

**OPPENHEIM-EPHRATAH-ST. JOHNSVILLE
CENTRAL SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2018

C O N T E N T S

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 2
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	3 – 11
<u>BASIC FINANCIAL STATEMENTS</u>	
Statement of net position	12
Statement of activities and changes in net position	13
Balance sheet – governmental funds.....	14
Reconciliation of governmental funds balance sheet to statement of net position	15
Statement of revenues, expenditures and changes in fund balances – governmental funds	16
Reconciliation of governmental funds statement of revenues, expenditures and changes in fund balances to statement of activities	17
Statement of fiduciary net position and statement of changes in fiduciary net position.....	18
<u>NOTES TO BASIC FINANCIAL STATEMENTS</u>	19 – 47
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of revenues, expenditures and changes in fund balance – budget (Non-GAAP basis) and actual – general fund	48 – 49
Schedule of funding progress other post-employment benefits.....	50
Schedule of the local government's proportionate share of the net pension liability	51
Schedule of local government contributions.....	52
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule of change from original budget to final budget and the real property tax limit calculation	53
Schedule of capital projects fund – project expenditures and financing resources.....	54
Net investment in capital assets	55
<u>FEDERAL AWARD PROGRAM INFORMATION (SINGLE AUDIT)</u>	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	57 – 58
Independent auditors' report on compliance for each major program and on internal control over compliance required by the Uniform Guidance	59 – 60
Schedule of expenditures of federal awards.....	61
Notes to schedule of expenditures of federal awards	62
Schedule of findings and questioned costs.....	63
<u>EXTRAClassroom Activity Funds</u>	
Independent auditors' report.....	65 – 66
Statement of assets and liabilities arising from cash transactions.....	67
Statement of revenues collected and expenses paid.....	68
Notes to financial statements	69
<u>MANAGEMENT LETTER</u>	70 – 72



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
St. Johnsville, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress other post-employment benefits and schedules of local government's proportionate share of the net pension liability and contributions on pages 3 through 11 and pages 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information on pages 53 through 55, as described in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
September 5, 2018

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2018. This section is a summary of the School District's financial activities based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's Net Position increased \$1,394,401.
- The District overall Fund Balance increased \$822,782.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are *District-wide* financial statements that provide both *short-term* and *long-term* information about the 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 *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 provide additional information about the financial statements and the balances reported. 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.

Table 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 that they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each statement.

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

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

District-Wide Statements

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

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

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered. 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 District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs.

Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund and the capital project fund. Required financial statements are the balance sheet and the statement of revenues, expenditures and changes in fund balances.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2

	Fiscal Year 2018	Fiscal Year 2017	% Change (Incr.; - Decr.)
Assets			
Current and other assets	\$ 16,203,247	\$ 15,342,933	5.6%
Capital assets - net	19,155,815	18,973,290	1.0%
Total Assets	35,359,062	34,316,223	3.0%
Deferred Outflows of Resources			
Other post-employment benefits	669,670	0	100.0%
Pensions	4,400,410	4,558,671	-3.5%
Total Deferred Outflows of Resources	5,070,080	4,558,671	11.2%
Liabilities			
Current liabilities	151,920	241,613	-37.1%
Long-term liabilities	34,764,826	15,078,937	130.6%
Total Liabilities	34,916,746	15,320,550	127.9%
Deferred Inflows of Resources			
Other post-employment benefits	3,459,519	0	100.0%
Pensions	1,347,415	289,763	365.0%
Total Deferred Inflows of Resources	4,806,934	289,763	1558.9%
Net Position			
Net investment in capital assets	16,125,815	15,053,290	7.1%
Restricted	8,577,271	8,664,958	-1.0%
Unrestricted	(23,997,624)	(453,667)	5189.7%
Total Net Position	\$ 705,462	\$ 23,264,581	-97.0%

Changes in Net Position

The School District's 2018 revenue was \$20,468,731. Property taxes and New York State aid accounted for the majority of revenue by contributing 19% and 66%, respectively, of the total revenue raised (see Table A-4). The remainder of revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$19,074,330 for 2018. These expenses (78%) are predominantly for the education, supervision and transportation of students (see Table A-5). The School District's administrative and business activities accounted for 18% of total costs.

Net position from operations increased during the year by \$1,394,401.

Table A-3

	Fiscal Year 2018	Fiscal Year 2017	% Change (Incr.; - Decr.)
Revenues			
Program Revenues			
Charges for services	\$ 66,044	\$ 74,602	-11.5%
Operating grants and contributions	1,269,174	1,273,331	-0.3%
General Revenues			
Property taxes	4,799,094	4,798,119	0.0%
State formula aid	13,466,998	13,530,296	-0.5%
Other	867,421	607,247	42.8%
Total Revenues	20,468,731	20,283,595	0.9%
Expenses			
General support	3,407,665	3,633,393	-6.2%
Instruction	13,218,299	13,341,315	-0.9%
Transportation	1,728,736	1,562,265	10.7%
Debt service	150,164	234,314	-35.9%
Cost of sales – Lunch Program	569,466	573,344	-0.7%
Total Expenses	19,074,330	19,344,631	-1.4%
Total Increase in Net Position	\$ 1,394,401	\$ 938,964	48.5%

