

WINDHAM-ASHLAND-JEWETT CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Windham-Ashland-Jewett Central School District
Windham, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Windham-Ashland-Jewett Central School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 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 that 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 Windham-Ashland-Jewett Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 13B to the financial statements, during the year ended June 30, 2018 the District adopted new accounting guidance, implementing Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 to 20, and the schedule of funding progress - other post employment benefits plans, budgetary comparison information, schedules of proportionate share of net pension asset or liability, and schedules of district pension contributions and on pages 57 to 61 be presented to supplement the 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 the financial reporting for placing the basic financial statements in the 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 consist of inquiries of management about the methods of preparing the information and comparing the information with 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Windham-Ashland-Jewett Central School District's basic financial statements. The schedules of change from adopted budget to final budget and real property tax limit, schedule of capital fund project expenditures, and schedule of capital assets, net of related debt (pages 62 to 65) are presented for purposes of additional analysis and is not a required part of the basic financial statements, but is required by the New York State Education Department. These schedules 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 Other Supplementary Information is fairly presented in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018, on our consideration of the Windham-Ashland-Jewett Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 Windham-Ashland-Jewett Central School District's internal control over financial reporting and compliance.

Alexander Varga & Co.

October 9, 2018



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

The Windham-Ashland-Jewett CSD Management Discussion and Analysis section of the annual independent audit provides an opportunity for the District to comment on significant financial issues that have and may impact the financial stability of the District. This commentary offers readers of the District's financial statements a narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018 and encourages readers to consider the information presented here in conjunction with the information found within the financial statements.

The overall 2017-2018 budget was \$11,957,611, representing a \$226,183, or 1.93% percent spending increase from the previous year. The tax levy impact of the 2017-2018 increase was 2.20%, which was below the state tax cap (which was set at 3.97%) and conformed with the state tax freeze legislation requirements as well.

The District applied \$250,000 of unexpended funds from the budget towards the local share of the tax levy, as previously done for the past several years. The District maintains an unappropriated fund balance of under 4%, which may be used for unexpected expenditures.

The District's fiscal condition remains stable and strong, despite the district's hampered ability to raise revenue by the tax cap regulation. With future state aid projections showing a potential decrease on the horizon due largely to changes in the state aid formula, increases to our district's wealth ratio and a lower school census, WAJ continues to deploy several strategies to deal with rising costs and lower revenue, such as negotiating changes in contracts, sharing services with partners, better utilizing instructional technology, and reducing staffing positions and purchasing when possible.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District’s operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the School District’s most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

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

Figure A-1 summarizes the major features of the School District’s financial statements, including the portion of the School District’s activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

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

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	•Statement of net assets •Statement of activities	•Balance sheet •Statement of revenues, expenditures, and changes in fund balances	•Statement of fiduciary net assets •Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

		capital assets or long-term liabilities included	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

FIGURE A - 2

Condensed Statement of Net Position (in thousands of dollars)

	Governmental Activities and Total School District		\$ Change	% Change
	June 30, 2017	June 30, 2018		
Current and Other Assets	\$ 3,346	\$ 3,497	\$ 151	4.51%
Capital Assets	18,856	18,316	(540)	-2.86%
Net Pension Asset	-	181	181	
Total Assets	\$ 22,202	\$ 21,994	\$ (208)	-0.94%
Deferred Outflow of Resources				
Pensions	\$ 2,907	\$ 2,926	\$ 19	0.65%
Defeasance Loss	678	642	(36)	-5.31%
Total Deferred Outflows	\$ 3,585	\$ 3,568	\$ (17)	-0.47%
Current and Other Liabilities	\$ 628	\$ 611	\$ (17)	-2.71%
Bonds Payable	14,545	13,925	(620)	-4.26%
OPEB Liability - Health Benefits	9,197	26,256	17,059	185.48%
Compensated Absences	149	144	(5)	-3.36%
Net Pension Liability	608	122	(486)	-79.93%
Total Liabilities	\$ 25,127	\$ 41,058	\$ 15,931	63.40%
Deferred Inflow of Resources				
OPEB Liability - Health Benefits	\$ -	\$ 1,153	\$ 1,153	
Pensions	155	901	746	481.29%
Total Deferred Inflows	\$ 155	\$ 2,054	\$ 1,899	1225.16%
Net Position				
Invested in Capital Assets, Net of Related Debt	\$ 4,311	\$ 4,391	\$ 80	1.86%
Restricted	1,931	2,150	219	11.34%
Unrestricted	(5,736)	(24,090)	(18,354)	319.98%
Total Net Position	\$ 506	\$ (17,549)	\$ (18,055)	

Discussion:

Figure A-2 presents the District's Statement of Net Position in a summarized format. The complete statement appears on page 1 of the basic financial statements. The statement above compares the District's financial condition as of the last day of its fiscal year, June 30, 2018, with that of the last day of the previous year, June 30, 2017.

This presentation is often described as a "snapshot" view of the District's finances. It compares the Assets held by the District (e.g. Cash, Accounts Receivable, Buildings, Equipment, etc.), and Deferred

Outflows of Resources, with Liabilities owed by the District (e.g. Accounts Payable, Pension and Employee Sick Time Obligations, etc.) and Deferred Inflows of Resources as of June 30 and reports the difference as Net Position. This Net Position amount is separated into three components: 1) the amount attributable to the District's Capital Assets (Buildings and Equipment, reported at historical cost, then reduced by accumulated depreciation and related debt, if any), 2) amounts restricted either by law or by the Board of Education for future expenditure, and 3) unrestricted funds available to finance District operations.

Figure A-2 reports that the District's Total Net Position decreased by \$18.055 million from June 30, 2017 to June 30, 2018. The largest component of this decrease is a onetime "prior period adjustment" arising from a change in accounting standards. As further explained in Note 13B to the Financial Statements, the District adopted a new method for reporting its liability for future retiree health care benefits, referred to as Other Post Employment Benefits, or OPEB. As a result of this change, the District had to restate the prior year OPEB liability to retroactively conform to the new method of reporting, increasing the June 30, 2017 OPEB liability by \$17.674 million dollars. During the year ended June 30, 2018, this liability subsequently decreased by \$615 thousand, but a new Deferred Inflow of Resources related to OPEB increased by \$1.153 million.

Net Position Invested in Capital Assets Net of Related Debt increased by \$80 thousand, Restricted Net Position increased by \$219 thousand, and Unrestricted Net Position decreased by \$18.354 million. The change in Restricted Net Position will be discussed in the sections of this document following Figure A-3. A discussion of the District's Investment in Capital Assets, Net of Related Debt follows Figure A-6, and a reconciliation of Changes in Unrestricted Net Position is presented in Figure A-7.

Current and Other Assets increased by \$151 thousand. Included in this increase is a \$157 thousand increase in Cash, primarily in the General Fund, a \$4 thousand decrease in the amount of aid receivable from the State of New York, and a \$2 thousand decrease in the amount of aid receivable from BOCES.

Capital Assets decreased by \$540 thousand. The District acquired \$259 thousand of capital assets during the year, and recorded depreciation expense of \$799 thousand. Changes in Capital Assets is further illustrated and discussed in Figure A-6 to follow.

The District records as an asset or liability its proportional share of the Net Pension Asset or Liability, as reported by both the New York State Teachers' Retirement System and New York State Employees' Retirement System.

As of June 30, 2018 the District's share of the New York State Teachers' Retirement System's Net Pension Asset was \$181 thousand. Last year, the New York State Teachers' Retirement System reported a Net Pension Liability, and the District's share was \$255 thousand.

As of June 30, 2018 the District's share of the New York State Employees' Retirement System's Net Liability was \$122 thousand. Last year, the New York State Employees' Retirement System also reported a Net Pension Liability, and the District's share was \$353 thousand.

The District records Deferred Outflows of Resources related to its pension obligations due to a number of factors, including changes in economic and demographic assumptions and estimates, as well the fact that the pension systems use measurement dates that are different from the District's fiscal year end. As of June 30, 2018, the amount reported as Deferred Outflows of Resources related to its pension liabilities of \$2.926 million, an increase of \$19 thousand from the previous year.

The District also records as Deferred Outflows an amount related to a previous bond refunding, also referred to as bond defeasance. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The district recorded a \$37 thousand expense as the current year's share of this deferred charge. The Deferred Outflow from Bond Defeasance Deferred Charge, therefore, decreased by \$37 thousand.

Current and Other Liabilities decreased by \$17 thousand. Included in this decrease was a \$94 thousand decrease in the amounts due to teachers' and employees' retirement systems for current year obligations, and a \$77 thousand increase in Accounts Payable and Accrued Expenses, largely the result of retirement incentives accrued at year end.

The long-term liability for Bonds Payable decreased by \$620 thousand, the amount of principal paid during the year. The liability for Compensated Absences (accrued vested sick time payable upon retirement) decreased by \$5 thousand. The OPEB liability, discussed above, increased by \$17.059 million, and the Net Pension Liability, also discussed earlier, decreased by \$486 thousand.

The District records Deferred Inflows of Resources related to its pension obligations due to a number of factors, including changes in economic and demographic assumptions and estimates. As of June 30, 2018, the amount reported as Deferred Inflows of Resources related to its pension liability of \$901 thousand, an increase of \$746 thousand from the previous year.

The District records Deferred Inflows of Resources related to its OPEB liability due to a number of factors, including changes in economic and demographic assumptions and estimates. As of June 30, 2018, the amount reported as Deferred Inflows of Resources related to its OPEB liability of \$1.153 million. There was no corresponding liability as of June 30, 2017, due to a change in accounting standards.

As previously noted, a discussion of the changes in Restricted Net Position follows Figure A-3, and changes in Investment in Capital Assets, Net of Related Debt, are discussed following Figure A-6. An additional analysis of the change in Unrestricted Net Position appears in Figure A-7.

