 267,540 |
| State and Federal Aid | 935,856 |
| Due from Fiduciary Funds | 175,687 |
| Inventories | 13,949 |
| Prepays - Pensions | 6,417 |
| Capital Assets | |
| Not Being Depreciated | 30,512 |
| Being Depreciated, Net of Accumulated Depreciation | 24,533,574 |
| Net Pension Asset - Proportionment Share | <u>190,850</u> |
| Total Assets | <u>\$ 31,393,474</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| OPEB | \$ 21,519,029 |
| Pensions | <u>2,532,617</u> |
| Total Deferred Outflows of Resources | <u>\$ 24,051,646</u> |
| LIABILITIES | |
| Payables | |
| Accounts Payable | \$ 26,318 |
| Accrued Liabilities | 10,180 |
| Long-Term Liabilities | |
| Due and Payable Within One Year | |
| Serial Bonds | 1,525,152 |
| Due to Other Governments | 500 |
| Due to Teachers' Retirement System | 532,271 |
| Due to Employees' Retirement System | 60,799 |
| Due and Payable After One Year | |
| Serial Bonds | 10,625,000 |
| Compensated Absences Payable | 322,119 |
| Other Post Employment Benefits | 18,938,460 |
| Net Pension Liability - Proportionment Share | <u>159,083</u> |
| Total Liabilities | <u>\$ 32,199,882</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pensions | <u>\$ 1,047,483</u> |
| NET POSITION | |
| Investment in Capital Assets - Net of Related Debt | \$ 12,413,934 |
| Restricted for | |
| Debt Service | 1,474,534 |
| Other Legal Restrictions | 2,196,318 |
| Unrestricted | <u>6,112,969</u> |
| Total Net Position | <u>\$ 22,197,755</u> |

See Notes to Financial Statements.
SCHEDULE 1

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
June 30, 2018

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|-----------------------|-------------------------|---------------------|--|
| | | Charges for Services | Operating Grants | |
| General Support | \$ 2,172,917 | \$ - | \$ - | \$ (2,172,917) |
| Instruction | 9,080,464 | 265,004 | 763,254 | (8,052,206) |
| Pupil Transportation | 1,458,830 | - | - | (1,458,830) |
| Debt Service - Interest | 575,637 | - | - | (575,637) |
| School Lunch Program | 359,254 | 16,355 | 346,081 | 3,182 |
| Depreciation - Unallocated | 533,498 | - | - | (533,498) |
| OPEB - Unallocated | (17,360,630) | - | - | 17,360,630 |
| Total Functions and Programs | <u>\$ (3,180,030)</u> | <u>\$ 281,359</u> | <u>\$ 1,109,335</u> | <u>\$ 4,570,724</u> |
| GENERAL REVENUES | | | | |
| Real Property Taxes | | | | \$ 1,947,761 |
| Use of Money and Property | | | | 92,964 |
| Sale of Property and Compensation for Loss | | | | 752 |
| Miscellaneous | | | | 158,476 |
| State and Federal Sources | | | | <u>11,860,730</u> |
| Total General Revenues | | | | <u>14,060,683</u> |
| Change in Net Position | | | | 18,631,407 |
| Total Net Position - Beginning of Year | | | | <u>3,566,348</u> |
| Total Net Position - End of Year | | | | <u>\$ 22,197,755</u> |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

| | General | Special Aid | School Lunch | Capital Projects | Debt Service | Total Governmental Funds |
|-------------------------------------|---------------------|-------------------|------------------|---------------------|---------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash | | | | | | |
| Unrestricted Cash | \$ 2,052,727 | \$ 20,188 | \$ 9,724 | \$ 313,761 | \$ - | \$ 2,396,400 |
| Restricted Cash | 2,518,437 | - | - | - | 324,252 | 2,842,689 |
| Receivables | | | | | | |
| Accounts Receivable | 241,522 | 26,018 | - | - | - | 267,540 |
| State and Federal Aid | 838,496 | 97,360 | - | - | - | 935,856 |
| Due from Other Funds | 466,277 | - | - | - | 1,154,718 | 1,620,995 |
| Due from Fiduciary Funds | 175,687 | - | - | - | - | 175,687 |
| Inventories | - | - | 13,949 | - | - | 13,949 |
| Total Assets | <u>\$ 6,293,146</u> | <u>\$ 143,566</u> | <u>\$ 23,673</u> | <u>\$ 313,761</u> | <u>\$ 1,478,970</u> | <u>\$ 8,253,116</u> |
| LIABILITIES | | | | | | |
| Payables | | | | | | |
| Accounts Payable | \$ 26,318 | \$ - | \$ - | \$ - | \$ - | \$ 26,318 |
| Accrued Liabilities | 4,422 | - | 1,322 | - | 4,436 | 10,180 |
| Due to Other Funds | 1,006,379 | 143,566 | 18,369 | 452,681 | - | 1,620,995 |
| Due to Other Governments | - | - | 500 | - | - | 500 |
| Due to Employees' Retirement System | 60,799 | - | - | - | - | 60,799 |
| Due to Teachers' Retirement System | 444,333 | - | - | - | - | 444,333 |
| Total Liabilities | <u>1,542,251</u> | <u>143,566</u> | <u>20,191</u> | <u>452,681</u> | <u>4,436</u> | <u>2,163,125</u> |
| FUND BALANCES | | | | | | |
| Nonspendable | - | - | 13,949 | - | - | 13,949 |
| Restricted | 2,518,437 | - | - | - | 1,474,534 | 3,992,971 |
| Assigned | 831,000 | - | - | - | - | 831,000 |
| Unassigned | 1,401,458 | - | (10,467) | (138,920) | - | 1,252,071 |
| Total Fund Balances | <u>4,750,895</u> | <u>-</u> | <u>3,482</u> | <u>(138,920)</u> | <u>1,474,534</u> | <u>6,089,991</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,293,146</u> | <u>\$ 143,566</u> | <u>\$ 23,673</u> | <u>\$ 313,761</u> | <u>\$ 1,478,970</u> | <u>\$ 8,253,116</u> |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