TABLE A-4 – REVENUES

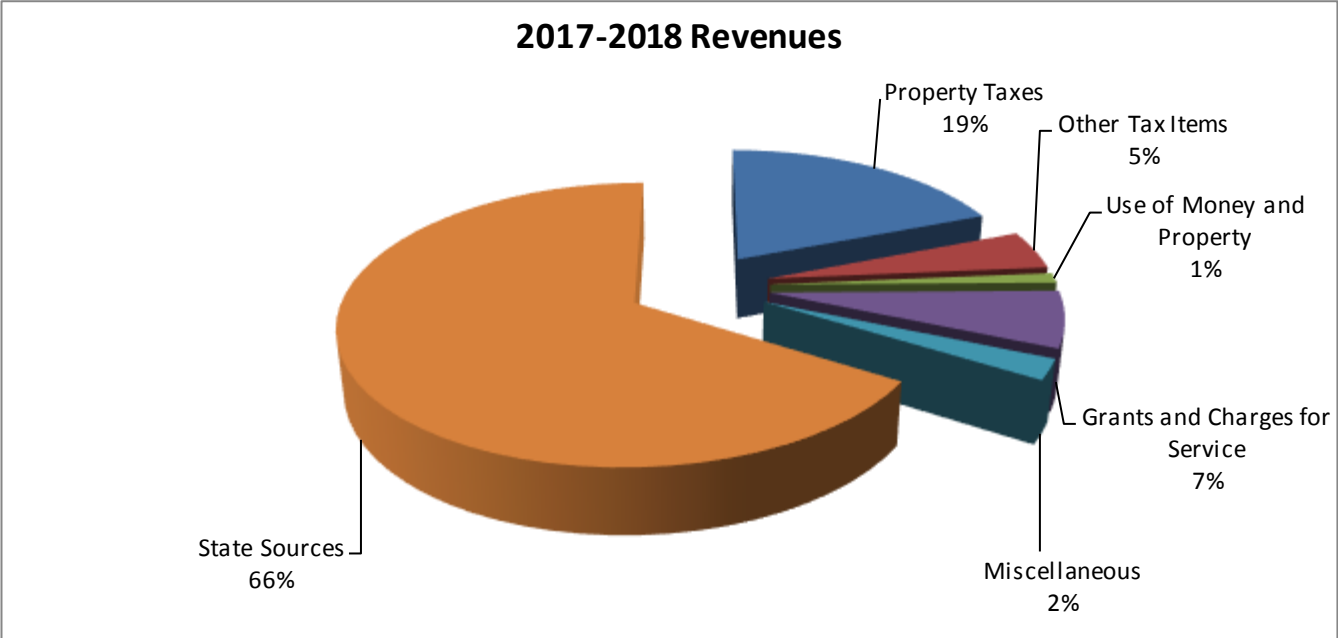
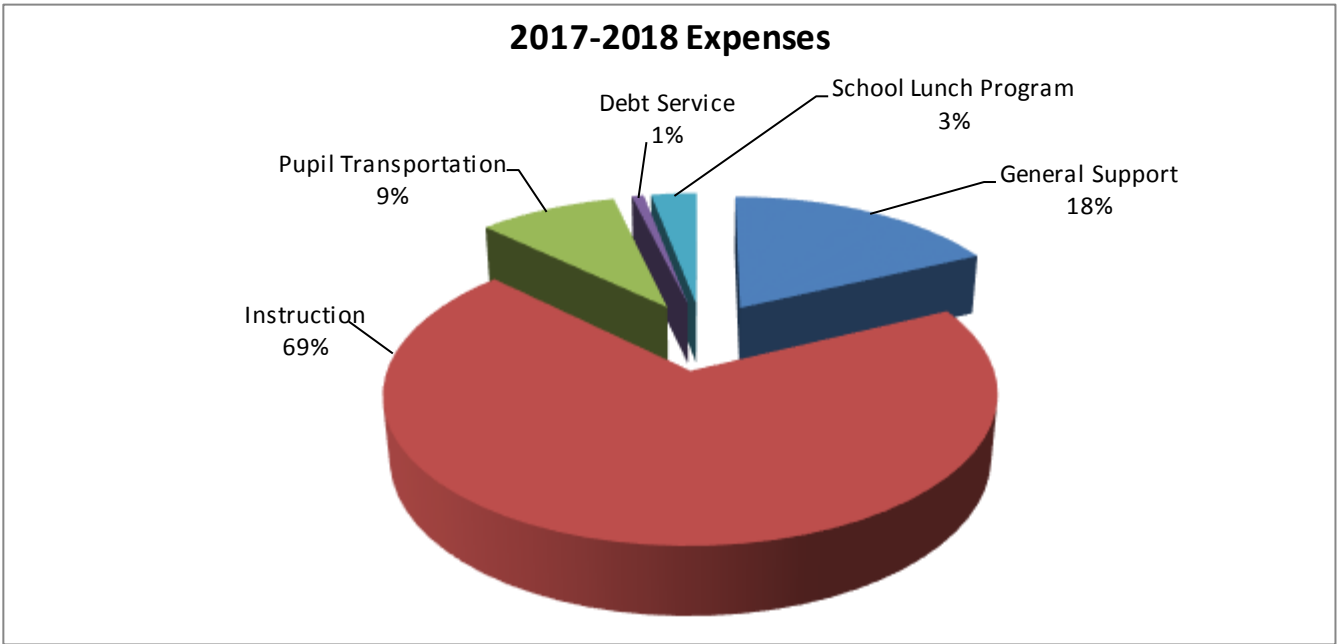


TABLE A-5 – EXPENDITURES



Governmental Activities

Revenue for the School District's governmental activities totaled \$20,468,731 while total expenses were \$19,074,330. Accordingly, net position increased by \$1,394,401.

Table A-6 presents the cost of several of the School District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Table A-6

Net Cost of Governmental Activities

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2018	2017	(Incr.; -Decr.)	2018	2017	(Incr.; -Decr.)
General support	\$ 3,407,665	\$ 3,633,393	-6.2%	\$ 3,407,665	\$ 3,633,393	-6.2%
Instruction	13,218,299	13,341,315	-0.9%	12,374,537	12,467,040	-0.7%
Pupil transportation	1,728,736	1,562,265	10.7%	1,728,736	1,562,265	10.7%
Debt service - interest	150,164	234,314	-35.9%	150,164	234,314	-35.9%
Cost of sales - lunch program	569,466	573,344	-0.7%	78,010	99,686	-21.7%
Totals	\$ 19,074,330	\$19,344,631		\$17,739,112	\$17,996,698	

- The cost of all governmental activities for the year was \$19,074,330.
- The users of the School District's programs financed \$66,044 of the costs.
- The federal and state government grants financed \$1,269,174.
- The majority of costs were financed by the School District's taxpayers and state aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$15,132,508. Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets and the current payments for debt, including the principal and interest payment.

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

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Results vs. Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Actual/Budget</u>
REVENUES				
Local Sources	\$ 4,970,004	\$ 4,970,004	\$ 5,489,562	\$ 519,558
State Source	13,605,653	13,605,653	13,466,998	(138,655)
Federal Sources	20,000	20,000	150,236	130,236
Total Revenues	18,595,657	18,595,657	19,106,796	\$ 511,139
EXPENDITURES				
General Support	2,709,144	2,523,024	2,410,394	\$ 112,630
Instruction	8,945,215	8,888,734	8,542,649	346,085
Pupil Transportation	1,213,534	1,340,288	1,204,084	136,204
Employee Benefits	4,737,082	4,261,660	4,254,654	7,006
Debt Service	1,050,950	1,050,950	1,040,164	10,786
Total Expenditures	18,655,925	18,064,656	17,451,945	612,711
OTHER USES				
Transfers Out	0	690,000	690,000	0
Total Expenditures and Other Uses	18,655,925	18,754,656	18,141,945	\$ 612,711
Revenues Over (Under) Expenditures	(60,268)	(158,999)	964,851	
Beginning Fund Balance	8,882,626	8,882,626	8,882,626	
Ending Fund Balance	\$ 8,822,358	\$ 8,723,627	\$ 9,847,477	
By Fund Balance Type				
Restricted			\$ 8,577,271	
Assigned			408,084	
Unassigned			862,122	
Total Fund Balance			\$ 9,847,477	

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

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2018, the School District had \$19,155,815 invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers and other educational equipment.

