

October 11, 2018

To the President and Members  
of the Board of Education of the  
Schodack Central School District

Dear President and Members of the Board of Education:

We have audited the financial statements of the governmental activities and each major fund of the Schodack Central School District (the District) as of and for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated that information in our engagement letter to you dated June 14, 2018. Professional standards also require that we communicate the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 5 to the financial statements, the District changed accounting policies related to accounting and reporting specific to postemployment benefits by adopting statement of Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2017/2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

1. Management's estimate of the depreciable lives of property and equipment are based on judgments regarding the length of time an asset will provide value to the District.
2. Management's estimate of the compensated absences are based upon accumulated sick days, rates of pay and the probability of retirement.
3. Management's estimate of the other post-employment benefits and related deferred outflows/inflows is based on an actuarial calculation provide by a third party.
4. Management's estimate of the net pension asset/liability and deferred outflows/inflows is based on actuarial assumptions provided by the individual state plans.

We evaluated the key factors and assumptions used to develop each of the above estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are those related to the other postemployment benefits and pension plans.

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

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following misstatements detected as a result of the audit procedures and were corrected by management.

<b><u>Fund/Account Impacted</u></b>		<b><u>Net Income Overstated/(Understated)</u></b>
Capital projects fund/Expenditures recorded in the incorrect year	\$	(35,500)
School lunch fund/Interest overstated		7,361

*Disagreements with Management*

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

*Management Representations*

We have requested and received certain representations from management that are included in the management representation letter dated October 11, 2018.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedule of revenues, expenditures and changes in fund equity - budget and actual - general fund, schedule of changes in total OPEB liability, schedules of proportionate share of net pension liability (asset) and schedules of district contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

*Marvin and Company, P.C.*

**SCHODACK CENTRAL SCHOOL DISTRICT  
FINANCIAL REPORT  
JUNE 30, 2018**

# SCHODACK CENTRAL SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the President and Members  
of the Board of Education of the  
Schodack Central School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Schodack 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.

### ***Auditor's Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Schodack Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 5 to the financial statements, the District changed its method of accounting for *Postemployment Benefits Other than Pensions* in 2017/2018 as required by the provisions of GASB Statement Number 75. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1-A17, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of district contributions on page C5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

### *Supplemental Schedules*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schodack Central School District's basic financial statements. The supplemental information on pages D1-D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Marvin and Company, P.C.*

Latham, NY

October 11, 2018

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**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

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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 fiscal year are discussed. 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**

At the close of the 2017-18 school year, the government-wide net position of the school district was \$(36,323,028). The total net position decreased \$28,354,096 from July 1, 2017. The decrease in net position is mostly attributable to the change in the other postemployment benefit liability. Further detail on the change in Net Position is provided on page B2.

Total combined fund equity for governmental funds equaled a deficiency of \$9,853,125 for the fiscal year ending June 30, 2018. Combined fund equity for the governmental funds is comprised of the fund equity for the General Fund, School Lunch Fund, Special Aid Fund, Capital Projects Fund and Debt Service Fund.

The General Fund, the chief operating fund of the school district, closed with fund equity of \$6,520,058 an increase of \$974,978. The fund equity in the General Fund is made up of restricted fund equity of \$4,444,894, an assigned fund equity of \$1,096,327, and an unassigned fund equity of \$978,837. The restricted fund equity of \$4,444,894 includes \$253,315 for Worker's Compensation, \$504,373 for Unemployment, \$860,817 for Employee Retirement System, \$375,302 for Employee Benefit Accrued Liability, \$451,087 for Insurance, and \$2,000,000 for Capital Reserve approved by the voters in May 2018. The assigned fund equity of \$1,096,327 includes \$96,327 reserved for carryover encumbrances and \$1,000,000 appropriated for tax reduction in the 2018-19 budget.

The Capital Project closed with fund deficit of \$(16,868,940) a decrease of \$10,232,202. The fund deficit in the Capital Fund is due to short term debt on bus purchases and Capital Projects that have not been redeemed or converted to permanent financing.

The Special Aid Fund closed with no fund equity.

The School Lunch Fund includes fund equity of \$84,383 and there was \$411,374 fund equity in the Debt Service Fund.

Further detail on fund equity is provided on pages B3, B4, C1 and C2.

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**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

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On November 20, 2014, district voters approved a referendum for a major capital improvement project. The capital project involves minor reconstruction at the Castleton Elementary School and reconstruction and the addition of new space at the Maple Hill High School. The project will also have the 6<sup>th</sup> graders moving to CES and the 7<sup>th</sup> and 8<sup>th</sup> graders occupying their own space at Maple Hill Jr./Sr. High School. The Middle School will be kept open for Administrative spaces and additional classroom spaces for Questar and other potential users. Financial support for the capital project will be accomplished through a bond anticipation note and will be refinanced through a serial bond when the project is complete. The capital project construction began with completion anticipated at the end of summer 2018. The current estimate for completion of the HS and CES project is fall 2018.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements (B1 and B2) 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 (B3 through B6) are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District’s operations in *more detail* than the government-wide statements. The fund financial statements concentrate on the School District’s most significant funds.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

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

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

**Table A-1**

Major Features of the Government-Wide and Fund Financial Statements			
	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund equity</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, 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 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

Our auditor has provided assurance in the independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information. A user of this report should read the independent auditor report carefully to ascertain the level of assurance being provided for each part in the financial statements.

**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.

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**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

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

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

Table A-2 provides a summarized version of the Statement of Net Position for the fiscal year ending June 30, 2018 as compared to the fiscal year ending June 30, 2017.

Total Assets and deferred outflows of \$57,708,603 were comprised of \$12,337,056 in cash, investments, receivables, funds due from other governments and inventories. Capital assets, net of depreciation, totaled \$38,672,708 and net pension asset totaled \$347,150. Deferred outflows of resources totaled \$6,351,689.

Total Liabilities and deferred inflows of \$94,031,631 reflected \$23,496,302 in current liabilities and long term liabilities of \$68,492,870 and deferred inflows of resources of \$2,042,459.