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

| | Total Governmental Funds | Long-Term Assets, Liabilities | Reclassifications and Eliminations | Statement of Net Position Totals |
|--|--------------------------------|-------------------------------------|--|--|
| ASSETS | | | | |
| Cash | | | | |
| Unrestricted | \$ 2,396,400 | \$ - | \$ - | \$ 2,396,400 |
| Restricted | 2,842,689 | - | - | 2,842,689 |
| Receivables | | | | |
| Accounts Receivable | 267,540 | - | - | 267,540 |
| State and Federal Aid | 935,856 | - | - | 935,856 |
| Due from Other Funds | 1,620,995 | - | 1,620,995 | - |
| Due from Fiduciary Funds | 175,687 | - | - | 175,687 |
| Inventories | 13,949 | - | - | 13,949 |
| Prepaid Expenditures - Pensions | - | 6,417 | - | 6,417 |
| Capital Assets | | | | |
| Not Being Depreciated | - | 30,512 | - | 30,512 |
| Being Depreciated, Net of Accumulated Depreciation | - | 24,533,574 | - | 24,533,574 |
| Net Pension Asset - Proportionate Share | - | 190,850 | - | 190,850 |
| Total Assets | \$ 8,253,116 | \$ 24,761,353 | \$ 1,620,995 | \$ 31,393,474 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| OPEB | \$ - | \$ 21,519,029 | \$ - | \$ 21,519,029 |
| Pensions | - | 2,532,617 | - | 2,532,617 |
| Total Deferred Outflows of Resources | \$ - | \$ 24,051,646 | \$ - | \$ 24,051,646 |
| LIABILITIES | | | | |
| Payables | | | | |
| Accounts Payable | \$ 26,318 | \$ - | \$ - | \$ 26,318 |
| Accrued Liabilities | 10,180 | - | - | 10,180 |
| Long-Term Liabilities | | | | |
| Due and Payable Within One Year | | | | |
| Serial Bonds | - | 1,525,152 | - | 1,525,152 |
| Due to Other Funds | 1,620,995 | - | 1,620,995 | - |
| Due to Other Governments | 500 | - | - | 500 |
| Due to Teachers' Retirement System | 444,333 | 87,938 | - | 532,271 |
| Due to Employees' Retirement System | 60,799 | - | - | 60,799 |
| Due and Payable After One Year | | | | |
| Serial Bonds | - | 10,625,000 | - | 10,625,000 |
| Compensated Absences Payable | - | 322,119 | - | 322,119 |
| Other Post Employment Benefits | - | 18,938,460 | - | 18,938,460 |
| Net Pension Liability - Proportionment Share | - | 159,083 | - | 159,083 |
| Total Liabilities | \$ 2,163,125 | \$ 31,657,752 | \$ 1,620,995 | \$ 32,199,882 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pensions | \$ - | \$ 1,047,483 | \$ - | \$ 1,047,483 |
| FUND BALANCE/NET POSITION | | | | |
| Total Fund Balance/Net Position | 6,089,991 | 16,107,764 | - | 22,197,755 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position | \$ 8,253,116 | \$ 48,812,999 | \$ 1,620,995 | \$ 55,445,120 |

Reconciling items recorded in the Statement of Net Position but not recorded in the Governmental Funds include:

Capital Assets (Net), Serial Bonds Payable, Compensated Absences, Long-term portion of due to NYS TRS/ERS, OPEB, and related Deferred Inflows/Outflows of Resources, and Net Pension Asset/Liability and related Deferred Inflows/Outflows of Resources.

Reconciling items recorded in the Governmental Funds but not in the Statement of Net Position include:

Reclassifications eliminating Interfund Transactions.

See Notes to Financial Statements.

SCHEDULE 4

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

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

| | General | Special Aid | School Lunch | Capital Projects | Debt Service | Total Governmental Funds |
|--|---------------------|----------------|-----------------|---------------------|---------------------|--------------------------------|
| REVENUES | | | | | | |
| Real Property Taxes | \$ 1,947,761 | \$ - | \$ - | \$ - | \$ - | \$ 1,947,761 |
| Charges for Services | 265,004 | - | - | - | - | 265,004 |
| Use of Money and Property | 87,842 | - | 2 | - | 5,120 | 92,964 |
| Sale of Property | 752 | - | - | - | - | 752 |
| Miscellaneous | 158,400 | - | 76 | - | - | 158,476 |
| State Sources | 11,859,556 | 381,262 | 8,532 | - | - | 12,249,350 |
| Federal Sources | 1,174 | 381,992 | 337,549 | - | - | 720,715 |
| Sales - School Lunch | - | - | 16,355 | - | - | 16,355 |
| Total Revenues | <u>14,320,489</u> | <u>763,254</u> | <u>362,514</u> | <u>-</u> | <u>5,120</u> | <u>15,451,377</u> |
| EXPENDITURES | | | | | | |
| General Support | 1,618,828 | 91,073 | 107,637 | - | - | 1,817,538 |
| Instruction | 5,763,887 | 515,708 | - | - | - | 6,279,595 |
| Pupil Transportation | 835,944 | - | - | - | - | 835,944 |
| Community Services | - | - | - | - | - | - |
| Employee Benefits | 3,450,147 | 109,592 | 73,588 | - | - | 3,633,327 |
| Debt Service | | | | | | |
| Principal | 1,320,000 | - | - | - | - | 1,320,000 |
| Interest | 575,637 | - | - | - | - | 575,637 |
| Cost of Sales | - | - | 159,061 | - | - | 159,061 |
| Other Expenditures | - | 46,881 | 18,968 | - | - | 65,849 |
| Capital Outlay | - | - | - | 645,714 | - | 645,714 |
| Total Expenditures | <u>13,564,443</u> | <u>763,254</u> | <u>359,254</u> | <u>645,714</u> | <u>-</u> | <u>15,332,665</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>756,046</u> | <u>-</u> | <u>3,260</u> | <u>(645,714)</u> | <u>5,120</u> | <u>118,712</u> |
| OTHER FINANCING AND USES | | | | | | |
| Premium on Obligations | - | - | - | 295,152 | - | 295,152 |
| Operating Transfers (In) | - | - | - | 100,000 | - | 100,000 |
| Operating Transfers (Out) | (100,000) | - | - | - | - | (100,000) |
| Total Other Financing Sources and Uses | <u>(100,000)</u> | <u>-</u> | <u>-</u> | <u>395,152</u> | <u>-</u> | <u>295,152</u> |
| Net Change in Fund Balances | 656,046 | - | 3,260 | (250,562) | 5,120 | 413,864 |
| Fund Balances - Beginning of Year | 4,094,849 | - | 222 | (873,358) | 2,454,414 | 5,676,127 |
| Prior Period Adjustment | - | - | - | 985,000 | (985,000) | - |
| Fund Balances - End of Year | <u>\$ 4,750,895</u> | <u>\$ -</u> | <u>\$ 3,482</u> | <u>\$ (138,920)</u> | <u>\$ 1,474,534</u> | <u>\$ 6,089,991</u> |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF ACTIVITIES
JUNE 30, 2018