Table A-7

Capital Assets, Net of Depreciation

	Fiscal Year 2018	Fiscal Year 2017
Land	\$ 13,112	\$ 13,112
Buildings, furniture and equipment	18,026,409	18,687,560
Construction in progress	1,116,294	272,618
Totals	\$ 19,155,815	\$ 18,973,290

Long-Term Debt

As of June 30, 2018, the School District had \$33,956,609 in general obligation and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the basic financial statements.

Table A-8

Outstanding Long-Term Debt

	Fiscal Year 2018	Fiscal Year 2017
General obligation bonds (financed with property taxes)	\$ 3,030,000	\$ 3,920,000
Other debt	30,926,609	9,511,428
Totals	\$ 33,956,609	\$ 13,431,428

During 2018, the School District paid \$890,000 of outstanding bonds. Other debt represented other post-employment benefits and compensated absences for 2018 and 2017.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The District will be renting four additional rooms to HFM BOCES for Ag P-Tech, which will total 11 rooms for that program. The District will be losing the special education rooms that were rented by HFM BOCES. This will give the District a loss of revenue for the 2018-2019 school year of \$15,315.
- The District will increase the tax levy by 1% for the 2018-2019 school year.
- The District will start to see the decrease of the merger aid in 2018-2019 of \$146,616.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Oppenheim-Ephratah-St. Johnsville Central School District
Karen S. Mettler, Business Manager
44 Center Street
St. Johnsville, New York 13452

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

Cash	
Unrestricted	\$ 3,828,755
Restricted	9,989,548
Receivables	
State and Federal aid	2,026,856
Due from fiduciary funds	73,137
Inventories	10,688
Net pension asset - proportionate share	274,263
Capital assets, net of depreciation	19,155,815
Total Assets	35,359,062

DEFERRED OUTFLOWS OF RESOURCES

Other post-employment benefits	669,670
Pensions	4,400,410
Total Deferred Outflows of Resources	5,070,080

LIABILITIES

Payables	
Accounts payable	151,649
Due to other governments	271
Long-term liabilities	
Due and payable within one year	
Due to Teachers' Retirement System	578,236
Due to Employees' Retirement System	66,320
Bonds payable	670,000
Due and payable after one year	
Bonds payable	2,360,000
Other post-employment benefits	30,619,433
Net pension liability - proportionate share	163,661
Compensated absences payable	307,176
Total Liabilities	34,916,746

DEFERRED INFLOWS OF RESOURCES

Other post-employment benefits	3,459,519
Pensions	1,347,415
Total Deferred Inflows of Resources	4,806,934

NET POSITION

Net investment in capital assets	16,125,815
Restricted	
Insurance reserve	200,000
Reserve for employee benefit accrued liability	331,716
Reserve for property loss	200,000
Reserve for liability	100,000
Workers' compensation reserve	201,080
Capital reserve	3,803,806
Capital reserve - buses	1,881,089
Repair reserve	4,367
Retirement contribution reserve	1,752,796
Unemployment insurance reserve	102,417
Unrestricted	(23,997,624)
Total Net Position	\$ 705,462

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants	Changes in
				Net Position
FUNCTIONS/PROGRAMS				
General support	\$ 3,407,665	\$ 0	\$ 0	\$ (3,407,665)
Instruction	13,218,299	(17,789)	(825,973)	(12,374,537)
Pupil transportation	1,728,736	0	0	(1,728,736)
Debt service	150,164	0	0	(150,164)
School lunch program	569,466	(48,255)	(443,201)	(78,010)
Total Functions and Programs	\$ 19,074,330	\$ (66,044)	\$ (1,269,174)	(17,739,112)
GENERAL REVENUES				
Real property taxes				3,876,158
Other tax items				922,936
Use of money and property				235,320
Miscellaneous				481,865
State sources				13,466,998
Federal sources				150,236
Total General Revenues				19,133,513
CHANGE IN NET POSITION				1,394,401
TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED				(688,939)
TOTAL NET POSITION - END OF YEAR				\$ 705,462

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash						
Unrestricted	\$ 566,121	\$ 18,147	\$ 21,482	\$ 0	\$ 3,223,005	\$ 3,828,755
Restricted	8,577,271	0	0	1,412,277	0	9,989,548
Due from other funds	598,526	0	0	45,190	650,000	1,293,716
Due from fiduciary funds	73,137	0	0	0	0	73,137
State and federal aid receivable	1,478,627	520,222	28,007	0	0	2,026,856
Inventories	0	0	10,688	0	0	10,688
TOTAL ASSETS	<u>\$ 11,293,682</u>	<u>\$ 538,369</u>	<u>\$ 60,177</u>	<u>\$ 1,457,467</u>	<u>\$ 3,873,005</u>	<u>\$ 17,222,700</u>
LIABILITIES						
Accounts payable	\$ 151,649	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,649
Due to other funds	650,000	538,369	60,157	0	45,190	1,293,716
Due to other governments	0	0	271	0	0	271
Due to Employees' Retirement System	66,320	0	0	0	0	66,320
Due to Teachers' Retirement System	578,236	0	0	0	0	578,236
Total Liabilities	<u>1,446,205</u>	<u>538,369</u>	<u>60,428</u>	<u>0</u>	<u>45,190</u>	<u>2,090,192</u>
FUND BALANCE						
Nonspendable - Inventory	0	0	10,688	0	0	10,688
Restricted						
Reserve for employee benefit accrued liability	331,716	0	0	0	0	331,716
Reserve for property loss	200,000	0	0	0	0	200,000
Reserve for liability	100,000	0	0	0	0	100,000
Workers' compensation reserve	201,080	0	0	0	0	201,080
Capital reserve	3,803,806	0	0	0	0	3,803,806
Capital reserve - buses	1,881,089	0	0	0	0	1,881,089
Repair reserve	4,367	0	0	0	0	4,367
Retirement contribution reserve	1,752,796	0	0	0	0	1,752,796
Unemployment insurance reserve	102,417	0	0	0	0	102,417
Insurance reserve	200,000	0	0	0	0	200,000
Assigned	408,084	0	0	1,457,467	3,827,815	5,693,366
Unassigned	862,122	0	(10,939)	0	0	851,183
Total Fund Balance	<u>9,847,477</u>	<u>0</u>	<u>(251)</u>	<u>1,457,467</u>	<u>3,827,815</u>	<u>15,132,508</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,293,682</u>	<u>\$ 538,369</u>	<u>\$ 60,177</u>	<u>\$ 1,457,467</u>	<u>\$ 3,873,005</u>	<u>\$ 17,222,700</u>