Total Net Position for the fiscal year ending June 30, 2018 was (\$36,323,028). Net Position was contained in restricted and unrestricted funds held by the School District. The restricted balance includes funds set aside for debt and school lunch operations. The unrestricted amount of (\$50,770,822) reflects the increase in recognition of post-employment benefit obligations. The net investment in capital assets reflects the age and accumulated depreciation of our school buildings and outstanding long-term debt.

**Table A-2**

<b>Condensed Statement of Net Position (in thousands of dollars)</b>			
	Fiscal Year 2017	Fiscal Year 2018	% Change 2017-18
Current and Other Assets	\$ 14,143	\$ 12,337	(12.76%)
Capital Assets	\$ 28,957	\$ 38,672	33.55%
Net Pension Asset	\$ 0	\$ 347	100.00%
Total Assets	\$ 43,100	\$ 51,356	120.79%
Deferred Outflows of Resources	\$ 6,408	\$ 6,351	(0.89%)
Current Liabilities	\$ 15,534	\$ 23,497	51.26%
Non-Current Liabilities	\$ 40,184	\$ 68,182	(77.39%)
Net Pension Liability	\$ 1,371	\$ 310	(77.39%)
Total Liabilities	\$ 57,089	\$ 91,989	43.54%
Deferred Inflows of Resources	\$ 390	\$ 2,042	423.59%
Capital Assets, Net of Related Debt	\$ 10,236	\$ 9,591	(6.30%)
Restricted	\$ 3,579	\$ 4,856	35.68%
Unrestricted	\$ (21,786)	\$ (50,770)	(133.04%)
Total Net Position	\$ (7,971)	\$ (36,323)	(103.66%)

**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

Table A-3 summarizes revenues and expenditures for the fiscal year ending June 30, 2018 and the resulting change in Net Position for the School District.

The School District's total revenue for all governmental activities totaled \$23,631,447 for the fiscal year ending June 30, 2018 (refer to graph in Table A-4). Real property tax items and State Aid accounted for the majority of revenue, contributing 49.5% and 34.3% of the total revenues raised. Collectively, these two revenue sources accounted for 83.8% of total revenues supporting the expenditure plan. The remainder of revenue was generated from investment earnings, federal aid including the, grants, space rentals, school lunch sales, charges for services and other miscellaneous sources.

The total cost of all government wide programs and services totaled \$25,054,978 for the fiscal year ending June 30, 2018 (refer to graph in Table A-5). Instruction and supervision, employee benefits and transportation of students consisted of 80.43% of total expenses. The General Support category represented 10.3% of the total expenses and accounted for administrative, business, operation and maintenance of facilities, legal, insurance, data processing and public relations activities of the School District.

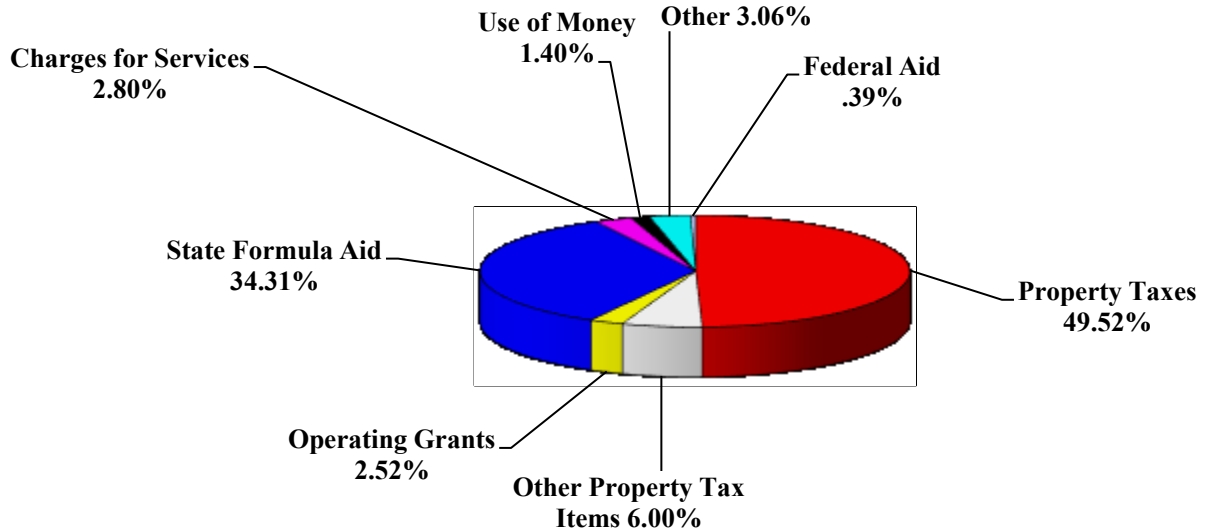
**Table A-3**

<b>Changes in Net Position from Operating Results (In Thousands of Dollars)</b>			
	<u>Governmental and Total School District</u>		Total Percentage
	<u>2017</u>	<u>2018</u>	<u>Change 2017-2018</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 596	\$ 661	9.83%
Operating Grants	\$ 588	\$ 595	1.19%
General Revenues			
Property Taxes	\$ 11,403	\$ 11,703	2.63%
Other Property Tax Items	\$ 1,411	\$ 1,418	0.50%
State Formula Aid	\$ 7,851	\$ 8,109	3.28%
Federal	\$ 137	\$ 93	(32.12%)
Use of Money & Property	\$ 264	\$ 330	25.00%
Other	\$ 166	\$ 723	335.54%
<b>Total Revenues</b>	<u>\$ 22,416</u>	<u>\$ 23,632</u>	<u>5.42%</u>
<b>Expenses</b>			
General Support	\$ 2,476	\$ 2,592	4.68%
Instruction	\$ 8,432	\$ 8,612	2.13%
Special Education	\$ 2,654	\$ 2,857	7.65%
Transportation	\$ 1,135	\$ 1,236	5.87%
Employee Benefits	\$ 8,342	\$ 7,447	(10.73%)
Debt Service – Interest	\$ 578	\$ 941	62.80%
Depreciation	\$ 968	\$ 1,024	5.79%
Capital Outlay	\$ -	\$ 76	100.00%
School Lunch	\$ 274	\$ 270	(1.46%)
<b>Total Expenses</b>	<u>\$ 24,859</u>	<u>\$ 25,055</u>	<u>0.79%</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ (2,443)</u>	<u>\$ (1,423)</u>	<u>41.75%</u>