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

| | |
|--|------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 413,864 |
|--|------------|

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial, individual cost of more than \$ 5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, net of related losses on disposal of capital assets.

| | | |
|----------------------|------------------|----------|
| Capital Outlays | 645,714 | |
| Additions to Assets | 36,991 | |
| Depreciation Expense | <u>(742,463)</u> | (59,758) |

| | |
|--|-----------|
| Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period. | 1,320,000 |
|--|-----------|

| | |
|--|-----------|
| Proceeds of long-term debt is recorded as an other financing source for Governmental Funds but it is not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt received in the current period. | (295,152) |
|--|-----------|

| | |
|---|----------|
| (Increases) decreases in accrued compensated absences reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenue or expenditures in the Governmental Funds. | (44,557) |
|---|----------|

| | |
|---|------------|
| On the Statement of Activities, the actual and projected long term expenditures for post employment benefits are reported whereas on the Governmental Funds only the actual expenditures are recorded for post employment benefits. | 17,360,630 |
|---|------------|

(Increases) decreases in proportionate share of net pension assets/liabilities, prepaid pension expenditures, and deferred outflows/inflows of resources - pensions reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the Governmental Funds.

| | | |
|------------------------------|---------------|-----------------|
| Teachers' Retirement System | (140,089) | |
| Employees' Retirement System | <u>76,469</u> | |
| | | <u>(63,620)</u> |

| | |
|---|----------------------|
| Change in Net Position of Governmental Activities | <u>\$ 18,631,407</u> |
|---|----------------------|

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

| | Private Purpose Trusts | Agency |
|----------------------------------|------------------------------|-------------------|
| ASSETS | | |
| Cash | | |
| Unrestricted Cash | \$ - | \$ 174,631 |
| Restricted Cash | <u>226,816</u> | <u>40,259</u> |
| Total Assets | <u>\$ 226,816</u> | <u>\$ 214,890</u> |
| LIABILITIES | | |
| Due to Governmental Funds | \$ 3,679 | \$ 172,008 |
| Other Liabilities | - | 2,623 |
| Extraclassroom Activity Balances | <u>-</u> | <u>40,259</u> |
| Total Liabilities | <u>3,679</u> | <u>\$ 214,890</u> |
| NET POSITION | | |
| Restricted for Scholarships | <u>\$ 223,137</u> | |

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

| | Private Purpose Trusts |
|----------------------------------|---------------------------|
| ADDITIONS | |
| Gifts and Contributions | \$ 125 |
| Interest and Dividends | <u>2,579</u> |
| Total Additions | <u>2,704</u> |
| DEDUCTIONS | |
| Scholarships and Awards | <u>4,375</u> |
| Change in Net Position | (1,671) |
| Net Position - Beginning of Year | <u>224,808</u> |
| Net Position - End of Year | <u>\$ 223,137</u> |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Edwards-Knox Central School District have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies used by the District are described below.

A. REPORTING ENTITY

The Edwards-Knox Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 9 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. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

The Extraclassroom Activity Funds

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

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. JOINT VENTURE

The Edwards-Knox Central School District is a component unit in the St. Lawrence – Lewis 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.

BOCES Boards are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. The members of a BOCES Board are nominated and elected by their component member boards in accordance with provision of §1950. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §199-n(a) of the General Municipal Law.

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

During the year, the District was billed \$ 2,240,306 for BOCES administrative and program costs.

The District's share of current fiscal year BOCES aid amounted to \$ 1,193,549 and there was a refund of prior year expenses of \$ 92,786.

Financial statements for St. Lawrence-Lewis BOCES are available from the BOCES administrative office.

C. BASIS OF PRESENTATION

1. District-Wide Statements

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

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF PRESENTATION (Continued)

1. District-Wide Statements

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

2. Fund Statements

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

The District reports the following major governmental funds:

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

Special Revenue 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 child nutrition or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds or outside parties.

Capital Projects Fund – These funds account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF PRESENTATION (Continued)

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

The District reports the following fiduciary funds:

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

There are two classes of fiduciary funds:

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

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the 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.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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 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, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. PROPERTY TAXES

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on August 8. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the St. Lawrence County. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

F. RESTRICTED RESOURCES

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

G. INTERFUND TRANSACTIONS

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

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INTERFUND TRANSACTIONS (Continued)

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

H. ESTIMATES

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

I. CASH (AND CASH EQUIVALENTS)/INVESTMENTS

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value.

J. ACCOUNTS RECEIVABLE

Accounts receivable are shown gross. Uncollectible amounts are recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since management believes that such allowance would be immaterial.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. INVENTORIES AND PREPAID ITEMS

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

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

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

L. OTHER ASSETS and RESTRICTED ASSETS

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the District-wide financial statements and their use is limited by applicable bond covenants.

In the District-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

M. CAPITAL ASSETS

Capital assets are reported at actual cost or estimated historical cost if actual historical cost is not available. Donated assets are reported at estimated fair market value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings | \$ 5,000 | Straight-line | 40 - 50 Years |
| Building Improvements | \$ 2,000 | Straight-line | 40 - 50 Years |
| Site Improvements | \$ 2,000 | Straight-line | 20 Years |
| Furniture and Equipment | \$ 2,000 | Straight-line | 5 - 15 Years |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide Statement of Net Position.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

The third item is the District's contribution to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to OPEB reporting in the District-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

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

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. VESTED EMPLOYEE BENEFITS

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

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

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

Consistent with GASB Statement 16, Accounting for Compensated Absences, 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 pay rates in effect at year-end.

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

P. OTHER BENEFITS

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

In addition to providing pension benefits, the District provides post-retirement health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through the St. Lawrence-Lewis Counties Employees' Health Care Plan. The District pays 100% of the cost of post-retirement benefits for its retired employees. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums (for retirees and their dependents) as expenditures in the General Fund in the year paid.

Q. 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.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. SHORT TERM DEBT (Continued)

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.

R. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

S. 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.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. NET POSITION/FUND BALANCE (Continued)

Order of Use of Net Position

The District's policy is to apply expenditures against restricted net position first and then unrestricted net position at the end of the fiscal year.

Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of 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 Balance

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

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.

Restricted Net Position – Reports net position when constraints placed on the assets 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 Net Position – Reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. NET POSITION/FUND BALANCE (Continued)

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

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 balance includes the inventory recorded in the School Lunch Fund of \$ 13,949.

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

1. Reserve for Debt Service

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

2. Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, Reserve for Employee Benefit Accrued Liability, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service.