FIGURE A –3**Statement of Changes in Restricted Net Position (in whole dollars)**

	Reserve Balances as of:		\$ Change
	<u>June 30, 2017</u>	<u>June 30, 2018</u>	
Net Position Restricted for:			
Reserve for Debt Service	\$ 830,202	\$ 831,914	1,712
Capital Reserves	\$ 153,692	\$ 154,009	317
Other Restricted Net Position			
Repair Reserve	\$ 126,387	\$ 126,647	260
Unemployment Insurance Reserve	182,661	183,038	377
Liability Insurance Reserve	251,967	252,487	520
Retirement Contributions	-	225,006	225,006
Employee Benefit Accrued Liability Reserve	<u>386,167</u>	<u>376,964</u>	<u>(9,203)</u>
Total Other Reserves	<u>\$ 947,182</u>	<u>\$ 1,164,142</u>	<u>\$ 216,960</u>
Total Restricted Net Position	<u>\$ 1,931,076</u>	<u>\$ 2,150,065</u>	<u>\$ 218,989</u>

Discussion:

Figure A-3 compares the year-end balances of the District's various reserves. In the Statement of Net Position, these reserves are characterized as Restricted Net Position.

Generally speaking, Reserves are funds set aside for future expenditure by statute, voter proposition, or Board approval. Each Reserve has its own legal basis determining how it may be established, funded, and expended. For a discussion of the nature and restrictions of the reserves used by the District, please refer to the Notes to Financial Statements.

Figure A-3 shows the changes in the Restricted Net Position from June 30, 2017 to June 30, 2018. During the year the District created and funded a new reserve, the Retirement Contributions Reserve, in order to partially fund future retirement contributions. The District funded this reserve with unexpended funds at year end totaling \$225,000. The District also appropriated \$10 thousand from the Employee Benefit Accrued Liability Reserve to help pay for the retirement incentives incurred during the year.

The other changes were the result of interest earned on reserve account balances during the year.

Figure A-4**Summary of Statement of Activities (In Thousands of Dollars)**

	Governmental Activities and Total School District		\$ Change	% Change
	Year Ended June 30			
	2017	2018		
Revenues				
Property Taxes	9,681	9,887	206	2.13%
State Aid, not restricted	1,486	1,559	73	4.91%
Federal Aid, not restricted	-	-	-	
Interest Earnings	9	10	1	11.11%
Medicaid Reimbursement	4	3	(1)	-25.00%
Sale of Property, Compensation for Loss	11	-	(11)	100.00%
Miscellaneous	205	192	(13)	-6.34%
Total Revenues	\$ 11,396	\$ 11,651	\$ 255	2.24%
Expenses				
Instruction	\$ 6,192	\$ 6,324	\$ 132	2.13%
General Support	3,660	3,538	(122)	-3.33%
Transportation	787	801	14	1.78%
Debt Service - Interest	553	529	(24)	-4.34%
Depreciation	818	799	(19)	-2.32%
Amortization Defeasance Loss	37	37	-	0.00%
Cost of Sales - Food	3	4	1	33.33%
Total Expenses	\$ 12,050	\$ 12,032	\$ (18)	-0.15%
Net Change	\$ (654)	\$ (381)	273	-41.74%
Prior - Period Adjustment	\$ -	\$ (17,674)	\$ (17,674)	
Increase (Decrease) in Net Position	\$ (654)	\$ (18,055)	\$ (17,401)	

Discussion:

Figure A-4 presents information from the Statement on Activities (page 2 of the financial statements) in a format that facilitates a comparison between the current and prior year. For the fiscal year ended June 30, 2018, Total Revenues of \$11.651 million were exceeded by Total Expenses of \$12.032 million, resulting in a decrease in Net Position of \$381 thousand. Total Revenues increased by \$255 thousand from fiscal year-ended June 30, 2017 to 2018. Total Expenditures decreased by \$18 thousand.

Among revenue items, the largest changes were to Property Taxes, which increased by \$206 thousand, and Federal and State Aid, which increased by \$3 thousand. Miscellaneous Revenues increased by \$13 thousand.

Total Expenses from governmental activities was \$12.032 million for the year. District payroll for the year was \$4.914 million, and employee benefits were \$3.604 million. District payroll and employee benefits comprised 70.79% of total government expenses. From year to year, District payroll increased by \$23 thousand dollars, and employee benefits decreased by \$107 thousand.

Figure A-5

Analysis of Employee Benefits

	Year Ended June 30,		Increase (Decrease)
	2017	2018	
Employees Retirement	215,407	134,572	(80,835)
Teacher's Retirement	540,399	423,692	(116,707)
Social Security	373,976	361,413	(12,563)
Workers' Compensation Insurance	38,899	39,200	301
Unemployment Insurance	10,358	35	(10,323)
Health Insurance	2,149,344	2,092,632	(56,712)
Contractual Benefits	21,411	19,745	(1,666)
Compensated Absences	(35,681)	(4,333)	31,348
Other Post-Employment Benefits	396,460	537,085	140,625
	<u>3,710,573</u>	<u>3,604,041</u>	<u>(106,532)</u>

By applying the accounting standard GASB 68, the District's annual pension expense is calculated by using the District's annual contributions to the TRS and ERS systems, and is then further adjusted by changes in actual versus estimated investment performance and actuarial assumptions used by both systems.

For the year ended June 30, 2018 the expense for Employees Retirement was calculated by combining the District's required annual contribution of \$140,441 with a GASB 68 adjustment of (\$5,869) resulting in an expense of \$134,572, an \$80,835 decrease from the previous year.

For the year ended June 30, 2018 the expense for Teachers Retirement was calculated by combining the \$358,687 annual contribution for the year with a GASB 68 adjustment of 65,005 resulted in an expense of \$423,692 a decrease from the previous year of 116,707.

The Compensated Absences Expense is the estimated expense for vested sick time that will be payable in the future to current employees upon their retirement. The estimated liability decreased during the year by \$4,333, a \$31,348 change from the year before.

Other Post Employment Benefits is the estimated expense for future health insurance costs for all District retirees. The estimated liability increased by \$140,625 during the year.

Please note that on the Statement of Activities (page 2 of the financial statements) Payroll Expenses are included in each expense category while Employee Benefits are allocated among all expense categories (i.e. Instruction, General Support, Transportation) based on each code's relative payroll expense.

Capital Asset and Debt Administration

Figure A-6

Investment in Capital Assets, Net of Related Debt (in thousands of dollars)

	<u>Balance</u> <u>June 30, 2017</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>\$</u> <u>Change</u>
Capital Assets, at historical cost:			
Land (not depreciable)	\$ 602	\$ 602	\$ -
Construction in Progress (depreciable upon completion)	-	-	-
Buildings	25,133	25,133	-
Furniture, equipment & computers	5,036	5,295	259
Total historical cost	<u>\$ 30,771</u>	<u>\$ 31,030</u>	<u>\$ 259</u>
Less: Accumulated depreciation:			
Buildings	\$ 7,734	\$ 8,307	\$ 573
Furniture, equipment & computers	4,181	4,407	226
Total Accumulated depreciation	<u>\$ 11,915</u>	<u>\$ 12,714</u>	<u>\$ 799</u>
Total historical cost, net of depreciation	\$ 18,856	\$ 18,316	\$ (540)
Less: Related Debt	<u>(14,545)</u>	<u>(13,925)</u>	<u>620</u>
Investment in Capital Assets	<u><u>\$ 4,311</u></u>	<u><u>\$ 4,391</u></u>	<u><u>\$ 80</u></u>

During the fiscal year ended June 30, 2018 the District's invested \$259 thousand in Capital Assets. The District recorded Depreciation Expense in the amount of \$799 thousand, and reduced its outstanding debt by \$620 thousand, resulting in a \$80 thousand increase in its Investment in Capital Assets, Net of Related Debt.

The Budget presented to District voters separates asset purchases among the various budget functions (e.g. Instruction, Administration, Transportation), and treats these purchases as current year's expenditures. The Statement of Net Position (page 1), and Statement of Activities (page 2) are prepared according to accounting standards known as GASB 34. In these financial statements amounts paid for Capital Assets such as Buildings and Equipment are written off over time, or *depreciated*.

Please note that Capital Assets are recorded at *historical cost*, rather than *replacement cost* or *fair market value*. Capital Assets are depreciated over their estimated useful lives, in order to theoretically reflect their diminishing economic utility. A further discussion of depreciation methods follows in the Notes to Financial Statements.

FIGURE A -7

Reconciliation of Changes in Unrestricted Net Position (in thousands of dollars)

	Governmental Activities and Total School District Year Ended June 30 2018	
	<u>2018</u>	
Unrestricted Net Position, beginning of year	\$ (5,736)	Figure A-2
Decrease in Net Position for the year	(18,055)	Figures A-2 and A-4
Increase in Capital Assets, Net of Related Debt	(80)	Figure A-6
Increase in Restricted Net Position	<u>(219)</u>	Figure A-3
Unrestricted Net Position, end of year	<u><u>\$ (24,090)</u></u>	Figure A-2

Figure A-7 presents an analysis of the change in Unrestricted Position from the beginning of the fiscal year (July 1, 2017), to the end of the year (June 30, 2018). Note that the District started the year with a negative balance in Unrestricted Net Position of (\$5.736 million). The Statement of Activities reported a decrease in Net Position for the year of \$18.055 million. Capital Assets, Net of Related Debt, increased by \$80 thousand, and Restricted Net Position increased by \$219 thousand.