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

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

JUNE 30, 2018

Total balance - governmental funds balance sheet (page 14)	\$ 15,132,508
Add:	
Land, building and equipment, net of accumulated depreciation	19,155,815
Net pension asset - proportionate share	274,263
Pensions	4,400,410
Total	<u>23,830,488</u>
Deduct:	
Compensated absences	307,176
Other post-employment benefits	33,409,282
Net pension liability - proportionate share	163,661
Pensions	1,347,415
Long-term bonds payable	3,030,000
Total	<u>38,257,534</u>
NET POSITION, GOVERNMENTAL ACTIVITIES	<u><u>\$ 705,462</u></u>

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital	Total Governmental Funds
REVENUES						
Real property taxes	\$ 3,876,158	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,876,158
Other tax items	922,936	0	0	0	0	922,936
Charges for services	17,789	0	0	0	0	17,789
Use of money and property	190,814	0	0	44,506	0	235,320
Miscellaneous	481,865	0	0	0	0	481,865
State sources	13,466,998	198,911	10,537	0	0	13,676,446
Federal sources	150,236	627,062	400,426	0	0	1,177,724
Surplus food	0	0	32,238	0	0	32,238
Sales - school lunch	0	0	48,255	0	0	48,255
Total Revenues	19,106,796	825,973	491,456	44,506	0	20,468,731
EXPENDITURES						
General support	2,410,394	0	0	0	0	2,410,394
Instruction	8,542,649	807,245	0	0	0	9,349,894
Pupil transportation	1,204,084	18,728	0	0	0	1,222,812
Employee benefits	4,254,654	0	40,912	0	0	4,295,566
Debt service						
Principal	875,000	0	0	0	0	875,000
Interest	165,164	0	0	0	0	165,164
Cost of sales	0	0	483,443	0	0	483,443
Capital outlay	0	0	0	0	843,676	843,676
Total Expenditures	17,451,945	825,973	524,355	0	843,676	19,645,949
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,654,851	0	(32,899)	44,506	(843,676)	822,782
OTHER FINANCING SOURCES AND USES						
Operating transfers in	0	0	40,000	2,085	650,000	692,085
Operating transfers (out)	(690,000)	0	0	0	(2,085)	(692,085)
Total Other Sources (Uses)	(690,000)	0	40,000	2,085	647,915	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND USES	964,851	0	7,101	46,591	(195,761)	822,782
FUND BALANCE - BEGINNING OF YEAR	8,882,626	0	(7,352)	1,410,876	4,023,576	14,309,726
FUND BALANCE - END OF YEAR	\$ 9,847,477	\$ 0	\$ (251)	\$ 1,457,467	\$ 3,827,815	\$ 15,132,508

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2018

REVENUES - GOVERNMENTAL FUNDS AND STATEMENT OF ACTIVITIES		\$ 20,468,731
EXPENDITURES	\$ 19,645,949	
Add:		
Depreciation	1,082,054	
Pensions	249,396	
Other post-employment benefits	267,993	
	<u>1,599,443</u>	
Deduct:		
Decrease in compensated absences	16,483	
Change in fixed assets	1,264,579	
Principal reduction from refinancing	15,000	
Principal payments of long-term debt	875,000	
	<u>2,171,062</u>	
EXPENDITURES - STATEMENT OF ACTIVITIES		<u>19,074,330</u>
CHANGE IN NET POSITION		<u><u>\$ 1,394,401</u></u>

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash	\$ 39,680	\$ 143,596
Investment in securities	51,200	0
Total Assets	<u>\$ 90,880</u>	<u>\$ 143,596</u>
LIABILITIES		
Due to governmental funds	\$ 0	\$ 73,137
Extraclassroom activity balances	0	56,493
Other liabilities	0	13,966
Total Liabilities	<u>0</u>	<u>\$ 143,596</u>
NET POSITION		
Reserved for scholarships	<u>\$ 90,880</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

ADDITIONS	
Interest	\$ 32
Gifts and contributions	<u>8,680</u>
Total additions	8,712
DEDUCTIONS	
Scholarships and awards	<u>3,815</u>
Change in Net Position	4,897
NET POSITION - BEGINNING OF YEAR	<u>85,983</u>
NET POSITION - END OF YEAR	<u>\$ 90,880</u>

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Oppenheim-Ephratah-St. Johnsville Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 Oppenheim-Ephratah-St. Johnsville Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls, all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management and primary accountability for all fiscal matters.

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

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

i) Extraclassroom Activity Funds

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

B) Joint Venture

The District is one of 15 component districts in Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

B) Joint Venture – (Continued)

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 \$346,354 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued no serial bonds on behalf of BOCES. As of year-end, the District had no outstanding BOCES debt.

The District's share of BOCES aid amounted to \$876,888.

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

C) Basis of Presentation

1) District-Wide Statements

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

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, 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 program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

C) Basis of Presentation – (Continued)

2) Funds Statements

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

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

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

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

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

The District reports the following fiduciary funds:

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

D) Measurement Focus and Basis of Accounting

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

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

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

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

E) Property Taxes

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

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

F) Restricted Resources

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

G) Interfund Transactions

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

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

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

H) Estimates

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

I) Cash (and Cash Equivalents)/Investments

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

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

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

Investments are stated at fair value.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

J) Accounts Receivable

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

K) Inventories and Prepaid Items

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

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

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

L) Capital Assets

Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	SL	40
Building improvements	5,000	SL	40
Site improvements	5,000	SL	20
Furniture and equipment	5,000	SL	8

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

M) Deferred Outflows and Inflows of Resources

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

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

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

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
District's proportionate share of the net pension asset (liability)	\$ (163,661)	\$ 274,263
District's portion of the Plan's total net pension asset (liability)	(.0050709%)	.036082%
Change in proportion since the prior measurement date	0.0001902%	(0.001014)%