This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

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

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. EQUITY CLASSIFICATIONS (Continued)

3. Unemployment Insurance

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

4. Insurance Reserve

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

5. Reserve for Workers Compensation

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

6. Reserve for Retirement Contributions

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

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. EQUITY CLASSIFICATIONS (Continued)

Restricted Fund Balance includes the following:

| | |
|--------------------------|---------------------|
| General Fund | |
| Insurance Reserve | \$ 37,889 |
| Employee Benefit | 595,172 |
| Unemployment Insurance | 289,831 |
| Workers Compensation | 401,183 |
| Retirement Contributions | 1,194,362 |
| Debt Service Fund | <u>1,474,534</u> |
| Total Restricted Funds | <u>\$ 3,992,971</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 School District has no committed fund balances as of June 30, 2018.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. The District had assigned fund balance of \$ 831,000 in the General Fund for a total assigned fund balance of \$ 831,000 as of June 30, 2018.

Unassigned - Includes all other General Fund amounts that do not meet the definition of the above four classifications, are deemed to be available for general use by the District, and report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. The District had unassigned fund balance of \$ 1,401,458 in the General Fund, \$ (10,467) in the School Lunch Fund, and \$ (138,920) in the Capital Fund for a total unassigned fund balance of \$ (1,252,071) as of June 30, 2018.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's Budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances, and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. EQUITY CLASSIFICATIONS (Continued)

Order of Use of Fund Balance:

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

T. NEW ACCOUNTING STANDARDS

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

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Statement 81, *Split Interest Agreements*

GASB Statement 85, *Omnibus*

GASB Statement 86, *Certain Debt Extinguishment Issues*

U. FUTURE CHANGES IN ACCOUNTING STANDARDS

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

GASB Statement 84, *Fiduciary Activities*, effective for year ending June 30, 2019

GASB Statement 87, *Leases*, effective for year ending June 30, 2021

GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, effective for year ending June 30, 2019

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

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

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

Total fund balances 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.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

Long-Term Revenue and Expenses 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 Statement of Activities is reported on the accrual basis of accounting.

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

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

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

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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

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.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

The District implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of the statement requires Districts to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See Note 11 for the financial statement impact of the implementation of the statement.

NOTE 4 - STEWARDSHIP AND COMPLIANCE

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds (General) for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the General Fund. Appropriations are adopted at the program line item level.

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

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2018.

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.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - STEWARDSHIP AND COMPLIANCE (Continued)

Encumbrances

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

The Capital Projects had a deficit fund balance of \$ 138,920. This will be funded when the District obtains permanent financing for its current construction project.

**NOTE 5 - CASH (AND CASH EQUIVALENTS) - CUSTODIAL CREDIT,
CONCENTRATION OF CREDIT, INTEREST RATE,
FOREIGN CURRENCY RISKS AND INVESTMENT POOL**

Cash

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

| | |
|---|------------|
| (A) Uncollateralized | \$ - |
| (B) Collateralized with securities held by the pledging financial institution's Trust Department or agent, but not in the District's name | \$ 959,440 |

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash and investments as of year-end includes \$ 2,842,689 within the government funds and \$ 267,075 in the fiduciary funds.

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount 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 Manager of the District.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

**NOTE 5 - CASH (AND CASH EQUIVALENTS) - CUSTODIAL CREDIT,
CONCENTRATION OF CREDIT, INTEREST RATE,
FOREIGN CURRENCY RISKS AND INVESTMENT POOL (Continued)**

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.

Investment Pool

The District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2018, the District held \$ 4,932,523 in investments consisting of various investments in securities issued by the United States and its agencies.

Total investments of the cooperative as of year-end are \$ 2,207,928,540, which consisted of \$ 213,214,286 in repurchase agreements, \$ 775,228,258 in U. S. Treasury Securities, \$ 988,442,544 in U.S. Government Guaranteed Securities and \$ 231,043,452 in collateralized bank deposits, with various interest rate and due dates.

The following amounts are included as unrestricted and restricted cash:

| <u>Fund</u> | <u>Amount</u> |
|------------------------|---------------------|
| General | \$ 4,096,691 |
| Capital | 309,340 |
| Debt Service | 324,252 |
| Trust and Agency | <u>202,240</u> |
| | <u>\$ 4,932,523</u> |

The above amounts represent the cost of the investment pool shares and are considered an approximate market value.

The investment pool is categorically exempt from the New York State collateralization requirements.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 6 - RECEIVABLES

Receivables at year-end for individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

| Governmental Activities | | | | | |
|--------------------------------------|---------------------|-------------------|--------------|-------------|---------------------|
| Description | General | Special Aid | School Lunch | Capital | Total |
| Accounts Receivable | \$ 241,522 | \$ 26,018 | \$ - | \$ - | \$ 267,540 |
| State and Federal Aid | 838,496 | 97,360 | - | - | 935,856 |
| Allowance for Uncollectible Accounts | - | - | - | - | - |
| Total | <u>\$ 1,080,018</u> | <u>\$ 123,378</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,203,396</u> |

District management has deemed the amounts to be fully collectible.

NOTE 7 - CAPITAL ASSETS

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

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|----------------------|-------------------|-------------|----------------------|
| Capital Assets that are not Depreciated | | | | |
| Land | \$ 30,512 | \$ - | \$ - | \$ 30,512 |
| Construction in Progress | 8,946,558 | - | 8,946,558 | - |
| Total Non-Depreciable Historical Cost | 8,977,070 | - | 8,946,558 | 30,512 |
| Capital Assets that are Depreciated | | | | |
| Buildings | 24,432,226 | 9,297,119 | - | 33,729,345 |
| Furniture and Equipment | 1,850,584 | 15,206 | - | 1,865,790 |
| Vehicles | 1,732,270 | 364,241 | 197,437 | 1,899,074 |
| Total Depreciable Historical Cost | 28,015,080 | 9,676,566 | 197,437 | 37,494,209 |
| Less Accumulated Depreciation | | | | |
| Buildings | 9,753,847 | 488,978 | - | 10,242,825 |
| Furniture and Equipment | 1,710,775 | 44,520 | - | 1,755,295 |
| Vehicles | 903,684 | 208,965 | 150,134 | 962,515 |
| Total Accumulated Depreciation | 12,368,306 | \$ 742,463 | \$ 150,134 | 12,960,635 |
| Total Depreciable Historical Cost, Net | <u>\$ 15,646,774</u> | | | <u>\$ 24,533,574</u> |
| Depreciation Expense was Charged to Government Functions as follows | | | | |
| Pupil Transportation | | \$ 208,965 | | |
| Depreciation not Charged to a Specific Function | | 533,498 | | |
| | | <u>\$ 742,463</u> | | |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