Financial Analysis of the School District's Funds

Figure A-8

Fund Balances (in thousands of dollars)

	Total Governmental Funds		\$ Change
	June 30, 2017	June 30, 2018	
Non-Spendable	\$ 4	\$ 4	\$ -
Restricted:			
Reserve for Debt Service	\$ 830	\$ 832	\$ 2
Capital Reserves	154	154	-
Other Reserves	<u>947</u>	<u>1,164</u>	<u>217</u>
Total Reserved Fund Balance	\$ 1,931	\$ 2,150	\$ 219
Committed	\$ -	\$ -	\$ -
Assigned			
Designated to reduce next year's tax levy	\$ 250	\$ 250	\$ -
Outstanding Encumbrances	<u>60</u>	<u>21</u>	<u>(39)</u>
Total Designated Fund Balance	\$ 310	\$ 271	\$ (39)
Unassigned	<u>\$ 499</u>	<u>\$ 486</u>	<u>\$ (13)</u>
Total Fund Balance	<u>\$ 2,744</u>	<u>\$ 2,911</u>	<u>\$ 167</u>

Discussion:

Figure A-8 presents an analysis of year-end fund balance for the combined Governmental Funds (General Fund, Capital Fund, Special Aid, and Lunch Fund). This table explains in greater detail financial data available on page three of the Financial Statements, *Balance Sheet – Governmental Funds*.

School Districts are prohibited under Section 1318 of the Real Property Tax Law from maintaining an Unassigned Fund Balance the General Fund in excess of 4% of the District's budget for the upcoming year. As of June 30, 2018 the District had an Unassigned Fund Balance in the General Fund of \$464,892 which represented 3.82 % of its 2018-2019 budget of \$12,154,650.

General Fund Budgetary Highlights

District voters approved a 2017-2018 School Budget in the amount of \$11,957,611.

The District records this Budget in its General Fund, and follows certain policies and procedures to insure that District expenditures adhere to the spending plan approved by District voters. For instance,

the District uses an Encumbrance system to ensure that funds are available prior to being spent. In addition, the Superintendent and Board of Education must approve any transfers of funds between Budget codes.

An analysis of General Fund activity appears as Supplemental Schedule #1, in the financial statements. This schedule reports Revenues, Expenditures and Changes in Fund Balance for the General Fund for the year and compares Original Budget, Final Budget, and Actual amounts for the current year, as well as Actual amounts for the prior year. The Original Budget represents the Budget as approved by voters. The Final Budget reflects, in total, “Carry-over” Encumbrances from the prior year plus any separate propositions. A summary of these changes from Original to Final Budget appears as Supplemental Schedule #2. As stated earlier, the Superintendent and Board of Education have the authority to make transfers among and between budget codes. These transfers do not increase the Budget, and are fully reflected in the Final Budget column.

Variances will occur from time to time between Original Budget, Final Budget, and Actual amounts. Events may occur that are not expected, and contingencies that are provided for may not come to pass.

DISTRICT ENGAGED IN IMPLEMENTING CORRECTIVE ACTIONS FROM PREVIOUS 2016-2017 AUDIT

There were no material findings or corrective actions necessary in the 2016-2017 audit.

FACTORS BEARING ON THE DISTRICT’S FUTURE

Several factors, including the District’s ability to raise needed revenue locally, uncertainty about the level of future state aid payments, and declining trend in student enrollment continue to have a significant bearing on the District’s future.

The District’s ability to raise revenue is hampered by the tax cap regulation and our future state aid projections show a potential decrease on the horizon due largely to changes in the state aid formula, increases to our district’s wealth ratio and declining school enrollment. WAJ continues to deploy several strategies to deal with rising costs and lower revenue, such as negotiating changes in contracts, sharing services with other districts, utilizing instructional technology, and reducing staffing positions and purchasing when possible. The District continues to pursue shared services with other agencies and school districts, especially in the areas of transportation, school security, special education and itinerant services and teacher training.

Declining student population trends have caused the District to deliver instruction and services differently than in the past. While consolidating grade level sections and using instructional technology have helped keep programming levels high and costs down, additional restructuring in the middle and high school will likely be needed in order to meet our educational and support mission for families, while keeping cost increases below the tax cap.

The District is currently developing a capital improvements action plan, which will address areas identified within the mandated building condition survey and other areas of need, including: roof replacement and repairs, infrastructure upgrades, bus garage upgrades and safety upgrades. While capital improvements impact the tax levy, the District plans to minimize borrowing costs by utilizing fund balance and reserves where possible.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent of Schools, Windham-Ashland-Jewett Central School District, Main Street, PO Box 429, Windham, NY 12496.

Windham-Ashland-Jewett Central School District
Statement of Net Position
Governmental Activities
June 30, 2018

ASSETS	
Cash - unrestricted	\$ 1,181,164
Cash - restricted	2,160,065
Accounts receivable	502
Due from fiduciary funds	-
State and federal aid receivable	62,066
Due from other governments	89,755
Inventories	3,584
Land, buildings and equipment (net of accumulated depreciation)	18,315,720
Net pension asset - proportionate share	181,468
Total Assets	<u>\$ 21,994,324</u>
DEFERRED OUTFLOW OF RESOURCES	
Pensions	\$ 2,925,871
Deferred Charge - Bond Defeasance	641,666
Total Deferred Outflow of Resources	<u>\$ 3,567,537</u>
LIABILITIES	
Accounts payable	\$ 102,057
Accrued liabilities	73,464
Accrued interest, Bonds Payable	25,507
Due to other governments	356
Due to teachers' retirement system	380,688
Due to employees' retirement system	29,089
Long-term liabilities	
Due and payable within one year:	
Bonds payable	645,000
Due and payable beyond one year:	
Bonds payable	13,280,000
Compensated absences payable	144,413
Other post employment benefits obligation - health benefits	26,255,517
Net pension liability - proportionate share	121,826
Total Liabilities	<u>\$ 41,057,917</u>
DEFERRED INFLOW OF RESOURCES	
Other post employment benefits obligation - health benefits	\$ 1,153,072
Pensions	900,518
Total Deferred Outflow of Resources	<u>\$ 2,053,590</u>
NET POSITION	
Investment in capital assets, net of related debt	\$ 4,390,720
Restricted for:	
Debt service	831,914
Capital reserve	154,009
Other legal restrictions	1,164,142
Unrestricted (deficit)	<u>(24,090,431)</u>
Total Net Position	<u><u>\$ (17,549,646)</u></u>

See accompanying notes to financial statements

Windham-Ashland-Jewett Central School District
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services and Sales	Operating Grants	
<i>Governmental Activities</i>					
Instruction					
Teaching - regular school	\$ 3,277,106	\$ 2,118,445	\$ -	\$ (95,555)	\$ 5,299,996
Programs for children with handicapping condition	724,278	-	-	(124,670)	599,608
Programs for learning disabled children	160,370	116,722	-	-	277,092
Occupational education	147,085	-	-	-	147,085
Total Instruction	\$ 4,308,839	\$ 2,235,167	\$ -	\$ (220,225)	\$ 6,323,781
Support Services					
Instructional administration	\$ 318,650	\$ 210,922	\$ -	\$ -	\$ 529,572
Instructional media			-	-	-
Library and audiovisual	87,556	37,819	-	-	125,375
Computer assisted instruction	183,620	102,006	-	(1,400)	284,226
Pupil services	505,339	324,077	-	-	829,416
General Support					
Board of education	13,762	3,447	-	-	17,209
Central administration	217,656	150,934	-	-	368,590
Finance	230,352	97,265	-	-	327,617
Staff	44,359	-	-	-	44,359
Central services					
Operations	475,055	161,720	-	-	636,775
Maintenance	140,635	-	-	-	140,635
Central data processing	43,483	-	-	-	43,483
Special items					
BOCES administrative costs	118,616	-	-	-	118,616
Insurance and other	72,373	-	-	-	72,373
Pupil transportation	520,581	280,684	-	-	801,265
Community services	-	-	-	-	-
Interest expense	528,587	-	-	-	528,587
Food services	116,506	-	(32,712)	(79,328)	4,466
Amortization of defeasance Loss	36,667	-	-	-	36,667
Depreciation - unallocated	799,163	-	-	-	799,163
Total Support Services	\$ 4,452,960	\$ 1,368,874	\$ (32,712)	\$ (80,728)	\$ 5,708,394
<i>Total Governmental Activities</i>	\$ 8,761,799	\$ 3,604,041	\$ (32,712)	\$ (300,953)	\$ 12,032,175

GENERAL REVENUES

Real property taxes and other tax items	\$ 9,886,581
State Aid, not restricted	1,559,220
Federal aid, not restricted	-
Use of money and property	9,932
Medicaid reimbursement	3,066
Sale of property and compensation for loss	-
Miscellaneous	192,417
Total General Revenues	\$ 11,651,216
Change in Net Position	\$ (380,959)
Total Net Position - Beginning of year	506,125
Prior - Period Adjustment (See Note 13B)	(17,674,812)
Total Net Position - End of year	\$ (17,549,646)

Windham-Ashland-Jewett Central School District
Balance Sheet - Governmental Funds
June 30, 2018