**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

**Table A-4**

**Sources of Revenues for Fiscal Year 2018**



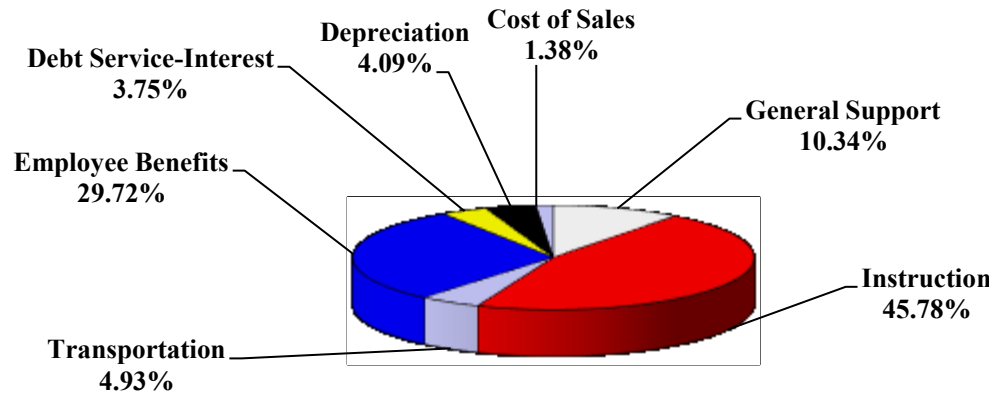
- The three largest revenue sources for the School District were Real Property Taxes, State Formula Aid and Other Property Tax Items.
- Revenues generated from real property taxes accounted for 49.52% of total revenues.
- Other real property tax items represented 6.00% of total revenues. This category included STAR Reimbursement received from the State of New York and payments received in lieu of taxes under a PILOT Agreement.
- New York State formula aid accounted for 34.31% of total revenues.
- The remaining 10.17% of total revenues were from operating grants, investment earnings, charges for services, capital grants, educational jobs funds and other miscellaneous sources.



**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

**Table A-5**

**Expenses for Fiscal Year 2018**



- Instruction, the largest expense category, represented 45.78% of total expenditures. Expenditures in this category included teaching and non-teaching instructional support, instructional supervision, general supplies, equipment, contractual services, staff development, in-service training, computer and audiovisual technology, textbooks, library materials, special education tuition, co-curricular activities, interscholastic athletics, pupil services and other miscellaneous expenses.
- Employee benefits, the second largest category, accounted for 29.72% of total expenditures. This category included expenses for pension contributions, social security, worker's compensation, life and disability insurance, unemployment insurance, health insurance including postemployment benefits and dental insurance.
- General support represented 10.34% of total expenditures. General support included expenditures for the Board of Education, central administration, finance, legal, personnel, public information, central printing, mailing and data processing, operations and maintenance of facilities, unallocated insurance and other miscellaneous categories.
- Expenses for the transportation of students accounted for 4.93% of total expenditures. This category reflected salaries for bus drivers, mechanics, bus attendants and other transportation personnel, supplies, equipment, contractual and other expenses associated with the operation and maintenance of the bus fleet. Expenditures reflected pupil transportation for regular bus routes, extra-curricular and sports events.
- Debt service-interest represented 3.75% of total expenditures for interest payments on five outstanding general obligation bonds and five Bond Anticipation Notes.
- Cost of sales contributed to 1.38% of total expenses. This expense category reflected the cost of operating the School District's food service program.
- Other expenses including depreciation contributed to 4.09% of total expenses.

**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

**Net Cost of Governmental Activities**

Table A-6 displays the total cost of District activities in major categories as compared to the net cost to the School District. The net cost is the total cost less fees generated by the activities and intergovernmental aid provided for specific programs.

**Table A-6**

<b>Net Cost of Governmental Activities (In Thousands of Dollars)</b>			
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Difference</u>
	<u>2018</u>	<u>2018</u>	
General Support	\$ 2,592	\$ 2,592	\$ -
Instruction	\$ 8,612	\$ 7,839	\$ 773
Special Education	\$ 2,857	\$ 2,637	\$ 220
Pupil Transportation	\$ 1,236	\$ 1,236	\$ -
Employee Benefits	\$ 7,447	\$ 7,447	\$ -
Debt Service – Interest	\$ 941	\$ 941	\$ -
Depreciation	\$ 1,024	\$ 1,024	\$ -
Capital Outlay	\$ 76	\$ 76	\$ -
Cost of Sales - Food	\$ 270	\$ 7	\$ 263
Total	\$ <u>25,055</u>	\$ <u>23,799</u>	\$ <u>1,256</u>

- The total cost of all governmental activities for the 2017-2018 fiscal year was \$25,054,978.
- The users of School District programs financed \$661,091 or 2.64% of the total cost of governmental activities through school food sales and charges for services.
- The federal and state government financed \$595,259 or 2.38% of the total costs through operating grants.
- School District taxpayers and formula aid from the State of New York primarily financed the remaining net cost of services of \$23,798,628 (94.99% of total cost).

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**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

Variances between years for the governmental fund financial statements differ from variances between school years for the District-wide financial statements. The School District's governmental funds are based on the current financial resources measurement focus and the modified accrual basis of accounting. Using this presentation method, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds include the proceeds from debt issuance, current payments for capital assets and current year debt service payments.

The School District's consolidated governmental fund financial statements for 2017-18 showed a decrease in fund equity from the previous school year. There are five funds included within total governmental funds: the General, Capital Projects, Special Aid, School Lunch, and Debt Service Funds. Consolidated fund equity for all governmental funds on June 30, 2018 was \$(9,853,125) a decrease of \$9,015,125, almost all attributable to Capital Outlay for the new Capital Project.