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

For the year ended June 30, 2018, the District's recognized pension expense of \$234,663 for ERS and \$532,259 for TRS. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 58,373	\$ 225,651	\$ 48,237	\$ 106,932
Changes of assumptions	108,521	2,790,676	0	0
Net difference between projected and actual earnings on pension plan investments	237,704	0	469,205	645,968
Changes in proportion and differences between the District's contributions and proportionate share of contributions	172,843	208,063	9,507	67,566
District's contributions subsequent to the measurement date	66,320	532,259	0	0
Total	<u>\$ 643,761</u>	<u>\$ 3,756,649</u>	<u>\$ 526,949</u>	<u>\$ 820,466</u>

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

	ERS	TRS
Year ended:		
2019	\$ 137,857	\$ 767,215
2020	64,460	557,246
2021	(105,712)	160,052
2022	(46,113)	555,709
2023	0	271,347
Thereafter	0	0

Actuarial Assumptions

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Actuarial Assumptions – (Continued)

Significant actuarial assumptions used in the valuations were as follows:

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

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

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

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Actuarial Assumptions – (Continued)

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

Discount Rate

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

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

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>ERS</u>			
District's proportionate share of the net pension asset (liability)	\$ (1,238,020)	\$ (163,661)	\$ 745,443
	<u>1% Decrease (6.25%)</u>	<u>Current Assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
<u>TRS</u>			
District's proportionate share of the net pension asset (liability)	\$ (4,724,733)	\$ 274,263	\$ 4,460,673

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$66,320.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November, 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amount to \$578,236.

Additional pension information can be found in Note 9.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

N) Unearned Revenue

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

O) Vested Employee Benefits

Compensated Absences

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

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

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

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

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

P) Other Benefits

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

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

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

Q) Short-Term Debt

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

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

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

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

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

R) Accrued Liabilities and Long-Term Obligations

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

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

S) Equity Classifications

District-Wide Statements

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

i) Net Investment in Capital Assets

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

S) Equity Classifications – (Continued)

District-Wide Statements – (Continued)

ii) Restricted Net Position

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

iii) Unrestricted Net Position

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

Funds Statements

In the fund basis statements, there are five classifications of fund balance:

1. Nonspendable

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$10,688.

2. Restricted

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

The District has established the following restricted fund balances:

Currently Utilized by the District:

Capital

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

S) Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Debt Service

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

Employee Benefit Accrued Liability

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

Retirement Contribution

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

Unemployment Insurance

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

S) Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Workers' Compensation

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

Repairs

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

Insurance

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

Property Loss and Liability Reserve

According to Education Law 1709(8)(c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

S) Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Encumbrances

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

3. Committed

Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School 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.

4. Assigned

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

5. Unassigned

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

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

Order of Use of Fund Balance

The District's policy is to annually determine the appropriate use of fund balance upon recommendation of the Superintendent and Board of Education.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

T) New Accounting Standards

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

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

U) Future Changes in Accounting Standards

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

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

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

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

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

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

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

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

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

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 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 fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension Differences

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

Budgets – (Continued)

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

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

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 at year end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

Deficit Fund Balance

The School Lunch Fund had a deficit fund balance of \$251 at June 30, 2018. Management is reviewing the lunch fund to determine how to correct the deficit.

NYS Real Property Tax Law 1318 Limit

The portion of the District's fund balance subject to the New York State Real Property Tax Law §1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include the use of reserves.

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

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	7,029,283

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 \$9,989,548 within the governmental funds and \$183,276 in fiduciary funds.

NOTE 5 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 13,112	\$ 0	\$ 0	\$ 13,112
Construction in process	272,618	843,676	0	1,116,294
Total nondepreciable historical cost	285,730	843,676	0	1,129,406
Capital assets that are depreciated:				
Buildings	34,440,257	0	0	34,440,257
Furniture and equipment	5,193,688	420,903	160,005	5,454,586
Total depreciable historical cost	39,633,945	420,903	160,005	39,894,843
Less accumulated depreciation:				
Buildings, furniture and equipment	20,946,385	1,082,054	160,005	21,868,434
Total accumulated depreciation	20,946,385	1,082,054	160,005	21,868,434
Net depreciable historical cost	18,687,560	(661,151)	0	18,026,409
Total historical cost, net	\$ 18,973,290	\$ 182,525	\$ 0	\$ 19,155,815
Depreciation was allocated to the following programs as follows:				
General support		\$ 193,092		
Instruction		749,000		
Pupil transportation		97,957		
School lunch program		42,005		
Total		\$ 1,082,054		

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – SHORT-TERM DEBT

The District had no short-term debt for the 2017-2018 school year.

NOTE 7 – LONG-TERM DEBT

Interest on long-term debt for the year was \$165,164.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation debt					
2004 Serial Bonds	\$ 435,000	\$ 0	\$ 285,000	\$ 150,000	\$ 150,000
2010 Serial Bonds	3,035,000	0	395,000	2,640,000	395,000
2005 Serial Bonds	450,000	0	210,000	240,000	125,000
Total bonds and notes payable	3,920,000	0	890,000	3,030,000	670,000
Other liabilities:					
Other post-employment benefits	9,187,769	21,431,664	0	30,619,433	0
Compensated absences, net	323,659	0	16,483	307,176	0
TOTAL LONG-TERM LIABILITIES	<u>\$ 13,431,428</u>	<u>\$ 21,431,664</u>	<u>\$ 906,483</u>	<u>\$ 33,956,609</u>	<u>\$ 670,000</u>

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

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

<u>Description of Issue</u>	<u>Serial Bond</u>	<u>Serial Bond</u>	<u>Serial Bond</u>
Issue date	6/15/2010	2/15/2005	4/1/2004
Final maturity	6/15/2024	6/15/2024	4/15/2009
Interest rate	2.00-5.00%	3.375-4.000%	3.500-3.625%
Outstanding at year-end	\$ 2,640,000	\$ 240,000	\$ 150,000
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2019	\$ 675,000	\$ 139,769	\$ 814,769
2020	435,000	115,794	550,794
2021	450,000	88,956	538,956
2022	475,000	70,019	545,019
2023	490,000	49,550	539,550
Thereafter	505,000	25,330	530,330
TOTALS	<u>\$ 3,030,000</u>	<u>\$ 489,418</u>	<u>\$ 3,519,418</u>

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – INTERFUND TRANSACTIONS – GOVERNMENT FUNDS

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 671,663	\$ 650,000	\$ 0	\$ 690,000
Special Aid Funds	0	538,369	0	0
School Lunch Fund	0	60,157	40,000	0
Debt Service Fund	45,190	0	2,085	0
Capital Projects Fund	650,000	45,190	650,000	2,085
	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Activities	1,366,853	1,293,716	692,085	692,085
	<hr/>	<hr/>	<hr/>	<hr/>
Fiduciary Agency Fund	0	73,137	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 1,366,853	\$ 1,366,853	\$ 692,085	\$ 692,085
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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