	Major Fund	Non-Major Funds				Total Governmental Funds
	General Fund	Special Aid Fund	School Lunch	Capital Fund	Debt Service Fund	
ASSETS						
Cash						
Unrestricted	\$ 1,139,074	\$ 18,922	\$ 23,168	\$ -	\$ -	\$ 1,181,164
Restricted	1,328,151	-	-	-	831,914	2,160,065
Receivables						
Accounts receivable	333	-	169	-	-	502
Due from other funds	50,087	-	-	-	-	50,087
Due from Agency Fund	-	-	-	-	-	-
State and Federal aid	30,901	31,165	-	-	-	62,066
Due from other Governments	89,755	-	-	-	-	89,755
Inventories	-	-	3,584	-	-	3,584
Total Assets	<u>\$ 2,638,301</u>	<u>\$ 50,087</u>	<u>\$ 26,921</u>	<u>\$ -</u>	<u>\$ 831,914</u>	<u>\$ 3,547,223</u>
LIABILITIES						
Payables						
Accounts payable	\$ 102,057	\$ -	\$ -	\$ -	\$ -	\$ 102,057
Accrued liabilities	72,323	-	1,141	-	-	73,464
Due to other funds	-	50,087	-	-	-	50,087
Due to other governments	-	-	356	-	-	356
Due to Teachers' Retirement System	380,688	-	-	-	-	380,688
Due to Employees' Retirement System	29,089	-	-	-	-	29,089
Bond Anticipation Note Payable	-	-	-	-	-	-
Overpayments	-	-	-	-	-	-
Total Liabilities	<u>\$ 584,157</u>	<u>\$ 50,087</u>	<u>\$ 1,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 635,741</u>
FUND BALANCES						
Non-spendable	\$ -	\$ -	\$ 3,584	\$ -	\$ -	\$ 3,584
Restricted	1,318,151	-	-	-	831,914	2,150,065
Committed	-	-	-	-	-	-
Assigned	271,364	-	-	-	-	271,364
Unassigned	464,629	-	21,840	-	-	486,469
Total Fund Balances	<u>\$ 2,054,144</u>	<u>\$ -</u>	<u>\$ 25,424</u>	<u>\$ -</u>	<u>\$ 831,914</u>	<u>\$ 2,911,482</u>
Total Liabilities and Fund Balances	<u>\$ 2,638,301</u>	<u>\$ 50,087</u>	<u>\$ 26,921</u>	<u>\$ -</u>	<u>\$ 831,914</u>	<u>\$ 3,547,223</u>

See accompanying notes to financial statements

**Windham-Ashland-Jewett Central School District
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018**

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

Total Governmental Funds Balance	\$	2,911,482
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This amount is the total historical cost of Capital Assets, reduced by the amount of depreciation recorded to date		18,315,720
District's share of the Net Pension Asset, New York State Teachers Retirement System, not reported as an asset in the Governmental Funds Balance Sheet		181,468
Deferred outflows of resources related to pension liabilities		2,925,871
Deferred outflows of resources related to bond defeasance loss		641,666
Long-term liabilities that are not due and payable in the current period, and therefore not reported in the Governmental Funds Balance Sheet:		
Accrued interest, bonds payable		(25,507)
Compensated absences		(144,413)
Other postemployment benefits		(26,255,517)
Bonds payable		(13,925,000)
District's share of the Net Pension Liability, New York State Employees Retirement System		(121,826)
Deferred inflows of resources related to:		
Pensions		(900,518)
Other Post Employment Benefits		(1,153,072)
		(1,153,072)
Total Net Position, June 30, 2018	\$	(17,549,646)

Windham-Ashland-Jewett Central School District
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

	Total Governmental Funds	Capital Assets	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS					
Cash unrestricted	\$ 1,181,164	\$ -	\$ -	\$ -	\$ 1,181,164
Cash - restricted	2,160,065	\$ -	\$ -	\$ -	2,160,065
Accounts receivable	502	-	-	-	502
Due from other funds	50,087	-	-	(50,087)	-
Due from fiduciary funds	-	-	-	-	-
State and federal aid receivable	62,066	-	-	-	62,066
Due from other governments	89,755	-	-	-	89,755
Inventories	3,584	-	-	-	3,584
Land, buildings and equipment (net)	-	18,315,720	-	-	18,315,720
Net Pension Asset - proportionate share	-	-	181,468	-	181,468
Deferred Outflows of Resources, Pensions	-	-	2,925,871	-	2,925,871
Deferred Outflows of Resources, Defeasance Loss	-	-	641,666	-	641,666
	<u>\$ 3,547,223</u>	<u>\$ 18,315,720</u>	<u>\$ 3,749,005</u>	<u>\$ (50,087)</u>	<u>\$ 25,561,861</u>
Total Assets					
LIABILITIES					
Accounts payable	\$ 102,057	\$ -	\$ -	\$ -	\$ 102,057
Accrued liabilities	73,464	-	-	-	73,464
Accrued interest, Bonds Payable	-	-	25,507	-	25,507
Due to other funds	50,087	-	-	(50,087)	-
Due to other governments	356	-	-	-	356
Due to teachers' retirement system	380,688	-	-	-	380,688
Due to Employees' Retirement System	29,089	-	-	-	29,089
Overpayments	-	-	-	-	-
Compensated absences	-	-	144,413	-	144,413
Other post employment benefits obligation	-	-	26,255,517	-	26,255,517
Bonds Payable	-	-	13,925,000	-	13,925,000
Net Pension Liability - proportionate share	-	-	121,826	-	121,826
Deferred Intflows of Resources, Pensions	-	-	900,518	-	900,518
Deferred Intflows of Resources, OPEB	-	-	1,153,072	-	1,153,072
	<u>\$ 635,741</u>	<u>\$ -</u>	<u>\$ 42,525,853</u>	<u>\$ (50,087)</u>	<u>\$ 43,111,507</u>
Total Liabilities					
FUND BALANCE/NET POSITION					
Total Fund Balance/Net Position	<u>\$ 2,911,482</u>	<u>\$ 18,315,720</u>	<u>\$ (38,776,848)</u>	<u>\$ -</u>	<u>\$ (17,549,646)</u>
Total Liabilities, Fund Balance/Net Position	<u>\$ 3,547,223</u>	<u>\$ 18,315,720</u>	<u>\$ 3,749,005</u>	<u>\$ (50,087)</u>	<u>\$ 25,561,861</u>

See accompanying notes to financial statements.

Windham-Ashland-Jewett Central School District
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2018

	Major Fund		Non-Major Funds			Total Governmental Funds
	General Fund	Special Aid	School Lunch	Capital Fund	Debt Service Fund	
REVENUES						
Real property taxes and other tax items	\$ 9,886,581	\$ -	\$ -	\$ -	\$ -	\$ 9,886,581
Charges for services	-	-	-	-	-	-
Use of money and property	8,220	-	-	-	1,712	9,932
Sale of property and compensation for loss	-	-	-	-	-	-
Miscellaneous	192,417	-	-	-	-	192,417
State sources	1,559,220	21,301	2,667	1,400	-	1,584,588
Federal sources	3,066	198,924	71,059	-	-	273,049
Surplus food	-	-	5,602	-	-	5,602
Sales - school lunch	-	-	32,712	-	-	32,712
Serial Bond	-	-	-	-	-	-
Total Revenues	\$ 11,649,504	\$ 220,225	\$ 112,040	\$ 1,400	\$ 1,712	\$ 11,984,881
EXPENDITURES						
General support	\$ 1,408,229	\$ -	\$ -	\$ 1,350	\$ -	\$ 1,409,579
Instruction	5,236,228	222,876	-	-	-	5,459,104
Pupil transportation	670,676	-	-	-	-	670,676
Community service	-	-	-	-	-	-
Employee benefits	3,012,153	-	-	-	-	3,012,153
Debt service	1,149,896	-	-	-	-	1,149,896
School lunch expenditures	-	-	116,506	-	-	116,506
Construction in progress	-	-	-	-	-	-
Total Expenditures	\$ 11,477,182	\$ 222,876	\$ 116,506	\$ 1,350	\$ -	\$ 11,817,914
Excess (Deficiency) of Revenues over Expenditures	172,322	(2,651)	(4,466)	50	1,712	166,967
OTHER FINANCING SOURCES AND USES						
Operating transfers in	\$ -	\$ 2,651	\$ 2,425	\$ -	\$ -	\$ 5,076
Operating transfers (out)	(5,076)	-	-	-	-	(5,076)
Total Other Sources (Uses)	\$ (5,076)	\$ 2,651	\$ 2,425	\$ -	\$ -	\$ -
Total Excess (Deficiency) for the year	\$ 167,246	\$ -	\$ (2,041)	\$ 50	\$ 1,712	\$ 166,967
Fund Balances - Beginning of year	1,886,898	-	27,465	(50)	830,202	2,744,515
Prior Period Adjustment	-	-	-	-	-	-
Fund Balances - End of year	\$ 2,054,144	\$ -	\$ 25,424	\$ -	\$ 831,914	\$ 2,911,482

See accompanying notes to financial statements.

**Windham-Ashland-Jewett Central School District
 Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
 Fund Balance to the Statement of Activities
 For the Year Ended June 30, 2018**

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

Net change in fund balances - Total Government Funds	\$ 166,967
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased in the current period	258,483
Depreciation expense reported on the Statement of Activities	(799,163)
Decrease in proportionate share of Net Pension Asset and related change in Deferred Inflow/Outflows, New York State Employees Retirement System	5,869
Increase in proportionate share of Net Pension Asset and related change in Deferred Inflow/Outflows, New York State Teachers Retirement System	(65,005)
Decrease in Liability for Compensated Absences reported on the Statement of Activities	4,333
Increase in Liability for Other Post Employment Benefits, and related change in Deferred Inflows	(537,085)
Repayment of Bond debt principal is an expenditure in the Governmental Funds, but the re-payment reduces long-term liabilities in the Statement of Position	620,000
Decrease in liability for Accrued Bond Interest	1,309
Amortization of bond defeasance loss reported on the Statement of Activities	(36,667)
Prior - Period Adjustment to restate the Liability for Other Post Employment Benefits as of the beginning of the year in order to conform to a new accounting standard (GASB 75)	<u>(17,674,812)</u>
Change in Net Position, Year Ended June 30, 2018	<u>\$ (18,055,771)</u>

Windham-Ashland-Jewett Central School District
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
For the Year Ended June 30, 2018