The General Fund is the largest and chief operating fund of the School District. Total expenditures and interfund transfers in the General Fund were \$21,750,847 for the 2017-18 school year. Revenues and interfund transfers received in the General Fund totaled \$22,725,825. At the close of the current fiscal year, total fund equity in the General Fund was \$6,520,058. A balance of \$4,444,894 was held in restricted fund equity. This included reserves established by the Board of Education for worker's compensation of \$253,315, unemployment of \$504,373, employee retirement of \$860,817, accrued liability for employee benefits of \$375,302, insurance reserve of \$451,087 and capital reserve of \$2,000,000. Total assigned fund equity equaled \$1,096,327 this consists of \$96,327 in outstanding encumbrances and \$1,000,000 appropriated for tax reduction in the 2018-19 budget. Non-spendable is \$-0- and unassigned fund equity totaled \$978,837, which is at the 4% cap imposed by New York State.

The Special Aid Fund accounts for grants received from State, Federal and other miscellaneous sources. Total expenditures and interfund transfers were \$498,045 for the 2017-18 school year. Revenues and interfund transfers totaled \$498,842 for the school year. Federal grants account for 63.37% of revenues received in this fund, while State and other miscellaneous grants contributed the remaining 36.63%. Year end fund equity was \$-0-.

The School Lunch Fund accounts for revenues and expenditures associated with the operation of the School District's food service program. Total expenditures for the year were \$270,537 while revenues were \$268,271. Approximately 48% of revenues come from meal sales and 50% from federal and state reimbursements. The School District has contracted with an outside vendor to operate and manage the food service program. The School Lunch Fund received \$5,039 during the 2017-18 school year from the General Fund. Year-end fund balance in the School Lunch Fund was \$84,383.

The Capital Projects fund is used to account for capital construction projects and bus purchases. Capital fund spending in the 2017-18 fiscal year reflected \$256,530 for the purchase of three buses and \$10,319,948 in construction costs for Architectural, Legal and Construction Manager costs for the HS Project.

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**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

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The Capital Fund was used to account for school bus purchases and the associated short-term BAN financing. The closing fund deficit of (\$16,868,940) in the Capital Fund is due to short term debt on bus purchases and the Capital Project that was completed in the summer of 2014 that has not been redeemed or converted to permanent financing and the new Project that is coming on line.

The School District's Debt Service Fund is reserved for the payment of debt service on general obligation bonds. Year-end fund balance in the Debt Service Fund was \$ 411,374.

**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

This section provides an analysis of significant variations between the original budget and final budget amounts as compared to actual budget results for the General Fund.

**GENERAL FUND BUDGET COMPARISON (IN THOUSANDS OF DOLLARS)**

<u>Revenues</u>	<u>Adopted Budget</u>	<u>Final Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Local & Misc. Sources	\$ 14,051	\$ 14,055	\$ 14,482	N/A	\$ 427
State Sources	\$ 7,914	\$ 7,914	\$ 8,152	N/A	\$ 238
Federal Sources	\$ 85	\$ 85	\$ 93	N/A	\$ 8
Operating Transfers In	\$ -	\$ -	\$ -	N/A	\$ -
<b>Total Revenue and Other Sources</b>	<b><u>\$ 22,050</u></b>	<b><u>\$ 22,053</u></b>	<b><u>\$ 22,726</u></b>	<b><u>N/A</u></b>	<b><u>\$ 673</u></b>
<b>Appropriated Fund Balance</b>	<b>\$ 1,000</b>	<b>\$ 1,115</b>			
<b>Total Revenues, Appropriated Reserves And Designated Fund Balance</b>	<b><u>\$23,262</u></b>	<b><u>\$23,380</u></b>			
<u>Expenses</u>	<u>Adopted Budget</u>	<u>Final Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
General Support	\$ 2,480	\$ 2,811	\$ 2,569	\$ 67	\$ 175
Instruction	\$ 11,074	\$ 11,214	\$ 11,070	\$ 29	\$ 115
Pupil Transportation	\$ 1,162	\$ 1,259	\$ 1,183	\$ -	\$ 76
Employee Benefits	\$ 6,577	\$ 6,174	\$ 5,258	\$ -	\$ 916
Debt Service	\$ 160	\$ 160	\$ 156	\$ -	\$ 4
Operating Transfers Out	\$ 1,808	\$ 1,762	\$ 1,515	\$ -	\$ 247
<b>Total Expenditures and Other Uses</b>	<b><u>\$ 23,262</u></b>	<b><u>\$ 23,380</u></b>	<b><u>\$ 21,751</u></b>	<b><u>\$ 96</u></b>	<b><u>\$ 1,533</u></b>
<b>Revenue over (under) Expense*</b>			<b><u>\$ 975</u></b>		

\*Note: This number represents revenues minus expenditures and excludes the appropriated fund balance and reserves designated to support the General Fund Budget.

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**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

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The General Fund, the main operating fund of the School District, is the only governmental fund for which a budget is legally adopted.

The General Fund expenditure plan is primarily funded from local real property tax items and aid received from the State of New York. Real property and other tax items accounted for 57.7% of current year revenues generated. State aid contributed 35.9% of the revenues generated. The remaining 6.4% was generated from rental of real property, BOCES refund, federal Medicaid and Medicare part D reimbursement, interest earnings, and other miscellaneous revenues.

During the fiscal year ending June 30, 2018, there was a revenue budget surplus of \$672,535 which is a variance of just under 3.05% and an appropriation budget surplus of \$1,533,248 or 6.56%.

On the revenue side, Real Property taxes shows a negative variance associated with a reduction in assessment and taxes owed after tax bills were already issued. Use of Money and Property shows a positive variance associated with outside use of district property. Charges for services shows a positive variance primarily associated with additional funding for foster care students. The positive variance found in State aid mostly had to do with homeless aid being received but not budgeted for.

On the expenditure side, in the Instructional Category, there was a favorable variance in all areas with the largest being in programs for children with handicapping conditions primarily due to students leaving BOCES programs and other private institutions and either moving out of district or being brought back into less expensive in district programs. Pupil transportation also shows a favorable variance due to a slight decrease in gasoline and diesel fuel expenses. Within Employee Benefits there was a favorable variance due to the unexpected loss of some retirees in the health insurance program and a lower than budgeted health insurance rate increase.

Total General Fund expenditures of \$21,750,847 were supported by Total Revenues of \$22,725,825.