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

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, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|----------------------------------|------------------------------|---------------|-----------------|---------------------------|--|
| Government Activities | | | | | |
| Bonds and Notes Payable | | | | | |
| General Obligation Debt | | | | | |
| Serial Bonds | \$ 13,175,000 | \$ 295,152 | \$ 1,320,000 | \$ 12,150,152 | \$ 1,525,152 |
| Total Bonds and Notes Payable | \$ 13,175,000 | \$ 295,152 | \$ 1,320,000 | \$ 12,150,152 | \$ 1,525,152 |
| Other Liabilities | | | | | |
| Net Pension Liability | | | | | |
| Proportionate Share | \$ 732,281 | \$ - | \$ 573,198 | \$ 159,083 | \$ - |
| Other Post Employment | | | | | |
| Benefits Obligation | 14,780,061 | 4,158,399 | - | 18,938,460 | - |
| Compensated Absences | 277,562 | 44,557 | - | 322,119 | - |
| Total Other Liabilities | 15,789,904 | 4,202,956 | 573,198 | 19,419,662 | - |
| Total Long-Term Liabilities | \$ 28,964,904 | \$ 4,498,108 | \$ 1,893,198 | \$ 31,569,814 | \$ 1,525,152 |

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences. Additions and deletions to compensated absences are shown net since it is impracticable to determine these amounts separately.

Serial bonds payable is comprised of the following:

| <u>Description of Issue</u> | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Current Interest Rate</u> | <u>Outstanding at 06/30/2018</u> |
|---------------------------------|-----------------------|---------------------------|--------------------------------------|--|
| Building Renovation | 2010 | 2024 | 2.500% | \$ 2,330,000 |
| Building Renovation | 2013 | 2022 | 2.500% | 2,470,000 |
| Bus Bonds | 2014 | 2018 | 1.900% | 60,000 |
| Bus Bonds | 2015 | 2019 | 2.000% | 100,000 |
| Bus Bonds | 2016 | 2020 | 1.000% | 115,000 |
| Building Renovation | 2017 | 2035 | 5.000% | 6,780,000 |
| Bus Bonds | 2018 | 2022 | 2.750% | 295,152 |
| | | | | <u>\$ 12,150,152</u> |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - LONG TERM DEBT OBLIGATIONS (Continued)

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

| <u>Year Ending June 30</u> | <u>Bonds</u> | <u>Notes</u> | <u>Total</u> | <u>Memorandum Interest</u> |
|--------------------------------|----------------------|--------------|----------------------|--------------------------------|
| 2018 | \$ 55,152 | \$ - | \$ 55,152 | \$ 2,706 |
| 2019 | 1,530,000 | - | 1,530,000 | 441,214 |
| 2020 | 1,505,000 | - | 1,505,000 | 403,335 |
| 2021 | 1,500,000 | - | 1,500,000 | 361,345 |
| 2022 | 1,495,000 | - | 1,495,000 | 318,825 |
| 2023-2027 | 3,735,000 | - | 3,735,000 | 1,030,758 |
| 2028-2032 | 2,170,000 | - | 2,170,000 | 274,656 |
| 2033-2035 | <u>160,000</u> | <u>-</u> | <u>160,000</u> | <u>10,957</u> |
| Total | <u>\$ 12,150,152</u> | <u>\$ -</u> | <u>\$ 12,150,152</u> | <u>\$ 2,843,796</u> |

NOTE 9 - INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

Interfund balances at June 30, 2018 are as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> | <u>Interfund Transfers Out</u> | <u>Interfund Transfers In</u> |
|------------------|---------------------------------|------------------------------|--|-----------------------------------|
| General Fund | \$ 641,964 | \$ 1,006,379 | \$ 100,000 | \$ - |
| Agency Funds | - | 175,687 | - | - |
| Special Aid Fund | - | 143,566 | - | - |
| School Lunch | - | 18,369 | - | - |
| Capital Project | - | 452,681 | - | 100,000 |
| Debt Service | <u>1,154,718</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,796,682</u> | <u>\$ 1,796,682</u> | <u>\$ 100,000</u> | <u>\$ 100,000</u> |

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

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

NOTE 10 - PENSION PLANS

General Information

The District participates in the New York State Teachers' Retirement System (TRS) and New York State and Local Employees' Retirement System (ERS). These Systems 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.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - PENSION PLANS (Continued)

Provisions and Administration

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

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

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

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - PENSION PLANS (Continued)

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

| <u>Contributions</u> | <u>TRS</u> | <u>ERS</u> |
|----------------------|------------|------------|
| 2018 | \$ 432,077 | \$ 196,398 |

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

Since 1989, the ERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

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

| | <u>ERS</u> | <u>TRS</u> |
|--|----------------|---------------|
| Measurement Date | March 31, 2018 | June 30, 2017 |
| District's Proportionate Share of the Net Pension Asset/(Liability) | \$ (159,083) | \$ 190,850 |
| District's Portion of the Plan's Total Net Pension Asset/(Liability) | (0.0049291%) | (0.025109%) |
| Change in Proportion Since the Prior Measurement Date | (0.0000014%) | 0.000007% |

For the year ended June 30, 2018, the District's recognized pension expense (income) of \$ 194,484 for ERS and \$ 482,177 for TRS.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - PENSION PLANS (Continued)

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

| | <u>Deferred Outflows</u> | | <u>Deferred Inflows</u> | |
|---|--------------------------|---------------------|-------------------------|-------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> |
| Difference Between Expected and Actual Experience | \$ 56,740 | \$ 157,023 | \$ 46,888 | \$ 74,410 |
| Changes of Assumptions | 105,485 | 1,941,939 | - | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 231,055 | - | 456,080 | 449,508 |
| Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions | 9,138 | 31,237 | 1,755 | 18,842 |
| District's Contributions Subsequent to the Measurement Date | - | - | - | - |
| Total | <u>\$ 402,418</u> | <u>\$ 2,130,199</u> | <u>\$ 504,723</u> | <u>\$ 542,760</u> |

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

| | <u>ERS</u> | <u>TRS</u> |
|------------|---------------------|---------------------|
| Year ended | | |
| 2018 | \$ - | \$ 46,251 |
| 2019 | 36,216 | 516,134 |
| 2020 | 29,293 | 370,024 |
| 2021 | (114,611) | 93,630 |
| 2022 | (53,203) | 368,954 |
| Thereafter | - | 192,176 |
| | <u>\$ (102,305)</u> | <u>\$ 1,587,439</u> |

ACTUARIAL ASSUMPTIONS

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

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - PENSION PLANS (Continued)

The actuarial valuations used the following actuarial assumptions:

| | ERS | TRS |
|--------------------------|---------------------|---------------------|
| Measurement Date | 3/31/2018 | 6/30/2017 |
| Actuarial Valuation Date | 4/01/2017 | 6/30/2016 |
| Interest Rate | 7.0% | 7.25% |
| Salary Scale | 3.8% | 1.90% - 4.72% |
| Decrement Tables | 4/01/2010-3/31/2015 | 7/01/2009-6/30/2014 |
| | Systems Experience | Systems Experience |
| Inflation Rate | 2.5% | 2.5% |

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 AA.