	Total Governmental Funds	Capital Asset Transactions Assets Purchased	Depreciation Expense	Long-term Revenue and Expense Transactions	Long-term Debt Transactions	Program Revenues	Statement of Activities Totals
REVENUES							
Real property taxes and other tax items	\$ 9,886,581						\$ 9,886,581
Charges for services	-					-	-
Use of money and property	9,932						9,932
Sale of property and compensation for loss	-						-
Miscellaneous	192,417						192,417
State sources	1,584,588					(25,368)	1,559,220
Federal sources	273,049					(269,983)	3,066
Surplus food	5,602					(5,602)	-
Sales - school lunch	32,712					(32,712)	-
Serial Bond	-					-	-
Total Revenues	11,984,881	-	-	-	-	(333,665)	11,651,216
EXPENDITURES/EXPENSES							
General support	1,409,579	(84,658)				(1,400)	1,323,521
Instruction	5,459,104	(23,730)				(220,225)	5,215,149
Pupil transportation	670,676	(150,095)					520,581
Community service	-						-
Debt Service	1,149,896				(621,309)		528,587
Amortization of Defeasance loss					36,667		36,667
School lunch expenditures	116,506					(112,040)	4,466
Depreciation	-		799,163				799,163
Expenses to be allocated:							
Employee benefits - Health insurance	2,092,632			-			2,092,632
Employee benefits - Pension	499,128			59,136			558,264
Employee benefits - other	420,393						420,393
Compensated absences	-			(4,333)			(4,333)
Other post employment benefits	-			537,085			537,085
Total Expenditures	11,817,914	(258,483)	799,163	591,888	(584,642)	(333,665)	12,032,175
Excess (Deficiency) of Revenues Over Expenditures	166,967	258,483	(799,163)	(591,888)	584,642	-	(380,959)
OTHER SOURCES AND USES							
Operating transfers in	5,076						5,076
Operating transfers (out)	(5,076)						(5,076)
Total Other Sources (Uses)	-	-	-	-	-	-	-
Prior - Period Adjustment	-	-	-	(17,674,812)	-	-	(17,674,812)
Net Change for the Year	\$ 166,967	\$ 258,483	\$ (799,163)	\$ (18,266,700)	\$ 584,642	\$ -	\$ (18,055,771)

See accompanying notes to financial statements.

**Windham-Ashland-Jewett Central School District
Statement of Fiduciary Net Position
June 30, 2018**

	Miscellaneous Special Revenue	Private Purpose Trusts	Agency	Total (Memo)
ASSETS				
Cash	\$ 152,653	\$ 48,683	\$ 42,156	\$ 243,492
Due from governmental funds	-	-	-	-
Other receivables	-	-	-	-
Total Assets	\$ 152,653	\$ 48,683	\$ 42,156	\$ 243,492
LIABILITIES				
Due to governmental funds	\$ -	\$ -	\$ -	\$ -
Extracurricular activity balances	-	-	41,598	41,598
Other liabilities	-	20	558	578
Total Liabilities	\$ -	\$ 20	\$ 42,156	\$ 42,176
NET ASSETS				
Restricted	152,653	48,663	-	201,316
Total Liabilities and Net Assets	\$ 152,653	\$ 48,683	\$ 42,156	\$ 243,492

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018**

	Miscellaneous Special Revenue	Private Purpose Trusts
ADDITIONS		
Gifts and contributions	\$ -	\$ -
Investment earnings	314	108
Total Additions	\$ 314	\$ 108
DEDUCTIONS		
Scholarships and awards	\$ -	\$ 5,200
Donation recorded in General Fund	-	-
Total Deductions	\$ -	\$ 5,200
Change in Net Assets	\$ 314	\$ (5,092)
Net Assets - Beginning of year	152,339	53,775
Net Assets - End of Year	\$ 152,653	\$ 48,683

WINDHAM-ASHLAND-JEWETT CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Note 1 – Summary of certain significant accounting policies:

The financial statements of the Windham-Ashland-Jewett Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

A) Reporting entity:

The Windham-Ashland-Jewett 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 five 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.

Extraclassroom Activity Funds

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

B) Joint venture:

The District is a component district in the Otsego-Northern Catskills Board of Cooperative Educational Services. A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support

activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year, the District was billed \$874,498 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$159,876.

Financial Statements for the BOCES are available from the BOCES administrative offices.

C) Basis of presentation:

i) District-wide statements:

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

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to 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.

ii) Fund financial statements:

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

The District reports the following major governmental funds:

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

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

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.

The District reports the following fiduciary funds:

Fiduciary Funds:

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 indicates the type of resources being measured such as financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the 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 10, 2016. Taxes are collected during the period September 1 to November 2, 2017.

Uncollected real property taxes are subsequently enforced by the County in which the District is located. 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 assets 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 with one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net Assets 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 12 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.

Cash (and cash equivalents)/Investments

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

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

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Investments are stated at fair value.

I) Accounts receivable:

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

J) Inventories 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 that approximates market. Purchases of inventorial items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the District for which benefits extend beyond year-end.

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.

K) Other 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 issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

L) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1985. For assets acquired prior to June 30, 1985, estimated historical costs, based on bonding data were used. Donated assets are reported at estimated fair market value at the time received.

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

Capitalization	Depreciation <u>Threshold</u>	Estimated <u>Method</u>	<u>Useful Life</u>
Buildings	\$ 10,000	Straight-line	40 years
Building improvements	\$ 10,000	Straight-line	40 years
Site improvements	\$ 10,000	Straight-line	40 years
Furniture and equipment	\$ 1,000	Straight-line	7 years
Vehicles	\$ 1,000	Straight-line	5-7 years
Computers	\$ 1,000	Straight-line	5-7 years

M) Deferred Outflows and Inflows of Resources

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

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

N) Unearned Revenue

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

O) Vested employee benefits:

Compensated absences

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

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

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

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

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

P) Other benefits:

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

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

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

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 RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will

actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

R) Accrued liabilities and long-term obligations:

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

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

S) Equity classifications

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, constructions or improvements of those assets.

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

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

Funds statements:

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

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

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

Capital

According to Education Law §3651, a Capital Reserve must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires

authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Repairs

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

Unemployment Insurance

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the 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.

Debt Service

Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the unexpended Bond proceeds and interest earned thereon. The reserve is accounted for in the Debt Service Fund.

Insurance

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.

Tax Certiorari

Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the General fund.

Employee Benefit Accrued Liability

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Retirement Contributions

According to General Municipal Law §6-r, the Retirement Contributions Reserve 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 This reserve is accounted for in the General Fund.

Encumbrances

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

Restricted fund balance includes the following:

General Fund		
Capital	\$ 154,009	
Repairs	126,647	
Unemployment	183,038	
Liability	252,487	
Retirement Contributions	225,006	
Employee Benefit Accrued Liability	<u>376,964</u>	
Total General Fund		\$1,318,151
Debt Service Fund		
Debt Service		<u>831,914</u>
Total Restricted Funds		<u>\$2,150,065</u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school district's 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 school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$21,364 as of June 30, 2018. In addition, the amount of General Fund fund balance designated to reduce the following year's tax levy is considered Assigned Fund Balance. This amount was \$250,000 as of June 30, 2018. Total Assigned Fund Balance as of June 30, 2018, therefore, was \$271,364.

Unassigned – Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

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

Order of Use of Fund Balance:

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

U) New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018, including GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after June 30, 2017. The intent of these new standards is to improve accounting and financial reporting by requiring that an OPEB liability be reported on the face of the financial statements, rather than in the accompanying notes.

As a result of adopting GASB 75, the District had to restate its liability as of the end of the prior period (year ended June 30, 2017). The June 30, 2017 restatement resulted in the District increasing its OPEB liability by \$17,674,812. Please refer to Note 13B.

V) Future Changes in Accounting Standards

The school district will evaluate the impact that any future pronouncements may have on its financial statements and will implement them as applicable and when material.

Note 2 – Explanation of certain differences between governmental fund statements and District-wide statements:

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

A) Total fund balances of governmental funds vs. net assets 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 five broad categories. The amounts shown below represent:

i) Long-term revenue differences:

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

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

iv) Pension differences:

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

v) 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:

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, Accounting and Reporting for Postemployment Benefits Other Than Pensions. The implementation of this statement requires the District to report Other Post Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See note 13 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 for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund of \$11,957,611.

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. The following supplemental appropriations occurred during the year:

Donations received from the public	\$ 59,137
Appropriation of Reserve for Employee Benefit Accrued Liability	<u>10,000</u>
	\$ 69,137

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.

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 District's unreserved undesignated fund balance was in compliance the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

Note 5 – Cash -custodial credit, concentration of credit, interest rate and foreign currency risks:

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

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

Uncollateralized	\$ 0
Collateralized by securities held by the financial institution	\$2,898,409

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,160,065 within the governmental funds and \$243,492 in the fiduciary funds.

Note 6 – Investments:

The District held no Investments as of June 30.

Note 7 – Receivables:

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

Description	Governmental Activities				Total
	General	Special Aid	School Lunch	Capital	
Accounts receivable	\$ 333	\$ -	\$ 169	\$ -	502
Due from State and Federal	30,901	64,498	-	-	95,399
Due from other governments	89,755	-	-	-	89,755
Other	-	-	-	-	-
Allowance for uncollectible accounts	-	-	-	-	-
Total	\$ 120,989	\$ 64,498	\$ 169	\$ -	\$ 185,656

District management has deemed all amounts to be fully collectible.

Note 8 – Capital assets: Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 601,699	\$ -	\$ -	\$ 601,699
Construction in progress	-	-	-	-
Total nondepreciable historical cost	\$ 601,699	\$ -	\$ -	\$ 601,699
Capital assets that are depreciated:				
Buildings	\$ 25,132,860	\$ -	\$ -	\$ 25,132,860
Furniture, equipment & computers	5,037,188	258,483	-	5,295,671
Total depreciable historical cost	\$ 30,170,048	\$ 258,483	\$ -	\$ 30,428,531
Less accumulated depreciation:				
Buildings	\$ 7,734,430	\$ 572,930	\$ -	\$ 8,307,360
Furniture and equipment	4,180,917	226,233	-	4,407,150
Total accumulated depreciation	\$ 11,915,347	\$ 799,163	\$ -	\$ 12,714,510
Total historical cost, net of depreciation	\$ 18,856,400	\$ (540,680)	\$ -	\$ 18,315,720

Depreciation expense was not charged to specific functions.