NOTE 9 – PENSION PLANS

General Information

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

Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 9 – PENSION PLANS – (CONTINUED)

Plan Descriptions and Benefits Provided: – (Continued)

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2017-2018	\$ 532,259	\$ 234,663
2016-2017	681,847	259,840
2015-2016	815,285	289,828

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

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

Additional pension information can be found in Note 1 M.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information About the OPEB Plan:

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	106
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>141</u>
Total	<u>247</u>

Total OPEB Liability:

The District's total OPEB liability of \$30,619,433 was measured as of July 1, 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, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2 %
Salary Increases	3.5 %, average, including inflation
Discount Rate	3.6 %
Healthcare Cost Trend Rates	7.00-9.00% for 2018 per year to an ultimate rate of 3.94% for 2087 and later years.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Actuarial Assumptions and Other Inputs – (Continued)

The discount rate is now an input tied to a 20-year tax-exempt general obligation municipal bond rated AA/Aa (or equivalent) or higher as of the Measurement Date.

Mortality rates were based on the RPH-2014 Mortality Table with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2015.

Changes in the Total OPEB Liability:

Balance at July 1, 2016	\$ 33,141,289
Changes for the year:	
Service cost	1,398,860
Interest	973,748
Changes in benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	(4,147,296)
Benefit payments	<u>(747,168)</u>
Net changes	<u>(2,521,856)</u>
Balance at July 1, 2017	<u>\$ 30,619,433</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.85% in 2016 to 3.6% in 2018.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.6 percent) or 1 percentage point higher (4.6 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 36,326,131	\$ 30,619,433	\$ 26,118,356

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.0-7.0 decreasing to 2.94%) or 1 percentage point higher (4.6%) than the current healthcare cost trend rate:

	1% Decrease (6.0-8.0% Decreasing to 2.94%)	Healthcare Cost Trend Rates (7.0-9.0% Decreasing to 3.94%)	1% Increase (8.0-10.0% Decreasing to 4.94%)
Total OPEB Liability	\$ 25,408,356	\$ 30,619,433	\$ 37,431,811

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$267,993. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions or other inputs	0	(3,459,519)
Employer contributions subsequent to the measurement date	<u>669,670</u>	<u>0</u>
Total	<u>\$ 669,670</u>	<u>\$(3,459,519)</u>

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

<u>Fiscal Year Ending June 30:</u>	
2019	\$ (687,777)
2020	(687,777)
2021	(687,777)
2022	(687,777)
2023	(708,411)
Thereafter	<u>0</u>
Total	<u>\$(3,459,519)</u>

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 11 – 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.

Consortiums and Self Insured Plans

The District participates in CASHIC (Capital Area Schools Health Insurance Consortium), a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 14 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide unlimited coverage for its members for each insured event. The pool obtains independent coverage for insured events in excess of the co-payment and deductible, and the District has essentially transferred all related risk to the pool.

The District participates in Madison-Oneida-Herkimer Workers Compensation Consortium, 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. The District's share of the liability for unbilled and open claims is \$7,536.

NOTE 12 – DONOR-RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of scholarships.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTE 13 – 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 years' experience, the District's administration believes disallowances, if any, will be immaterial.

The District does not accrue a liability for accumulating, nonvesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of GASB #16, the value for accumulating, nonvesting sick leave is considered a contingent liability. The District reports \$580,709 for accumulating, nonvesting sick leave.

NOTE 14 – TAX ABATEMENTS

The County of Fulton, enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. The School District's property tax revenue was reduced \$48,441. The District received Payment in Lieu of Tax (PILOT) payment totaling \$3,143.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 15 – RESTATEMENT OF NET POSITION

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

Net Position beginning of year as previously stated	\$ 23,264,581
GASB Statement No. 75 implementation:	
Difference Beginning OPEB Liability and	
previously recorded OPEB Liability	<u>(23,953,520)</u>
Net Position beginning of year as restated	<u>\$ (688,939)</u>

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 5, 2018, the date of the issuance of the audit report. There were no issues to report that would have a material effect on the financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE 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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Revenues</u>	<u>Final Budget Variance with Budgetary Actual Over (Under)</u>
REVENUES:				
Local Sources				
Real property taxes	\$ 3,790,804	\$ 3,790,804	\$ 3,876,158	\$ 85,354
Real property tax items	998,845	998,845	922,936	(75,909)
Charges for services	0	0	17,789	17,789
Use of money and property	160,355	160,355	190,814	30,459
Miscellaneous	20,000	20,000	481,865	461,865
Total Local Sources	4,970,004	4,970,004	5,489,562	519,558
State Sources	13,605,653	13,605,653	13,466,998	(138,655)
Federal Sources	20,000	20,000	150,236	130,236
Total Revenues	18,595,657	18,595,657	19,106,796	\$ 511,139

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE 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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance With Budgetary Actual and Encumbrances (Over) Under</u>
EXPENDITURES					
General Support					
Board of Education	39,604	39,604	21,178	\$ 0	\$ 18,426
Central administration	196,888	199,488	189,872	0	9,616
Finance	162,901	190,122	186,177	0	3,945
Staff	116,092	109,097	104,684	0	4,413
Central services	1,879,757	1,670,811	1,602,783	68,028	0
Special items	313,902	313,902	305,700	0	8,202
Instructional					
Instruction, administration and improvements	450,244	459,606	432,187	0	27,419
Teaching – regular school	4,039,445	3,985,792	3,915,421	3,519	66,852
Programs for children with handicapping conditions	2,992,705	3,031,959	2,917,052	0	114,907
Occupational education	243,825	217,312	194,312	0	23,000
Instructional media	672,317	647,386	583,464	28,268	35,654
Pupil services	546,679	546,679	500,213	0	46,466
Pupil Transportation	1,213,534	1,340,288	1,204,084	123,747	12,457
Employee Benefits	4,737,082	4,261,660	4,254,654	0	7,006
Debt Service	1,050,950	1,050,950	1,040,164	0	10,786
Total Expenditures	18,655,925	18,064,656	17,451,945	223,562	389,149
Other Financing Uses					
Transfers to other funds	0	690,000	690,000	0	0
Total Expenditures and Other Uses	18,655,925	18,754,656	18,141,945	\$ 223,562	\$ 389,149
NET CHANGE IN FUND BALANCE	(60,268)	(158,999)	964,851		
FUND BALANCE – BEGINNING	8,882,626	8,882,626	8,882,626		
FUND BALANCE – ENDING	<u>\$ 8,822,358</u>	<u>\$ 8,723,627</u>	<u>\$ 9,847,477</u>		