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

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

| | ERS | TRS |
|------------------------------------|-----------|-----------|
| Measurement Date | 3/31/2018 | 6/30/2017 |
| <u>Asset Class</u> | | |
| Domestic Equity | 4.55% | 5.9% |
| International Equity | 6.35% | 7.4% |
| Private Equity | 7.50% | 9.0% |
| Real Estate | 5.55% | 4.3% |
| Absolute Return Strategies | 3.75% | - |
| Opportunistic Strategies | 5.68% | - |
| Real Assets | 5.29% | - |
| Bonds and Mortgages | 1.31% | 2.8% |
| Cash | (0.25%) | - |
| Inflation-Indexed Bonds | 1.25% | - |
| Domestic Fixed Income Securities | - | 1.6% |
| Global Fixed Income Securities | - | 1.3% |
| High-yield Fixed Income Securities | - | 3.9% |
| Short-Term | - | 0.6% |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - PENSION PLANS (Continued)

DISCOUNT RATE

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

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION

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

| | 1% Decrease (6.0)% | Current Assumption (7.0)% | 1% Increase (8.0)% |
|--|---------------------------|----------------------------------|---------------------------|
| <u>ERS</u> | | | |
| Employer's Proportionate Share of the Net Pension Asset (Liability) | \$ (1,203,663) | \$ (159,083) | \$ 724,590 |
| <u>TRS</u> | 1% Decrease (6.25)% | Current Assumption (7.25)% | 1% Increase (8.25)% |
| Employers Proportionate Share of the Net Pension Asset (Liability) | \$ (3,287,785) | \$ 190,850 | \$ 3,104,035 |

PENSION PLAN FIDUCIARY NET POSITION

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

| | <u>ERS</u> 4/1/2017 | <u>TRS</u> 6/30/2017 | <u>TOTAL</u> |
|---------------------|---------------------------|-------------------------|----------------------------|
| Valuation Date | | | |
| Employer's Total | | | |
| Pension (Liability) | \$ (183,400,590,000) | \$ (114,708,261,032) | \$ (285,977,770,039) |
| Plan Net Position | <u>180,173,145,000</u> | <u>115,468,360,316</u> | <u>275,510,505,099</u> |
| Employer's Net | | | |
| Pension Asset | | | |
| (Liability) | <u>\$ (3,227,445,000)</u> | <u>\$ 760,099,284</u> | <u>\$ (10,467,264,940)</u> |
| Ratio of Plan Net | | | |
| Position to the | | | |
| Employer's Total | | | |
| Pension Asset | | | |
| (Liability) | 98.24% | 100.66% | 96.34% |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - PENSION PLANS (Continued)

PAYABLES TO THE PENSION PLAN

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$ 60,799.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October, and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$ 444,333.

NOTE 11 - POST EMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information about the OPEB Plan

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

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

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

| | |
|---|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 92 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>100</u> |
| Total | <u>192</u> |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - POST EMPLOYMENT (HEALTH INSURANCE) BENEFITS (Continued)

Total OPEB Liability

The District's total OPEB liability of \$ 18,938,460 was measured as of July 1, 2017, and was determined by an actuarial valuation as of June 30, 2018.

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

| | |
|------------------|--|
| Inflation | 2.20% |
| Salary Increases | 3.00% average, including inflation |
| Discount Rate | 3.60% |
| Healthcare Cost | |
| Trend Rates | 6.92% for 2018, decreasing 6.5% per year to an ultimate rate of 3.84% for 2088 and later years |

Retirees' Share of Benefit-Related Costs were 48% of projected health insurance premiums for retirees.

The discount rate was based on the Bond Buyer Weekly 20-Bond GO Index.

Mortality rates were based on the RPH-2014 Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience as of July 1, 2017.

Changes in the Total OPEB Liability

| | |
|---|----------------------|
| Balance at June 30, 2017 | <u>\$ 40,596,463</u> |
| Changes for the Year: | |
| Service cost | 1,553,777 |
| Interest | 1,191,155 |
| Changes of benefit terms | (9,724,471) |
| Differences between expected and actual experience | (5,283,390) |
| Changes in assumptions or other inputs | (8,684,398) |
| Benefit payments | <u>(710,676)</u> |
| Net Changes | <u>(21,658,003)</u> |
| Balance at June 30, 2018 | <u>\$ 18,938,460</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% on July 1, 2016 to 3.6% on July 1, 2017.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 - POST EMPLOYMENT (HEALTH INSURANCE) BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower 2.6% or 1 percentage point higher 4.6% than the current discount rate:

| | 1% Decrease (2.6)% | Current Assumption (3.6%) | 1% Increase (4.6%) |
|----------------------|--------------------------|---------------------------------|--------------------------|
| Total OPEB Liability | \$ 22,470,792 | \$ 18,938,460 | \$ 16,149,306 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower 5.85% or 1 percentage point higher 7.85% than the current healthcare cost trend rate:

| | 1% Decrease (5.92)% | Current Assumption (6.92%) | 1% Increase (7.92%) |
|----------------------|---------------------------|----------------------------------|---------------------------|
| Total OPEB Liability | \$ 15,843,929 | \$ 18,938,460 | \$ 22,997,972 |

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

As a result of the conversion from GASB #45 to GASB #75 reporting for the OPEB liability, the District recognized OPEB expense of \$ (17,360,630) as of June 30, 2018.