Note 9 – Short-term debt:

The District had no short term debt outstanding as of June 30, 2018.

Note 10 – Long-term debt:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
General obligation debt:					
School District (Serial) Bonds, 2014	\$ 530,000		\$ 35,000	\$ 495,000	\$ 35,000
School District (Serial) Bonds, 2015	<u>14,015,000</u>	<u>-</u>	<u>585,000</u>	<u>13,430,000</u>	<u>610,000</u>
 Total bonds payable	 \$ 14,545,000	 \$ -	 \$ 620,000	 \$ 13,925,000	 \$ 645,000
Other liabilities:					
Compensated absences	148,746	-	4,333	144,413	-
Other post employment benefits	9,196,692	17,058,825	-	26,255,517	-
Net pension liability	<u>607,876</u>	<u>-</u>	<u>486,050</u>	<u>121,826</u>	<u>-</u>
 Total long-term liabilities	 <u>\$ 24,498,314</u>	 <u>\$ 17,058,825</u>	 <u>\$ 1,110,383</u>	 <u>\$ 40,446,756</u>	 <u>\$ 645,000</u>

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

Existing serial and statutory bond obligations:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
School District (Serial) Bonds, 2014	3/12/14	3/1/29	3.125- 3.875%	495,000
School District (Serial) Bonds, 2015	4/7/15	3/1/2029	3.5%	<u>13,430,000</u>
				<u>\$ 13,925,000</u>

The following is a summary of maturing debt service requirements.

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	645,000	505,402	1,150,402
2020	665,000	479,908	1,144,908
2021	695,000	453,658	1,148,658
2022	715,000	431,658	1,146,658
2023	740,000	411,906	1,151,906
Next 5 Years	4,240,000	1,497,299	5,737,299
Next 5 Years	3,730,000	779,876	4,509,876
Next 5 Years	2,495,000	172,488	2,667,488
Thereafter	-	-	-
Total	<u>\$ 13,925,000</u>	<u>\$ 4,732,195</u>	<u>\$ 18,657,195</u>

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

Interest Paid	\$ 529,896
Less interest accrued in prior year	(26,816)
Plus interest accrued in current year	<u>25,507</u>
Total Interest Expense	<u>\$ 528,587</u>

In prior years, certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds, and the trust account assets, are not included in the financial statements.

Note 11 – Pension plans:

General information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple-employer 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.

Provisions and administration:

A 10 member Board of Trustees of the New York State Teachers' Retirement Board administers TRS . System benefits are established under New York State Law. 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 the New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the system, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the TRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

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

Funding policies:

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

	<u>CONTRIBUTIONS</u>	
	<u>ERS</u>	<u>TRS</u>
2018	\$ 140,441	\$ 358,687
2017	\$ 134,266	\$ 443,401
2016	\$ 172,172	\$ 487,844

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

The State Legislature authorized local governments to make available retirement incentive programs, of which \$65,575 was charged to expenditures in the Governmental Funds in the current year.

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

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/ (liability) was measured as of March 31, 2017 for ERS and June 30, 2016 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>
Actuarial valuation date	3/31/18	6/30/17
Net pension asset/(liability)	\$ (121,826)	\$ 181,468
District's portion of the Plan's total net pension asset/(liability)	0.0037747%	0.0238740%

For the year ended June 30, 2018, the District's recognized pension expense of \$134,572 for ERS and \$423,692 for TRS. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 43,451	\$ 149,304	\$ 192,755
Changes of assumptions	\$ 80,781	\$ 1,846,474	\$ 1,927,255
Net difference between projected and actual earnings on pension plan investments	\$ 176,942	\$ -	\$ 176,942
Changes in proportion and differences between the District's contributions and proportionate share of contributions	\$ 1,111	\$ 38,770	\$ 39,881
District's contributions subsequent to the measurement date	<u>\$ 145,637</u>	<u>\$ 443,401</u>	<u>\$ 589,038</u>
Total	<u>\$ 447,922</u>	<u>\$ 2,477,949</u>	<u>\$ 2,925,871</u>

	<u>Deferred Inflows of Resources</u>		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 35,907	\$ 70,752	\$ 106,659
Changes of assumptions	\$ -	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investment	\$ 349,266	\$ 427,410	\$ 776,676
Changes in proportion and differences between the District's contributions and proportionate share of contributions	\$ 15,221	\$ 1,962	\$ 17,183
District's contributions subsequent to the measurement date	\$ -	\$ -	\$ -
Total	\$ 400,394	\$ 500,124	\$ 900,518

District contributions subsequent to the measurement date 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 June 30:		
2018	\$ -	\$ 49,754
2019	19,295	496,281
2020	15,995	357,354
2021	(91,969)	94,547
2022	(41,430)	356,336
Thereafter	<u>-</u>	<u>180,151</u>
Total	\$ (98,109)	\$ 1,534,423

ACTUARIAL ASSUMPTIONS

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/18	6/30/17
Actuarial valuation date	4/1/17	6/30/16
Interest rate	7.0%	7.25%
Salary scale	3.8	1.9% - 4.72%
Decrement tables	April 1, 2010 - 3/31/15 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%/1.3%	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 the Society of Actuaries MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

For ERS, the actuarial assumptions used in the April 1, 2015 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, 2015 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 weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation.

Discount Rate

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

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-percentagepoint lower (6.0% for ERS and 6.25% for TRS) or 1-percentagepoint higher (8.0% for ERS and 8.25% for TRS) than the current rate :

ERS	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Employer's proportionate share Of the net pension asset (liability)	\$921,767	\$121,826	(\$554,892)
TRRS	1% Decrease <u>(6.25%)</u>	Current Assumption <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Employer's proportionate share Of the net pension asset (liability)	\$3,126,159	(\$181,468)	\$(2,951,442)

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:

Valuation date	(Dollars in Thousands)		
	<u>ERS</u> 3/31/18	<u>TRS</u> June 30, 2017	<u>Total</u>
Employers' total pension liability	\$ 183,400,590	\$ 114,708,261	\$ 298,108,851
Fiduciary Net Position	<u>180,173,145</u>	<u>115,468,360</u>	<u>295,641,505</u>
Employers' net pension liability (asset)	<u>\$ 3,227,445</u>	<u>\$ (760,099)</u>	<u>\$ 2,467,346</u>
Ratio of fiduciary net position to the Employers' total pension liability	98.24%	100.66%	99.2%

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, 2017 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 29,089. Employee contributions are remitted monthly.

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 \$380,688.

Note 12 – Interfund balances and activity:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 50,087	\$ -	\$ -	\$ 5,076
Special Aid Funds	-	50,087	2,651	-
School Lunch Fund	-	-	2,425	-
Debt Service Fund	-	-	-	-
Capital Funds	-	-	-	-
Total government activities	<u>\$ 50,087</u>	<u>\$ 50,087</u>	<u>\$ 5,076</u>	<u>\$ 5,076</u>

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

The District typically transfers from the General Fund to the Special Aid Fund in order to fund Section 4408 Summer Special Education Costs, and to the School Lunch Fund, to pay a share of current operating expenditures.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The District expects to repay all interfund payables within one year.

Note 13A – Post-employment (health insurance) benefits:

A. General information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan provides OPEB benefits 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 benefits	95	
Inactive employees entitled to but not receiving benefits	-	
Active employees receiving benefits	<u>52</u>	
Total membership	<u>147</u>	

B. Total OPEB Liability

The District's total OPEB liability of \$26,255,517 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2017 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	10.47% - 3.2%
Discount Rate	3.87%
Healthcare Cost Trend Rates	
Pre-Medicare	5.5% for 2018, decreasing to 3.84% by 2078
Medicare	5.5% for 2018, decreasing to 3.84% by 2078
Retirees' Share of Benefit-Related Costs	0 - 15% based on date of hire

The discount rate was based on the Bond Buyer General obligation 20- year Municipal Bond Index at the Measurement Date.

Mortality rates were based on April 1, 2010 – March 31, 2015 NYSLS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

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

C. Changes in Total OPEB Liability:

Balance at June 30, 2017 (as restated - see Note 13b)	\$	26,871,504
Changes for the year-		
Service Cost		660,824
Interest		946,257
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions or other inputs		(1,343,575)
Benefit payments		(879,493)
Net Changes		(615,987)
Balance at June 30, 2018	\$	<u>26,255,517</u>

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 one percentage point lower or one percentage point higher than the current discount rate:

	Discount Rate		
	1% Decrease	Current	1% Increase
	4.87%	3.87%	2.87%
Total OPEB Liability	\$ <u>22,746,313</u>	\$ <u>26,255,517</u>	\$ <u>32,312,569</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend 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 healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
	4.50%	5.50%	6.50%
Total OPEB Liability	\$ <u>22,423,855</u>	\$ <u>26,255,517</u>	\$ <u>32,823,127</u>

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

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 of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions and other inputs	<u>-</u>	<u>(1,153,072)</u>
Total	<u>\$ -</u>	<u>\$ (1,153,072)</u>

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

	<u>Amount</u>
Year ended June 30:	
2019	\$ (190,503)
2020	(190,503)
2021	(190,503)
2022	(190,503)
2023	(190,503)
Thereafter	<u>(200,557)</u>
Total	<u>\$ (1,153,072)</u>

Note 13B – Prior-Period Adjustment

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after June 30, 2017. The intent of these new standards is to improve accounting and financial reporting by requiring that an OPEB liability be reported on the face of the financial statements, rather than in the accompanying notes.