Encumbrances outstanding on June 30, 2018 were \$96,327. Funds are reserved in the General Fund to pay for commitments at June 30 that will be re-appropriated and honored during the subsequent year.

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**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2018, the School District had \$38,672,708 invested in a broad range of capital assets including land, buildings, bus vehicles, athletic facilities, technology infrastructure and other educational equipment. This amount represents a net increase of \$9,715,305 or 33.55% compared to prior year.

Capital assets as of June 30, 2017 and 2018 are outlined below. Additional information on capital assets may be found on Note 2 to the financial statements.

**Table A-7**

<b>Capital Assets (Net of Depreciation, in Thousands of Dollars)</b>			
	<b>Governmental Activities And Total School District</b>		<b>Total Percentage Change</b>
	<u>2017</u>	<u>2018</u>	
Land & Construction in Progress	\$ 5,432	\$ 15,882	192.38%
Buildings & Improvements	\$ 22,031	\$ 21,265	(3.48%)
Equipment, Machinery and Vehicles	\$ 1,494	\$ 1,526	2.14%
<b>Total</b>	<u>\$ 28,957</u>	<u>\$ 38,673</u>	<u>33.55%</u>

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**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

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**Long-Term Debt**

As of June 30, 2018, the School District had outstanding balances of \$11,860,000 in general obligation bonds, \$815,102 in unamortized bond premiums, \$375,302 in compensated absences and claims and \$55,821,949 in other postemployment benefits.

On June 30, 2018, the School District's total outstanding indebtedness represented approximately 57% of its constitutional debt limit.

The School District's most recent underlying credit rating from Standard & Poor's Credit Market Services on the district's bonds outstanding is A+. The School District was last rated on May 13, 2015.

During the 2017-18 fiscal year, total outstanding bonds were decreased by \$675,000 a net decrease of 5.4% over the previous school year. More detailed information about the School District's long term liabilities is reported on Note 2 to the financial statements.

**Table A-8**

<b>Outstanding Long-term Debt (In Thousands of Dollars)</b>			
	Restated <u>2017</u>	<u>2018</u>	Percent <u>Change</u>
Serial Bonds	\$12,631	\$11,947	(5.42%)
Compensated Absences	\$ 380	\$ 375	(1.32%)
Judgement and Claims	\$ 108	\$ -	(100.00%)
Other Postemployment Benefits	<u>\$53,870</u>	<u>\$55,822</u>	<u>3.62%</u>
	<u>\$66,989</u>	<u>\$68,145</u>	<u>1.73%</u>



### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

2017-2018 was the fifth year of the "2%" tax cap. While there was a learning curve for the community that a 2% tax cap did not mean a 2% tax levy increase, our budgets for 2015-16, 2016-17 and 2017-18 still passed by over 60%.

The District has moved ahead with a project that will move the 6<sup>th</sup> grade students to the Elementary School and the 7 & 8 grade students to the High School, essentially closing the Middle School for district instructional purposes, but allowing the district to use it for district offices, the community and other purposes.

This current project proposes a small addition to the HS so that a separate MS community could be created within the HS allowing for better learning for all students. In addition to the new MS community, new upgraded Science, Technology, Math, Music and Art space will be designed to allow students to be better prepared for the future. This \$20.16 million project was approved by the voters in November 2014. The HS portion of the project was approved by NYSED at the end of August 2016. During 2016-17 the project started for both-the HS and CES. CES was completed September 2017 and the HS expected completion is Fall 2018.

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**SCHODACK CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

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**SUMMARY REMARKS**

The Schodack Central School District ended fiscal 2018 financially strong. Conservative spending practices allowed the School District to keep its unassigned fund balance at the 4% legal limitation. The District will continue to make every endeavor to support the students and the community in the best way possible. Schodack will always strive to manage costs, improve efficiency and provide additional educational opportunities for students.

The School District is actively engaging in program and operational review, in addition to the assessment of opportunities to consolidate, share services, grant writing and re-allocating resources. Schodack was one of only a hand full of districts state wide that received the states performance improvement grant in addition to the states efficiency grant. While the grants have now ended, the School District will continue to take proactive steps to maintain financial stability, better manage changes in State and Federal funding and keep within the states mandated tax cap in order to participate in the Tax Cap Freeze Credit for the homeowners of the district. Through prudent programmatic and financial planning, the Schodack Central School District was able to add to its fund balance again at the end of the 2017-18 school year and will continue to strive to improve the quality of our educational program and protect the financial integrity of the School District.

**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:

Brian Carey  
Director of Business and Support Services  
Schodack Central School District  
Business Office  
1477 South Schodack Road, Castleton, NY 12033  
Tel: (518) 732-2124  
Fax: (518) 732-7710  
E-mail: [bcarey@schodack.k12.ny.us](mailto:bcarey@schodack.k12.ny.us)

**SCHODACK CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

**ASSETS**

Current Assets:	
Cash	\$ 10,787,364
State and Federal Aid Receivable	514,392
Due From Other Governments	554,496
Due From Other Funds	254,793
Other Receivables, net	100,624
Inventories	5,770
Deferred Charges - Bond Insurance Costs	24,184
Long-Term Accounts Receivable	95,433
Capital Assets, net	38,672,708
Net Pension Asset, Proportionate Share	347,150
Total Assets	51,356,914
Deferred Outflows of Resources:	
Loss on Refunding	727,692
Pensions	5,623,997
Total Deferred Outflows of Resources	6,351,689
Total Assets and Deferred Outflows of Resources	\$ 57,708,603

**LIABILITIES**

Current Liabilities:	
Accounts and Retainage Payable	\$ 1,385,012
Accrued Liabilities	125,754
Due to Other Funds	640
Due to Other Governments	3,739
Other Liabilities	
Due to Teachers' Retirement System	789,819
Due to Employees' Retirement System	114,536
Bond Interest Accrued	867,597
Bond Anticipation Notes	19,515,111
Refundable Advances	4,094
Long-Term Liabilities - Due and Payable Within One Year:	
Bonds	690,000
Long-Term Liabilities - Due and Payable After One Year:	
Bonds	11,170,000
Unamortized Bond Premium	815,102
Compensated Absences	375,302
Other Postemployment Benefits Payable	55,821,949
Net Pension Liability, Proportionate Share	310,517
Total Liabilities	91,989,172
Deferred Inflows of Resources:	
Pensions	2,005,928
Other Postemployment Benefits	36,531
Total Deferred Inflows of Resources	2,042,459

**NET POSITION**

Net Investment in Capital Assets	9,591,526
Restricted	4,856,268
Unrestricted	(50,770,822)
Total Net Position	(36,323,028)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 57,708,603

See accompanying notes to financial statements.