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

| | Deferred Outflows | Inflows |
|---|----------------------|-----------------|
| Difference Between Experienced and Actual Experience | \$ - | \$ (4,384,854) |
| Changes in Assumptions and Other Inputs | - | (7,207,460) |
| District's Contributions Subsequent to the Measurement Date | 571,702 | - |
| Total | \$ 571,702 | \$ (11,592,314) |

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - POST EMPLOYMENT (HEALTH INSURANCE) BENEFITS (Continued)

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

| Fiscal Year Ending June 30, | Amount |
|-----------------------------|------------------------|
| 2019 | \$ (2,375,474) |
| 2020 | (2,375,474) |
| 2021 | (2,375,474) |
| 2022 | (2,375,474) |
| 2023 | (2,090,418) |
| Thereafter | - |
| | <u>\$ (11,592,314)</u> |

NOTE 12 - RISK MANAGEMENT

General

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

The District participates in an employee health insurance plan (Plan) sponsored by the St. Lawrence-Lewis County BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Plan members include eighteen districts with the Edwards-Knox Central School District bearing a 3.56% share of the Plan's assets and claims liabilities.

Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 - RISK MANAGEMENT (Continued)

Routine adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. During the year ended June 30, 2018, the Edwards-Knox Central School District incurred premiums or expenditures totaling \$ 2,657,641. Payments of claims and claim adjustment expenses attributable to insured events of the current fiscal year totaled \$ 1,735,546.

A similar arrangement exists with the St. Lawrence-Lewis County BOCES for workers compensation. The District's share of the Plan's assets and claims liabilities was 1.21% for the year ended June 30, 2018, while premiums totaled \$ 57,878 and payments of claims amounted to \$ 10,719.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

CONTINGENCIES RELATED TO GRANTS RECEIVED

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

JUDGEMENTS

There were no judgments or notable claims against Edwards-Knox Central School District at June 30, 2018.

NOTE 14 - DONOR-RESTRICTED ENDOWMENTS

The District administers endowment funds which are restricted by the donor for the purpose of providing scholarships.

Donor-restricted endowments are reported at fair value. The funds are invested in savings accounts or investment pool funds.

The District authorizes expenditures from the endowments in compliance with the wishes expressed by the donor or trustee.

NOTE 15 - SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions from July 1, 2018 through October 9, 2018, the date the financial statements are available to be issued. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date required to be recognized in the accompanying financial statements.

NOTE 16 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded in the Capital Projects and Debt Service Funds to re-classify the accounting treatment of the NY State Dormitory Association financing of a capital project.

SUPPLEMENTAL SCHEDULES

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>6/30/2018</u> |
|---|----------------------|
| Measurement Date | July 1, 2017 |
| Total OPEB Liability | \$ 18,938,460 |
| Service Cost | 1,553,777 |
| Interest | 1,191,155 |
| Changes in benefit terms | (9,724,471) |
| Differences between expected and actual experience in the measurement of the total OPEB liability | (5,283,390) |
| Changes of assumptions or other inputs | (8,684,398) |
| Benefit Payments | <u>(710,676)</u> |
| Net change in total OPEB liability | (21,658,003) |
| Total OPEB liability - beginning | <u>40,596,463</u> |
| Total OPEB liability - ending | <u>\$ 18,938,460</u> |
| Covered payroll | <u>\$ 5,449,832</u> |
| Total OPEB liability as a percentage of covered payroll | <u>348%</u> |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL (BUDGETARY BASIS) | FINAL BUDGET VARIANCE WITH BUDGETARY ACTUAL |
|----------------------------------|--------------------|-----------------|--------------------------------|--|
| REVENUES | | | | |
| LOCAL SOURCES | | | | |
| Real Property Taxes | \$ 1,941,606 | \$ 1,941,606 | \$ 1,947,761 | \$ 6,155 |
| Charges for Services | 7,426 | 7,426 | 265,004 | 257,578 |
| Use of Money and Property | 10,000 | 10,000 | 87,842 | 77,842 |
| Sale of Property and | | | | |
| Compensation of Loss | 2,000 | 2,000 | 752 | (1,248) |
| Miscellaneous | 35,000 | 35,000 | 158,400 | 123,400 |
| STATE SOURCES | | | | |
| Basic Formula | 10,776,072 | 10,776,072 | 10,589,346 | (186,726) |
| BOCES | 1,111,826 | 1,111,826 | 1,193,549 | 81,723 |
| Textbooks | 43,926 | 43,926 | 30,989 | (12,937) |
| Other State Aid | 10,469 | 10,469 | 45,672 | 35,203 |
| Federal Sources | - | - | 1,174 | 1,174 |
| Total Revenues | 13,938,325 | 13,938,325 | 14,320,489 | \$ 382,164 |
| APPROPRIATED FUND BALANCE | | | | |
| APPROPRIATED RESERVES | | | | |
| | 869,064 | 870,264 | - | |
| | 404,672 | 404,672 | - | |
| TOTAL REVENUES AND | | | | |
| APPROPRIATED FUND BALANCE | \$ 15,212,061 | \$ 15,213,261 | \$ 14,320,489 | |

See Paragraph on Supplemental Schedules Included in Auditor's Report.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL (BUDGETARY BASIS) | YEAR-END ENCUMBRANCES | FINAL BUDGET VARIANCE WITH BUDGETARY ACTUAL AND ENCUMBRANCES |
|--|--------------------|-----------------|--------------------------------|--------------------------|---|
| EXPENDITURES | | | | | |
| Board of Education | \$ 12,737 | \$ 12,737 | \$ 13,539 | \$ - | \$ (802) |
| Central Administration | 155,942 | 155,946 | 155,632 | - | 314 |
| Finance | 173,276 | 173,276 | 171,015 | - | 2,261 |
| Staff | 21,109 | 43,236 | 43,507 | - | (271) |
| Central Services | 981,720 | 976,019 | 822,656 | - | 153,363 |
| Special Items | 419,491 | 420,551 | 412,479 | - | 8,072 |
| Instruction, Administration, and Improvement | 278,876 | 278,876 | 260,674 | - | 18,202 |
| Teaching - Regular School | 2,641,485 | 2,569,278 | 2,419,479 | - | 149,799 |
| Special Apportionment Program | 2,185,572 | 2,256,572 | 2,073,123 | - | 183,449 |
| Teaching - Special School | 50,700 | 48,622 | 21,446 | - | 27,176 |
| Instructional Media | 470,526 | 472,604 | 441,043 | - | 31,561 |
| Pupil Services | 581,747 | 592,279 | 548,122 | - | 44,157 |
| Pupil Transportation | 912,008 | 938,816 | 835,944 | - | 102,872 |
| Community Services | 4,000 | 4,000 | - | - | 4,000 |
| Employee Benefits | 4,124,784 | 4,094,361 | 3,450,147 | - | 644,214 |
| Debt Service | 1,992,088 | 1,970,088 | 1,895,637 | - | 74,451 |
| Total Expenditures | 15,006,061 | 15,007,261 | 13,564,443 | - | 1,442,818 |
| OTHER FINANCING USES | | | | | |
| Transfers to Other Funds | 206,000 | 206,000 | 100,000 | - | 106,000 |
| Total Expenditures and Other Uses | 15,212,061 | 15,213,261 | 13,664,443 | \$ - | \$ 1,548,818 |
| Net Change in Fund Balances | \$ - | \$ - | \$ 656,046 | | |
| Fund Balance - Beginning of Year | | | \$ 4,094,849 | | |
| Fund Balance - End of Year | | | \$ 4,750,895 | | |