As a result of adopting GASB 75, the District had to restate its liability as of the end of the prior period (year ended June 30, 2017). The June 30, 2017 restatement resulted in the District increasing its OPEB liability by \$17,674,812:

<u>OPEB Liability as of June 30, 2017:</u>	
As originally reported on June 30, 2017	\$ 9,196,692
As recalculated using GASB 75 accounting standards	<u>26,871,504</u>
Adjustment required to the June 30, 2017 liability	<u>\$ (17,674,812)</u>

Note 14 – Risk management:

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 the Catskill Area Schools Employee Benefit Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 20 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to \$1,000,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$1,000,000 limit, and the District has essentially transferred all related risk to the pool.

The District participates in CATCOM, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims.

Note 15 – Contingencies and commitments:

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

Note 16 – Tax abatements:

The County of Greene enters into various property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced by \$2,426. The District received payment in Lieu of Tax (PILOT) payments totaling \$5,662.

Note 17 – Subsequent Events:

The District has evaluated subsequent events through September 28, 2018, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

Windham-Ashland-Jewett Central School District
Required Supplementary Information
Schedule of Funding Progress
Other Post Employment Benefits Plan
For the Year Ended June 30, 2018

	<u>2018</u>
Measurement Date	6/30/18
Total OPEB Liability	<u>\$ 26,255,517</u>
Service cost	\$ 660,824
Interest	946,257
Changes in Terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	-
Changes of assumptions or other inputs	(1,343,575)
Benefit payments	<u>(879,493)</u>
Net change in total OPEB liability	\$ (615,987)
Total OPEB liability - beginning	<u>26,871,504</u>
Total OPEB liability - ending	<u>\$ 26,255,517</u>
Covered payroll	\$ 4,611,768
Total OPEB liability as a percentage of covered payroll	569.32%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year until 10 years of historical data is available

See paragraph on supplementary schedules included in auditor's report.

Windham-Ashland-Jewett Central School District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - General Fund
For the Year Ended June 30, 2018

	Prior Year Actual	Current Year			Final Budget Variance With Budgetary Actual
		Original Budget	Final Budget	Actual (Budgetary Basis)	
REVENUES					
Local Sources					
Real property taxes and other tax items	\$ 9,681,189	\$ 9,881,998	\$ 9,881,998	\$ 9,886,581	\$ (4,583)
Charges for services	28,864	-	-	-	-
Use of money and property	7,588	10,000	10,000	8,220	1,780
Sale of property and compensation for loss	10,955	-	-	-	-
Miscellaneous	204,738	71,481	130,618	192,417	(61,799)
Total Local Sources	\$ 9,933,334	\$ 9,963,479	\$ 10,022,616	\$ 10,087,218	\$ (64,602)
State Sources	1,485,879	1,585,497	1,585,497	1,559,220	26,277
Federal Sources	3,661	-	-	3,066	(3,066)
Total Revenues	\$ 11,422,874	\$ 11,548,976	\$ 11,608,113	\$ 11,649,504	\$ (41,391)
OTHER FINANCING SOURCES					
Transfers from other funds	-	158,635	158,635	-	2,841
Total Revenues and Other Sources	\$ 11,422,874	\$ 11,707,611	\$ 11,766,748	\$ 11,649,504	\$ (38,550)
Appropriated Fund Balance		\$ 250,000	\$ 250,000		
Appropriated Reserves		-	70,132		
Total Revenues and Appropriated Fund Balance		\$ 11,957,611	\$ 12,086,880		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America

Windham-Ashland-Jewett Central School District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - General Fund
For the Year Ended June 30, 2018

	Prior Year Actual	Current Year				Final Budget Variance With Budgetary Actual And Encumbrances
		Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	
EXPENDITURES						
General Support						
Board of education	\$ 12,474	\$ 17,225	\$ 17,225	\$ 13,762	\$ -	\$ 3,463
Central administration	226,899	230,440	247,359	217,656	140	29,563
Finance	252,706	244,246	238,792	230,352	-	8,440
Staff	30,400	34,000	47,888	44,359	-	3,529
Central services	512,116	779,833	814,595	711,111	8,874	94,610
Special items	269,217	199,500	199,500	190,989	-	8,511
Total General Support	\$ 1,303,812	\$ 1,505,244	\$ 1,565,359	\$ 1,408,229	\$ 9,014	\$ 148,116
Instruction						
Instruction, administration and improvemen	\$ 291,472	\$ 309,508	\$ 324,930	\$ 318,650	\$ -	\$ 6,280
Teaching - regular school	3,074,348	3,316,618	3,329,180	3,198,013	10,130	121,037
Programs - children with handicap	512,131	526,000	653,915	599,608	-	54,307
Programs for learning disabled	218,729	218,942	167,508	160,370	-	7,138
Occupational education	157,748	180,000	147,085	147,085	-	-
Teaching - special school	12,799	7,750	7,750	4,617	-	3,133
Instructional media	369,750	355,788	333,388	299,739	-	33,649
Pupil services	574,203	535,222	611,987	508,146	2,220	101,621
Total Instruction	\$ 5,211,180	\$ 5,449,828	\$ 5,575,743	\$ 5,236,228	\$ 12,350	\$ 327,165
Pupil Transportation	603,883	627,226	690,815	670,676	-	20,139
Community Services	-	-	-	-	-	-
Employee Benefits	3,171,655	3,215,817	3,095,467	3,012,153	-	83,314
Debt Service	1,144,415	1,149,896	1,149,896	1,149,896	-	-
Total Expenditures	\$ 11,434,945	\$ 11,948,011	\$ 12,077,280	\$ 11,477,182	\$ 21,364	\$ 578,734
OTHER FINANCING USES						
Transfers to other funds	4,703	9,600	9,600	5,076	-	4,524
Total Expenditures and Other Uses	\$ 11,439,648	\$ 11,957,611	\$ 12,086,880	\$ 11,482,258	\$ 21,364	\$ 583,258
Net Change in Fund Balances	\$ (16,774)	\$ -	\$ -	\$ 167,246		
Fund Balance - beginning	1,903,672	-	-	1,886,898		
Fund Balance - ending	\$ 1,886,898	\$ -	\$ -	\$ 2,054,144		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America

See paragraph on supplementary schedules included in auditor's report.

Windham-Ashland-Jewett Central School District
Required Supplementary Information
Schedules of District Contributions
June 30, 2018

ERS Pension Plan Last 10 Years				
	2018	2017	2016	2015
Contractually Required Contribution	\$ 145,637	\$ 144,908	\$ 175,436	\$ 182,915
Contributions in relation to the Contractually Required Contribution	(145,637)	(144,908)	(175,436)	(182,915)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,022,193	\$ 969,619	\$ 1,032,917	\$ 995,428
Contributions as a percentage of covered-employee payroll	14.25%	14.94%	16.98%	18.38%

TRS Pension Plan Last 10 Years				
	2018	2017	2016	2015
Contractually Required Contribution	\$ 364,963	\$ 443,401	\$ 487,844	\$ 643,276
Contributions in relation to the Contractually Required Contribution	(364,963)	(443,401)	(487,844)	(643,276)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,692,104	\$ 3,783,285	\$ 3,679,071	\$ 3,660,806
Contributions as a percentage of covered-employee payroll	9.88%	11.72%	13.26%	17.57%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

See paragraph on supplementary schedules included in auditor's report.

Windham-Ashland-Jewett Central School District
Required Supplementary Information
Schedules of Proportionate Share of the Net Pension Liability (Asset)
June 30, 2018

	ERS Pension Plan Last 10 Years			
	2018	2017	2016	2015
District's Proportion of the Net Pension Asset or Liability	0.3774700%	0.3751700%	0.0040296%	0.0040713%
District's Proportionate Share of the Net Pension: Liability	\$ (121,826)	\$ (352,517)	\$ (646,756)	\$ (137,539)
District's Covered payroll	\$ 1,022,193	\$ 969,619	\$ 1,032,917	\$ 995,428
District's Proportionate Share of the Net Pension: Liability as a percentage of covered payroll	11.92%	36.36%	62.61%	13.82%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	98.24%	94.70%	90.70%	97.90%

	TRS Pension Plan Last 10 Years			
	2018	2017	2016	2015
District's Proportion of the Net Pension Asset or Liability	0.0238740%	0.0238420%	0.0244290%	0.0247830%
District's Proportionate Share of the Net Pension: Asset	\$ 181,468		\$ 2,537,397	\$ 2,760,649
Liability	\$ -	\$ (255,359)	\$ -	\$ -
District's Covered payroll	\$ 3,692,104	\$ 3,783,285	\$ 3,679,071	\$ 3,660,806
District's Proportionate Share of the Net Pension: Asset as a percentage of covered payroll	4.92%	6.75%	68.97%	75.41%
Liability as a percentage of covered payroll				
Plan Fiduciary Net Position as a percentage of the Total Pension Asset	100.66%	99.01%	110.46%	111.48%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled this presentation will only include information for those years for which information is available.

See paragraph on supplementary schedules included in auditor's report.

Windham-Ashland-Jewett Central School District
Schedules of Change from Adopted Budget to Final Budget
And Real Property Tax Limit
For the Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 11,957,611
Add: Appropriated Reserves:		
Prior year's encumbrances	\$ 60,132	
Employee Benefits	10,000	
Liability and Casualty	<u> -</u>	
		\$ 70,132
Budget Revisions:		
Donations accepted by the Board of Education		<u>\$ 59,137</u>
Final Budget		<u><u>\$ 12,086,880</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 Voter approved Expenditure Budget		<u><u>\$ 12,154,650</u></u>
Maximum Allowed (4%)		<u><u>\$ 486,186</u></u>
General Fund Fund Balance Subject to Section 1318 of Real property Tax Law:		
Unrestricted Fund Balance		
Committed Fund Balance	\$ -	
Assigned Fund Balance	271,364	
Unassigned Fund Balance	<u>464,629</u>	
Total Unrestricted Fund Balance		\$ 735,993
Less:		
Appropriated Fund Balance	\$ 250,000	
Encumbrances included in committed and assigned Fund Balance	<u>21,364</u>	
Total Adjustments		<u>271,364</u>
General Fund Fund Balance Subject to Section 1318 of Real property Tax Law		<u><u>\$ 464,629</u></u>
Actual Percentage		<u><u>3.82%</u></u>

See paragraph on supplementary schedules included in auditor's report

**Windham-Ashland-Jewett Central School District
 Supplementary Information
 Schedule of Project Expenditures
 Capital Projects Fund
 For the Year Ended June 30, 2018**

PROJECT TITLE	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
NYS Smart Schools Bond Act	\$ 147,823	\$ 147,823	\$ 135,103	\$ 1,350	\$ 136,453	\$ 11,370

See paragraph on supplementary schedules included in auditor's report.