B1.

**SCHODACK CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b><u>Expenses</u></b>	<b><u>Charges for Services</u></b>	<b><u>Operating Grants</u></b>	
<b>FUNCTIONS AND PROGRAMS</b>				
General Support	\$ 2,591,819	\$ -	\$ -	\$ (2,591,819)
Instruction	8,612,455	533,035	239,860	(7,839,560)
Special Education	2,857,439	-	220,352	(2,637,087)
Pupil Transportation	1,235,586	-	-	(1,235,586)
Employee Benefits	7,446,523	-	-	(7,446,523)
Debt Service	940,670	-	-	(940,670)
Depreciation - Unallocated	1,023,998	-	-	(1,023,998)
Capital Outlay	75,951	-	-	(75,951)
School Lunch Program	270,537	128,056	135,047	(7,434)
	<u>\$ 25,054,978</u>	<u>\$ 661,091</u>	<u>\$ 595,259</u>	<u>(23,798,628)</u>
<b>GENERAL REVENUES</b>				
Real Property Taxes				11,702,594
Other Tax Items				1,418,072
Use of Money and Property				329,789
State Sources				8,109,052
Federal Sources				92,589
Miscellaneous				538,089
Premium on BAN obligation				184,912
				<u>22,375,097</u>
Total General Revenues				<u>22,375,097</u>
Change in Net Position				(1,423,531)
Total Net Position - Beginning of Year, As Previously Reported				(7,968,932)
Cumulative Effect of Change in Accounting Principle				<u>(26,930,565)</u>
Total Net Position - Beginning of Year, as Restated				<u>(34,899,497)</u>
Total Net Position - End of Year				<u>\$ (36,323,028)</u>

See accompanying notes to financial statements.

**SCHODACK CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Unrestricted Cash	\$ 2,428,553	\$ 54,725	\$ 979,062	\$ 498,791	\$ 2,381,339	\$ 6,342,470
Restricted Cash	4,444,894	-	-	-	-	4,444,894
State and Federal Receivable	264,856	9,041	240,495	-	-	514,392
Due From Other Governments	554,496	-	-	-	-	554,496
Due From Other Funds	1,917,080	48,620	43,089	411,373	1,391,540	3,811,702
Other Receivables, net	2,087	-	-	-	-	2,087
Inventories	-	5,770	-	-	-	5,770
<b>Total Assets</b>	<b>\$ 9,611,966</b>	<b>\$ 118,156</b>	<b>\$ 1,262,646</b>	<b>\$ 910,164</b>	<b>\$ 3,772,879</b>	<b>\$ 15,675,811</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 355,813	\$ 18,579	\$ 9,063	\$ -	\$ 628,919	\$ 1,012,374
Accrued Liabilities	125,754	-	-	-	-	125,754
Due to Other Funds	1,300,026	7,361	1,253,583	498,790	497,789	3,557,549
Due to Other Governments	-	3,739	-	-	-	3,739
Due to Teachers' Retirement System	789,819	-	-	-	-	789,819
Due to Employees' Retirement System	114,536	-	-	-	-	114,536
Bond Anticipation Notes	-	-	-	-	19,515,111	19,515,111
Refundable Advances	-	4,094	-	-	-	4,094
<b>Total Liabilities</b>	<b>2,685,948</b>	<b>33,773</b>	<b>1,262,646</b>	<b>498,790</b>	<b>20,641,819</b>	<b>25,122,976</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>405,960</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>405,960</b>
<b>FUND EQUITY (DEFICIENCY)</b>						
Non-spendable	-	5,770	-	-	-	5,770
Restricted	4,444,894	-	-	411,374	-	4,856,268
Committed	-	-	-	-	-	-
Assigned	1,096,327	78,613	-	-	-	1,174,940
Unassigned	978,837	-	-	-	(16,868,940)	(15,890,103)
<b>Total Fund Equity (Deficiency)</b>	<b>6,520,058</b>	<b>84,383</b>	<b>-</b>	<b>411,374</b>	<b>(16,868,940)</b>	<b>(9,853,125)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Equity (Deficiency)</b>	<b>\$ 9,611,966</b>	<b>\$ 118,156</b>	<b>\$ 1,262,646</b>	<b>\$ 910,164</b>	<b>\$ 3,772,879</b>	<b>\$ 15,675,811</b>

Amounts reported for governmental activities in the statement of net position are different due to the following:

Governmental fund equity per above	\$ (9,853,125)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	38,672,708
Retainage Payable is not due and payable in the current period and, therefore, not reported in the funds.	(372,638)
Accrued Interest	(867,597)
Government funds report the effect of insurance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	24,184
Long-term liabilities, including bonds payable, loss on refunding, judgments and claims and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(68,144,661)
Net Pension Asset	347,150
Net Pension Liability	(310,517)
Deferred Inflows of Resources Related to Pensions and OPEB	(2,042,459)
Deferred Outflows of Resources Related to Pensions and OPEB	5,623,997
Receivable not available in the current period and, therefore, is not reported in the funds	193,970
Deferral of non exchange revenue earned in the current year is recognized as revenue under full accrual accounting	405,960
<b>Net position of governmental activities</b>	<b>\$ (36,323,028)</b>