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS OTHER POST-EMPLOYMENT BENEFITS

FOR THE YEAR ENDED JUNE 30, 2018

Measurement Date	July 1, 2017
Total OPEB Liability	
Service cost	\$ 1,398,860
Interest	973,748
Change of benefit terms	0
Differences between expected and actual experience	0
Change of assumptions or other inputs	(4,147,296)
Benefit payments	(747,168)
	<hr/>
Net change in total OPEB liability	(2,521,856)
Total OPEB Liability - beginning	<hr/> 33,141,289
Total OPEB Liability - ending	<hr/> <hr/> \$ 30,619,433
Covered-employee payroll	\$ 7,182,968
Total OPEB liability as a percentage of covered-employee payroll	426.28%
Plan's fiduciary net position	\$ 0
Net OPEB Liability	\$ 30,619,433

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

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

NYS Teachers' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.036082%	0.037096%	0.040069%	0.037702%
District's proportionate share of the net pension liability (asset)	\$ (274,263)	\$ 397,315	\$ (4,161,841)	\$ (4,199,822)
District's covered-employee payroll	5,607,069	5,817,803	5,826,817	6,173,605
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	4.9%	6.8%	71.4%	68.0%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.70%	99.00%	110.50%	111.48%

NYS Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0050709%	0.0048807%	0.0052701%	0.0035102%
District's proportionate share of the net pension liability (asset)	\$ 163,661	\$ 458,600	\$ 845,858	\$ 118,582
District's covered-employee payroll	1,733,856	1,656,645	1,592,459	1,572,027
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.4%	27.7%	53.1%	7.5%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

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

NYS Teachers' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 549,493	\$ 681,847	\$ 815,285	\$ 1,055,101
Contributions in relation to the contractually required contribution	<u>549,493</u>	<u>681,847</u>	<u>815,285</u>	<u>1,055,101</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 5,607,069	\$ 5,817,803	\$ 5,826,817	\$ 6,173,605
Contribution as a percentage of covered-employee payroll	9.80%	11.72%	13.99%	17.09%

NYS Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 234,663	\$ 259,840	\$ 289,828	\$ 288,499
Contributions in relation to the contractually required contribution	<u>234,663</u>	<u>259,840</u>	<u>289,828</u>	<u>288,499</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,733,856	\$ 1,656,645	\$ 1,592,459	\$ 1,572,027
Contribution as a percentage of covered-employee payroll	13.53%	15.68%	18.20%	18.35%

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT CALCULATION**

FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET

ADOPTED BUDGET	\$ 18,655,925
ADDITIONS:	
Prior year's encumbrances	98,731
FINAL BUDGET	<u>\$ 18,754,656</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter-approved expenditure budget	\$ 19,189,342
Maximum allowed (4% of 2018-2019 budget)	767,574
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	408,084
Unassigned fund balance	862,122
Total unrestricted fund balance	1,270,206
Less:	
Appropriated fund balance	184,522
Encumbrances included in assigned fund balance	223,562
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 862,122</u>
Actual percentage	4.5%

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

FOR THE YEAR ENDED JUNE 30, 2018

<u>Project Title</u>	Original	Revised	Expenditures			Unexpended	Methods of Financing			Fund
	<u>Appropriation</u>	<u>Appropriation</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>		<u>State</u>	<u>Local</u>	<u>Total</u>	<u>Balances</u>
			<u>Year</u>	<u>Year</u>		<u>Balance</u>	<u>Aid</u>	<u>Sources</u>		
Elementary Reconstruction	\$ 100,000	\$ 100,000	\$ 97,915	\$ 2,085	\$ 100,000	\$ 0	\$ 0	\$ 100,000	\$ 100,000	\$ 0
Reconstruction	24,016,000	24,016,000	174,703	843,676	1,018,379	22,997,621	0	4,846,194	4,846,194	3,827,815
TOTALS	<u><u>\$ 24,116,000</u></u>	<u><u>\$ 24,116,000</u></u>	<u><u>\$ 272,618</u></u>	<u><u>\$ 845,761</u></u>	<u><u>\$ 1,118,379</u></u>	<u><u>\$ 22,997,621</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 4,946,194</u></u>	<u><u>\$ 4,946,194</u></u>	<u><u>\$ 3,827,815</u></u>

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

NET INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS, NET		\$	19,155,815
DEDUCT:			
Short-term portion of bonds payable	\$	670,000	
Long-term portion of bonds payable		<u>2,360,000</u>	
			<u>3,030,000</u>
NET INVESTMENT IN CAPITAL ASSETS		\$	<u><u>16,125,815</u></u>

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

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

(UNIFORM GUIDANCE)

JUNE 30, 2018



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

To the President and the Other Members
of the Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
St. Johnsville, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oppenheim-Ephratah-St. Johnsville 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 September 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 5, 2018



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

To the President and the Other Members
of the Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
St. Johnsville, New York

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 5, 2018

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through NYS Education Department:			
Special Education Cluster:			
Special Education - Grants to States	84.027	0032180400	\$ 212,330
Special Education - Preschool Grants	84.173	0033180400	6,389
			<hr/>
Total Special Education Cluster			218,719
 Title I Grants to Local Educational Agencies	84.010	0021181440	348,207
Improving Teacher Quality State Grants	84.367	0147181440	47,120
Rural Education	84.358	0006181440	13,016
			<hr/>
Total U.S. Department of Education			627,062
			<hr/>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through NYS Education Department:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	Not Applicable	32,238
 Cash Assistance			
School Breakfast Program	10.553	Not Applicable	78,307
National School Lunch Program	10.555	Not Applicable	310,308
Summer Food Service Program for Children	10.559	Not Applicable	11,811
			<hr/>
Total Child Nutrition Cluster			432,664
			<hr/>
Total U.S. Department of Agriculture			432,664
			<hr/>
TOTAL FEDERAL AWARDS EXPENDED			\$ 1,059,726
			<hr/> <hr/>

See notes to schedule of expenditures of federal awards.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

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

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

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

NOTE B – SUBRECIPIENTS

No amounts were provided to subrecipients.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the District had food commodities totaling \$941.21 in inventory.