**Windham-Ashland-Jewett Central School District
 Supplementary Information
 Schedule of Project Expenditures
 Capital Projects Fund
 For the Year Ended June 30, 2018**

PROJECT TITLE	Unexpended Balance	Methods of Financing					Fund Balance June 30, 2018
		Proceeds of Obligations	State Aid	Federal Aid	Local Sources	Total	
NYS Smart Schools Bond Act	\$ 11,370	\$ -	\$ 135,053	\$ -	\$ -	\$ 135,053	\$ -
					-		

See paragraph on supplementary schedules included in auditor's report.

Windham-Ashland-Jewett Central School District
Supplementary Information
Investment in Capital Assets, Net of Related Debt
June 30, 2018

Capital assets, net		\$ 18,315,720
Deduct:		
Related debt (less unexpended bond proceeds)		
Short-term portion of bonds payable	\$ 645,000	
Long-term portion of bonds payable	<u>13,280,000</u>	
Total bonds payable	\$ 13,925,000	
Related debt		<u>13,925,000</u>
Investment in capital assets, net of related debt		<u>\$ 4,390,720</u>

See paragraph on supplementary schedules included in auditor's report.

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

Board of Education
Windham-Ashland-Jewett Central School District
Windham, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the of the governmental activities, each major fund, and the aggregate remaining fund information of the Windham-Ashland-Jewett Central School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 9, 2018.

Internal Control over Financial Reporting

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

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

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

control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Others Matters

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

Purpose of this Report

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

Alexander Varga & Co.

October 9, 2018

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INDEPENDENT AUDITORS REPORT

Board of Education
Windham-Ashland-Jewett Central School District
Windham, New York

We have audited the accompanying Statement of Revenues Collected and Expenses Paid of the Windham-Ashland-Jewett Central School District's Extraclassroom Activity Fund for the year ended June 30, 2018, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts, disbursements, and changes in fund balance of the Extraclassroom Activity Funds of Windham-Ashland-Jewett Central School District as of and for the year ended June 30, 2018 in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

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

Alexander Varga & Co.

October 9, 2018

WINDHAM-ASHLAND-JEWETT CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID
YEAR ENDED JUNE 30, 2018

<u>ACTIVITIES</u>	<u>BALANCE JULY 1, 2017</u>	<u>REVENUES COLLECTED</u>	<u>EXPENSES PAID</u>	<u>BALANCE JUNE 30, 2018</u>
Class of 2018	4,124.68	2,745.00	6,869.68	-
Class of 2019	1,562.72	4,209.69	4,139.38	1,633.03
Class of 2020	3,249.29	6,864.19	3,382.57	6,730.91
Class of 2021	-	2,201.00	1,001.00	1,200.00
Student Council	2,087.00	21.60	-	2,108.60
Drama Club	5,088.15	7,057.61	7,711.14	4,434.62
Yearbook - The Wajerian	4,141.14	3,310.00	3,191.61	4,259.53
Science Club	2,077.14	1,759.00	2,597.21	1,238.93
Snow Sports Club	755.16	-	211.14	544.02
National Honor Society	2,325.03	18.84	101.76	2,242.11
Band Boosters	9,325.33	15,972.84	8,995.66	16,302.51
Junior National Honor Society	1,049.60	-	145.65	903.95
Fund Balance	<u>\$ 35,785.24</u>	<u>\$ 44,159.77</u>	<u>\$ 38,346.80</u>	<u>\$ 41,598.21</u>

WINDHAM-ASHLAND-JEWETT CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Windham-Ashland-Jewett Central School District. Extraclassroom assets and related fund balances are reported in the Trust and Agency Fund Balance Sheet in the District's general-purpose financial statements.

The accounts of the Extraclassroom Activity Funds of the Windham-Ashland-Jewett Central School District are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.

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MANAGEMENT LETTER

Board of Education
Windham-Ashland-Jewett Central School District
Windham, New York

As part of our audit of the financial statements of the Windham-Ashland-Jewett Central School District for the year ended June 30, 2018, we evaluated the District's internal control structure and performed tests of the District's compliance with certain laws and regulations. Our Report on Compliance and Internal Control appears on pages 66 and 67 of this report.

Our evaluation of internal control and tests of compliance were primarily designed to assist us in expressing an opinion on the District's financial statements, and not to provide assurance on its internal control structure or compliance with laws and regulations. As such, our tests were not designed to disclose all internal control weaknesses or instances of noncompliance.

Government Auditing Standards issued by the American Institute of Certified Public Accountants requires that we communicate certain audit matters to the Board of Education, who has responsibility for the oversight of the financial reporting process. The New York State Education Department requires that we submit a management letter that identifies weaknesses in internal controls and recommendations for improvement. It also requires that we cite non-material instances of noncompliance.

While the issues discussed below are not of such materiality that they are required to be disclosed in our Report on Compliance and Internal Controls, we believe that the Board should consider them carefully.

This report is intended for the information of the District's administration, Board of Education, and cognizant regulatory agencies. However, this report is a matter of public record and its distribution is not limited. Our comments and recommendations are as follows:

Accounting Software – User Privileges

During our evaluation of internal controls related to Information Technology we reviewed the controls related to how accounting employees access various segments of the District's accounting software. The software has built in controls which allow the system administrator to assign separate user access privileges to a wide variety of accounting tasks. Ideally, the system administrator should assign the following tasks to separate employees: the ability to create a transaction, process the transaction, change the transaction, and approve the transaction.

While documenting our understanding of the District's system of internal control we reviewed a list of user privileges related to the District's accounting software, and noticed one instance where an accounting employee had incompatible access rights. The accounts payable clerk, who is responsible for preparing purchase orders and payments to vendors, also has the ability to create new vendors, as well as edit and delete existing vendors. In our opinion, the ability to create, edit, or delete vendors should be assigned to someone other than the accounts payable clerk.

Recommendation

We recommend that the District conduct a review of its accounting software's access privileges. The system administrator should change user privileges related to processing expenditures in order to segregate between employees the ability to process expenditures and the ability to edit or delete vendor information.

Alexander Varga & Co.

October 9, 2018

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To the Board of Education
Windham-Ashland-Jewett Central School District
Windham, New York

We have audited the financial statements of the governmental activities and each major fund of the Windham-Ashland-Jewett Central School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our Engagement Letter to you dated August 8, 2018. Professional Standards also require that we communicate to you the information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. We noted no transactions entered into by the government unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Windham-Ashland-Jewett Central School District's financial statements were:

1 – Land, Buildings and Equipment, at cost, net of Accumulated Depreciation. Management's estimate of this asset is based on an estimate of the historical cost of structures owned by the District. Depreciation is calculated using estimated useful lives of these assets. We evaluated the key factors and assumptions used to develop Depreciation Expense in determining that it is reasonable in relation to the financial statements taken as a whole.

2 – Net Pension Asset (NYS Teachers Retirement System), Net Pension Liability (NYS Employees Retirement System), and related Deferred Outflows and Inflows of Resources. Management's estimates of these assets, liabilities, deferred outflows, and deferred inflows are based on estimates prepared by actuaries retained by the two retirement systems. We evaluated the key factors and assumptions used to develop this liability in determining that it is reasonable in relation to the financial statements taken as a whole.

3 –Other Post Employment Liabilities. Management’s estimate of this OPEB Liability and related Deferred Inflows of Resources is based on a calculation prepared by an actuary retained by the District. We evaluated the key factors and assumptions used to develop this liability in determining that it is reasonable in relation to the financial statements taken as a whole.

During the year the District adopted a new accounting standard, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The intent of this new standard is to improve accounting and financial reporting by requiring that an OPEB liability be reported on the face of the financial statements, rather than in the accompanying notes.

As a result of adopting GASB 75, the District had to restate its liability as of the end of the prior period (year ended June 30, 2017). The June 30, 2017 restatement resulted in the District increasing its OPEB liability by \$17,674,812. Please refer to the Notes to Financials (Note 13B).

Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- 1 - The disclosure of Land, Buildings and Equipment in Note 1 (L) to the financial statements.
- 2 – The disclosure of Net Pension Assets and Liabilities and Deferred Outflows and Inflows of Resources, in Note 11 to the financial Statements
- 3 – The disclosure of Other Post Employment Liabilities in Notes 14 and 14B to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We found no misstatements during our audit that required correction.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2018.

Other Audit Findings or Issues

We have issued a Management Letter which appears on pages 72 - 73 of our report. In this letter we address issues that we believe should be addressed by District's management.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the following Required Supplemental Information (RSI) that supplements the basic financial statements: the schedule of funding progress - other post employment benefits plans, budgetary comparison information, schedules of proportionate share of net pension asset or liability, and schedules of district pension contributions and on pages 57 to 61. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the following supplementary information, which accompany the financials but are not RSI: the schedules of change from adopted budget to final budget and real property tax limit, schedule of capital fund project expenditures, and schedule of capital assets, net of related debt (pages 62 to 65. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of the Windham-Ashland-Jewett Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Alexander Varga & Co.

October 9, 2018