**SCHODACK CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Real Property Taxes and Tax Items	\$ 13,120,666	\$ -	\$ -	\$ -	\$ -	\$ 13,120,666
Charges for Services	533,035	-	-	-	-	533,035
Use of Money and Property	289,963	-	-	39,826	-	329,789
Miscellaneous	537,956	129	-	-	4	538,089
State Sources	8,151,616	5,520	144,102	-	-	8,301,238
Federal Sources	92,589	129,527	316,110	-	-	538,226
Sales	-	128,056	-	-	-	128,056
<b>Total Revenues</b>	<u>22,725,825</u>	<u>263,232</u>	<u>460,212</u>	<u>39,826</u>	<u>4</u>	<u>23,489,099</u>
<b>Expenditures</b>						
General Support	2,569,342	-	-	-	-	2,569,342
Instruction	11,069,831	-	433,280	-	-	11,503,111
Pupil Transportation	1,182,859	-	52,730	-	-	1,235,589
Community Services	11	-	-	-	-	11
Employee Benefits	5,257,947	-	12,035	-	-	5,269,982
Debt Service						
Principal	149,272	-	-	835,000	-	984,272
Interest	6,606	-	-	582,480	-	589,086
Cost of Sales	-	270,537	-	-	-	270,537
Capital Outlay	-	-	-	-	10,576,478	10,576,478
<b>Total Expenditures</b>	<u>20,235,868</u>	<u>270,537</u>	<u>498,045</u>	<u>1,417,480</u>	<u>10,576,478</u>	<u>32,998,408</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,489,957</u>	<u>(7,305)</u>	<u>(37,833)</u>	<u>(1,377,654)</u>	<u>(10,576,474)</u>	<u>(9,509,309)</u>
<b>Other Sources And (Uses)</b>						
Interfund Transfers, net	(1,514,979)	5,039	38,630	1,436,310	35,000	-
Proceeds of Long-Term Debt	-	-	-	184,912	-	184,912
BANs Redeemed From Appropriations	-	-	-	-	309,272	309,272
<b>Total Other Sources (Uses)</b>	<u>(1,514,979)</u>	<u>5,039</u>	<u>38,630</u>	<u>1,621,222</u>	<u>344,272</u>	<u>494,184</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)</b>	974,978	(2,266)	797	243,568	(10,232,202)	(9,015,125)
<b>Fund Equity (Deficiency) - Beginning of Year</b>	<u>5,545,080</u>	<u>86,649</u>	<u>(797)</u>	<u>167,806</u>	<u>(6,636,738)</u>	<u>(838,000)</u>
<b>Fund Equity (Deficiency) - End of Year</b>	<u>\$ 6,520,058</u>	<u>\$ 84,383</u>	<u>\$ -</u>	<u>\$ 411,374</u>	<u>\$ (16,868,940)</u>	<u>\$ (9,853,125)</u>

**SCHODACK CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Net changes in fund equity - total governmental funds	\$	(9,015,125)
<p>Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities.</p>		
	Depreciation expense \$	(1,023,998)
	Capital outlays	<u>10,739,303</u>
		9,715,305
Retainage cost does not meet the criteria to be recorded as expenditures in the government funds		(205,545)
Interest is recognized as an expense in the governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2017/18 results in more expense.		(357,886)
Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		984,272
Amortization of bond premium and loss on refunding bonds is an adjustment to interest expense in the statement of activities.		6,302
Excess cost aid and BOCES aid expected to be received in September are reported as deferred inflows in the governmental funds. However, in the statement of activities these amounts are recognized as revenue when awarded.		(42,564)
Payments received on long-term receivables are recorded as a reduction of expense in the current year, whereas they were recognized as revenue in a prior year in the Statement of Activities		(130,397)
Bond anticipation notes redeemed from appropriations is revenue in governmental funds, but not in the statement of activities.		(309,272)
Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds including the following:		
Compensated absences	\$	4,998
Other postemployment benefit		(1,988,665)
Judgements and claims		107,920
TRS pension adjustments		(201,977)
ERS pension adjustments		<u>9,103</u>
		<u>(2,068,621)</u>
Change in net position - governmental activities	\$	<u><u>(1,423,531)</u></u>

**SCHODACK CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2018**

	<u>Agency</u>	<u>Private Purpose Trusts</u>
<b>ASSETS</b>		
Cash - unrestricted	\$ 311,756	\$ -
Cash - restricted	42,615	173,144
Due from other funds	<u>66,936</u>	<u>640</u>
 Total Assets	 \$ <u><u>421,307</u></u>	 <u>173,784</u>
 <b>LIABILITIES</b>		
Due to other funds	\$ 321,729	\$ -
Extraclassroom activity balances	42,615	-
Other liabilities	<u>56,963</u>	<u>107</u>
 Total Liabilities	 \$ <u><u>421,307</u></u>	 <u>107</u>
 <b>NET POSITION</b>		
Reserved for scholarships		\$ <u><u>173,677</u></u>

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

	<u>Private Purpose Trusts</u>
<b>ADDITIONS</b>	
Investment earnings	\$ <u>5,064</u>
 Total Additions	 <u>5,064</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>4,042</u>
 Total Deductions	 <u>4,042</u>
 Change in Net Position	 1,022
 Net Position - Beginning of year	 <u>172,655</u>
 Net Position - End of year	 \$ <u><u>173,677</u></u>



**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Schodack Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity.

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

The Extraclassroom Activity Fund

The extraclassroom activity fund of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity fund is 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 fund can be found at the District's business office, located at 1477 South Schodack Road, Castleton, New York.

**B. Joint Venture**

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

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***B. Joint Venture***

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

During the year ended June 30, 2018, the Schodack Central School District was billed \$2,081,070 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$765,599. Financial statements for the BOCES are available from the BOCES administrative office.

Also during the year ended June 30, 2015, the District entered into an agreement with BOCES where BOCES will return amounts to the District as a reduction to the administrative levy totaling \$615,859. The amounts will be credited over a five year period starting in 2015/16. The remaining balance of \$193,970 is recorded as a receivable in the statement of net position.

***C. Basis of Presentation***

***District-wide statements***

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

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

***Fund financial statements***

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

The District reports the following major governmental funds:

***I. Governmental Funds***

General Fund

The General Fund is the principal operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. Basis of Presentation**

**I. Governmental Funds**

Capital Projects Fund

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

Special Revenue Funds

Used to account for the proceeds of special revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

a. Special Aid Fund

Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State or Local grants.

b. School Lunch Fund

Used to account for transactions of the lunch and breakfast 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 related bonds outstanding.