See Paragraph on Supplemental Schedules Included in Auditor's Report.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|------------------|------------------|------------------|
| NYSTRS PENSION PLAN | | | |
| Contractually Required Contribution | \$ 513,901 | \$ 481,581 | \$ 432,077 |
| Contributions in Relation to the Contractually Required Contribution | <u>513,901</u> | <u>481,581</u> | <u>432,077</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered-Employee Payroll | \$ 3,875,573 | \$ 4,109,052 | \$ 4,408,949 |
| Contribution as a Percentage of Covered- Employee Payroll | 13.26% | 11.72% | 9.80% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|------------------|------------------|------------------|
| NYSERS PENSION PLAN | | | |
| Contractually Required Contribution | \$ 199,784 | \$ 198,584 | \$ 196,398 |
| Contributions in Relation to the Contractually Required Contribution | <u>199,784</u> | <u>198,584</u> | <u>196,398</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered-Employee Payroll | \$ 1,369,537 | \$ 1,362,829 | \$ 1,403,553 |
| Contribution as a Percentage of Covered- Employee Payroll | 14.59% | 14.57% | 13.99% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|----------------|--------------|--------------|
| NYSTRS PENSION PLAN | | | |
| District's Proportion of the Net Pension Liability (Asset) | 0.024733% | 0.025116% | 0.025109% |
| District's Proportionate Share of the Net Pension Liability (Asset) | \$ (2,568,941) | \$ 268,998 | \$ (190,850) |
| District's Covered-Employee Payroll | \$ 3,875,573 | \$ 4,109,052 | \$ 4,408,949 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | (66.29%) | 6.55% | -4.33% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 110.46% | 99.01% | 100.66% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|--------------|--------------|--------------|
| NYSERS PENSION PLAN | | | |
| District's Proportion of the Net Pension Liability (Asset) | 0.0049292% | 0.0049305% | 0.0049291% |
| District's Proportionate Share of the Net Pension Liability (Asset) | \$ 791,155 | \$ 463,283 | \$ 159,083 |
| District's Covered-Employee Payroll | \$ 1,369,537 | \$ 1,362,829 | \$ 1,403,553 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 57.77% | 33.99% | 11.33% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 90.70% | 94.70% | 98.24% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

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

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

| | |
|--------------------------------|-------------------|
| Adopted Budget | \$ 15,212,061 |
| Add: Prior Year's Encumbrances | - |
| Original Budget | 15,212,061 |
| Add: Budget Revisions | 1,200 |
| REVISED BUDGET | <u>15,213,261</u> |

Section 1318 of Real Property Tax Law Limit Calculation

| | |
|---|-------------------|
| 2018-19 Voter Approved Expenditure Budget | 15,661,402 |
| | x .04 |
| Maximum Allowed (4% of 2018-19 Budget) | <u>\$ 626,456</u> |

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

| | |
|---------------------------------|------------------|
| Unrestricted Fund Balance | |
| Committed Fund Balance | \$ - |
| Assigned Fund Balance | 831,000 |
| Unassigned Fund Balance | <u>1,401,458</u> |
| Total Unrestricted Fund Balance | <u>2,232,458</u> |

Less

| | |
|---|----------------|
| Appropriated Fund Balance | 831,000 |
| Encumbrances Included in Committed and Assigned Fund Balances | - |
| Total Adjustments | <u>831,000</u> |

| | |
|---|---------------------|
| General Fund Balance Subject to Section 1318 of Real Property Tax Law | <u>\$ 1,401,458</u> |
|---|---------------------|

| | |
|-------------------|-------|
| Actual Percentage | 8.95% |
|-------------------|-------|

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT

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

| PROJECT TITLE | EXPENDITURES | | | | | METHODS OF FINANCING | | | | |
|--|-----------------|----------------|--------------|--------------|--------------|----------------------|-------------------------|------------|---------------|--------------|
| | ORIGINAL BUDGET | REVISED BUDGET | PRIOR YEARS | CURRENT YEAR | TOTAL | UNEXPENDED BALANCE | PROCEEDS OF OBLIGATIONS | STATE AID | LOCAL SOURCES | TOTAL |
| Major Projects | | | | | | | | | | |
| Central Building | \$ 8,000,000 | \$ 8,000,000 | \$ 7,763,898 | \$ 250,562 | \$ 8,014,460 | \$ (14,460) | \$ 7,472,124 | \$ 402,613 | \$ 587 | \$ 7,875,324 |
| Bus Garage | 1,100,000 | 1,100,000 | 1,082,876 | - | 1,082,876 | 17,124 | 1,082,876 | - | - | 1,082,876 |
| Subtotals | 9,100,000 | 9,100,000 | 8,846,774 | 250,562 | 9,097,336 | 2,664 | 8,555,000 | 402,613 | 587 | 8,958,200 |
| Bldg Improv - Specialties | 100,000 | 100,000 | 99,784 | - | 99,784 | 216 | - | - | 100,000 | 100,000 |
| Bldg Improv - Doors, Windows, & Plumbing | 100,000 | 100,000 | - | 100,000 | 100,000 | - | - | - | 100,000 | 100,000 |
| School Buses (3) | 343,000 | 343,000 | - | 295,152 | 295,152 | 47,848 | 295,152 | - | - | 295,152 |
| Totals | \$ 9,643,000 | \$ 9,643,000 | \$ 8,946,558 | \$ 645,714 | \$ 9,592,272 | \$ 50,728 | \$ 8,850,152 | \$ 402,613 | \$ 200,587 | \$ 9,453,352 |

See Paragraph on Supplemental Schedules Included in Auditor's Report.

EDWARDS-KNOX CENTRAL SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS,
NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|---|----------------------|
| Capital Assets, Net | \$ 24,564,086 |
| Deduct | |
| Bond Anticipation Notes Payable | - |
| Short-Term Portion of Bonds Payable | 1,525,152 |
| Long-Term Portion of Bonds Payable | <u>10,625,000</u> |
| Investment in Capital Assets, Net of Related Debt | <u>\$ 12,413,934</u> |