NOTE D – INDIRECT COST RATE

The District has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE E – CLUSTERS

The Special Education Cluster consists of Special Education – Grants to States and Special Education – Preschool Grants. The Child Nutrition Cluster consists of Food Distribution, School Breakfast Program, National School Lunch Program and Summer Food Service Program for Children.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued: unmodified
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? ___Yes X No
 - b. Significant deficiency(ies) identified? ___Yes X No
3. Noncompliance material to financial statements noted? ___Yes X No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness(es) identified? ___Yes X No
 - b. Significant deficiency(ies) identified? _____ Yes X No
2. Type of auditors' report issued on compliance for major programs: unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? ___ Yes X No
4. Identification of major programs:

CFDA Number

Name of Federal Program

10.555
10.553
10.559

National School Lunch Program
National School Breakfast Program
Summer Food Service Program for Children

5. Dollar threshold used to distinguish between type A and B programs: \$750,000.
6. Auditee qualified as low-risk auditee? X Yes ___No

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None.

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

None.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

EXTRACLASSROOM ACTIVITY FUNDS

JUNE 30, 2018



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
St. Johnsville, New York

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinion

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

Basis of Accounting

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 5, 2018

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2018

ASSETS

Cash

\$ 56,493

TOTAL ASSETS

\$ 56,493

LIABILITIES AND CLUB BALANCES

Club balances

\$ 56,493

TOTAL LIABILITIES AND CLUB BALANCES

\$ 56,493

See independent auditors' report.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Receipts	Disbursements	Balance June 30, 2018
Art Club	\$ 222	\$ 390	\$ 449	\$ 163
Bowling Club	10	0	0	10
Boys basketball	9	0	0	9
Boys soccer	0	50	0	50
Cheerleaders	66	3,096	3,153	9
Chromebook	1,690	394	2,084	0
Class of 2013	15	0	15	0
Class of 2017	5	0	5	0
Class of 2018	1,310	12,474	13,784	0
Class of 2019	5,044	7,223	5,117	7,150
Class of 2020	4,397	1,288	816	4,869
Class of 2021	346	4,258	792	3,812
Class of 2022	912	2,833	1,366	2,379
Class of 2023	10,529	1,778	11,123	1,184
Class of 2024	0	18,148	5,287	12,861
Drama Club	1,069	0	0	1,069
Elementary Yearbook	184	1,337	1,521	0
FFA	7,999	17,667	17,379	8,287
Foreign Language Club	1,436	0	0	1,436
Garden Club	96	0	96	0
Girls basketball	0	1,324	1,131	193
Home and Careers	28	0	28	0
HS Band	1,217	3,401	1,427	3,191
HS Chorus	1,573	0	150	1,423
Library Club	1,823	0	0	1,823
National Honor Society	1,441	0	0	1,441
National Junior Honor Society	744	0	0	744
Pay it Forward	25	0	0	25
Prom Activity Account	872	5,454	6,191	135
SADD	155	0	155	0
Ski Club	458	0	0	458
Student Council	1,939	299	0	2,238
Team Quest	442	0	442	0
The Wolf Den	664	0	0	664
Volleyball	2	317	0	319
Yearbook	1,888	1,893	3,781	0
Sales tax withholding	1,689	2,599	4,137	151
Interest earned	331	69	0	400
TOTALS	\$ 50,630	\$ 86,292	\$ 80,429	\$ 56,493

See independent auditors' report.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds of the Oppenheim-Ephratah-St. Johnsville Central School District represent funds of students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions, and the designation of student management. However, since the Board of Education does exercise general oversight, these funds and their corresponding cash accounts are reflected in the agency column of the Statement of Fiduciary Net Position – Fiduciary Funds associated with the basic financial statements of the District.

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

NOTE 2 – MANAGEMENT LETTER

The management letter items for the Extraclassroom Activity Funds are included in the management letter associated with the basic financial statements.



September 5, 2018

To the President and the Other Members
of the Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
St. Johnsville, New York

Re: Management Letter
June 30, 2018

Dear Board Members:

In planning and performing our audit of the basic financial statements of the Oppenheim-Ephratah-St. Johnsville Central School District for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. The following summarizes our comments and recommendations regarding those matters. We previously reported on the District's internal control in our report dated September 5, 2018. This letter does not affect our report dated September 5, 2018, on the financial statements of Oppenheim-Ephratah-St. Johnsville Central School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

Prior-Year Findings

(1) General Fund – Assigned and Unassigned Fund Balance

Prior Condition: As of June 30, 2016 assigned and unassigned fund balances have exceeded 4% of the subsequent year's General Fund appropriation budget. Real property tax law states that the assigned and unassigned fund balances should not exceed 4% of the subsequent year's General Fund appropriation budget.

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

Recommendation: We recommend that the Board of Education take the necessary actions to reduce the District's General Fund assigned and unassigned fund balances to statutory limits.

(2) **Extraclassroom Activity Funds**

Prior Condition:

- a. When performing tests of receipts and disbursements, we noted multiple issues with sales taxes.
- b. Clubs are not completing profit and loss statements or inventory control sheets for their fundraisers.
- c. We noted a number of inactive clubs.

Status: Conditions a, b, and c above remain unchanged for the year ended June 30, 2018.

Recommendation: The Central Treasurer should ensure that all required signatures are on the supporting documentation at the time a deposit is made or a check is written. The District should review pamphlet number two issued by the New York State Education Department in order to correct these conditions. We recommend that the District remove all dormant clubs from the Extraclassroom Activities Funds and, at the discretion of the Board, distribute funds from these dormant clubs to other active clubs.

(3) **School Lunch Fund Deficit**

Prior Condition: As of June 30, 2016, the school lunch fund had a deficit of \$7,352.

Status: As of June 30, 2017, the school lunch fund deficit is now \$251.

Recommendation: We recommend that the District look at meal pricing, participation levels, possible cost reductions and/or additional general fund transfers to eliminate the fund deficit.

(4) **Overtime Pay Calculation**

Prior Condition: During our testing of employee payroll we noted one instance where an employee's overtime pay was being calculated based on the wrong hourly rate.

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

(5) **Disbursement Account Classification**

Prior Condition: During our testing of disbursements we noted two instances where the disbursements were posted to an incorrect expenditure account code.

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

(6) **Collateral**

Prior Condition: During our review of third-party collateral we noted that an account was not properly collateralized.

Status: The District has determined it is an issue with the Extra calassroom Activity Fund not having the same Federal ID number as the District.

Recommendation: The business office should review the collateral with the bank in question and determine appropriate steps to make sure proper collateral is obtained.

* * * * *

We appreciate the courtesies, assistance and cooperation given us during our audit by Mrs. Mettler and Business Office personnel.

Please feel free, at your convenience, to contact us regarding our comments and recommendations, or any other matters that may come to your attention.

Very truly yours,

WEST & COMPANY CPAs PC

WEST & COMPANY CPAs PC