**II. Fiduciary Funds**

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

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

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***D. Basis of Accounting/Measurement Focus***

***General Information***

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

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

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

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

***E. Refundable Advances***

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

***F. Property Taxes***

***I. Calendar***

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 10, 2017. Taxes were collected during the period September 1 through October 31, 2017.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***F. Property Taxes***

***II. Enforcement***

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

***G. 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.

***H. Budgetary Procedures and Budgetary Accounting***

***I. Budget Policies***

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which 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 located in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

From Additional Revenues:	
Expenses associated with Donations	\$ 3,325
From Appropriated Fund Balance	
Additional appropriated fund balance	65,400
Workers' Compensation Reserve	<u>50,000</u>
Total Supplemental Appropriations	<u>\$ 118,725</u>

- d. Appropriations are adopted at the program line item level.
- e. Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***H. Budgetary Procedures and Budgetary Accounting***

***I. Budget Policies***

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

***II. Encumbrances***

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

***III. Budget Basis of Accounting***

Under GASB No. 34, budgetary comparison information is required to be presented for the General Fund and each major special revenue fund with a legally adopted budget. The District is not legally required to adopt a budget for its special revenue funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

***I. Cash and Investments***

The District investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Investments are stated at fair value. Certificates of deposit, if any, are classified as investments in these financial statements. There were no investments at June 30, 2018.

***J. Accounts Receivable***

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***K. Inventories and Prepaid Items***

Inventories of food and supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase. 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 consumptional 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 portion of the fund equity in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

***L. Interfund Transactions***

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

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

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

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

***M. Equity Classifications***

District-wide statements:

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***M. Equity Classifications***

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

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

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

Fund statements:

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

**Non-spendable** - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$5,770.

**Restricted** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund equity:

Debt Service

According to General Municipal Law §6-1, this reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond issue proceeds not utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service Fund.

Employee Benefit Accrued Liability

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



**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***M. Equity Classifications***

Retirement Contributions

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

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.

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.

Workers' Compensation Reserve

The purpose of this reserve fund is 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 year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal years' budget. This reserve is accounted for in the General Fund.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***M. Equity Classifications***

Capital Reserve

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by voters. The form for the required legal notice for the note 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.

Restricted fund equity includes the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 375,302
Retirement Contributions	860,817
Unemployment Insurance	504,373
Insurance Reserve	451,087
Workers' Compensation Reserve	253,315
Capital Reserve	2,000,000
Debt Service Fund:	
Debt Service	<u>411,374</u>
Total Restricted Funds	<u>\$ 4,856,268</u>

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

**Assigned** - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund equity represents the residual amount of fund equity. Assigned fund equity also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted as the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$96,327. Appropriated fund equity in the General Fund amounted to \$1,000,000. Assigned fund equity in the School Lunch Fund amounted to \$78,613.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***M. Equity Classifications***

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Purpose of Encumbrances

General Fund	
General Support	\$ 66,770
Instruction	<u>29,557</u>
	<u>\$ 96,327</u>

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

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 District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. At June 30, 2018 the District's unassigned fund equity did not exceed the 4% limitation.

Net Position/Fund Balance

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

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***M. Equity Classifications***

Order of Use of Fund Balance:

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

***N. Postemployment Benefits***

In addition to providing the retirement benefits described in Note 3.B.I., the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee. See Note 5.

***O. Due to/from Other Funds***

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund equity at year-end is provided subsequently in these notes.

***P. Capital Assets***

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***P. Capital Assets***

Land and construction in process are not depreciated. Capitalization thresholds (the dollar amount above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life in Years</u>
Buildings	\$ 5,000	SL	15-50
Building improvements	5,000	SL	15-50
Furniture and equipment	5,000	SL	5-20
Vehicles	5,000	SL	5-10

***Q. Deferred Outflows and Inflows of Resources***

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

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***R. Short-Term Debt***

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

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

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

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

***S. Accrued Liabilities and Long-Term Obligations***

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

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

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

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

Differences between the governmental funds statement of revenues, expenditures and changes in fund equity and the statement of activities fall into one of five broad categories. The differences represent:

***Long-Term Revenue and Expense Differences***

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

***Capital Related Differences***

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

***Long-Term Debt Transaction Differences***

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Pension Differences***

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

***OPEB Differences***

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

***U. Use of Estimates***

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

***V. Vested Employee Benefits***

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

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

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

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

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



**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***W. Implementation of 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 standard issued by GASB:

GASB issued Statement 75, *Other Postemployment Benefits (Employers)*, effective for the year ending June 30, 2018. See Note 5.

GASB issued Statement 81, *Irrevocable Split-Interest Agreements*, effective for the year ending June 30, 2018.

GASB issued Statement 85, *Omnibus*, effective for the year ending June 30, 2018.

GASB issued Statement 86, *Certain Debt Extinguishing Issues*, effective for the year ending June 30, 2018.

***X. Future Changes in Accounting Standards***

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

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

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

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

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

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.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**I. Cash**

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2018 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

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

Custodial Credit Risk

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**I. Cash**

Custodial Credit Risk

The District restricts the securities to the following eligible items:

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

Restricted Cash

General Fund

Restricted cash of \$4,444,894 at June 30, 2018 consist of \$253,315 restricted for Workers' Compensation Reserve, \$504,373 restricted for Unemployment Reserve, \$375,302 restricted for Employee Benefit Accrued Liability Reserve, \$860,817 restricted for Retirement Contributions Reserve, \$451,087 restricted for Insurance Reserve, and \$2,000,000 restricted for Capital Reserve.

Fiduciary

Restricted cash of \$215,759 at June 30, 2018 consist of \$42,615 restricted for Extraclassroom Activity Funds and \$173,144 restricted for Scholarships.

**II. Interfund Receivables, Payables, Revenues and Expenditures**

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**II. Interfund Receivables, Payables, Revenues and Expenditures**

Interfund receivable, payable, revenue and expenditure balances at June 30, 2018 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,917,080	\$ 1,300,026	\$ -	\$ 1,514,979
Special Aid Fund	43,089	1,253,583	38,630	-
School Lunch	48,620	7,361	5,039	-
Debt Service Fund	411,373	498,790	1,436,310	-
Capital Projects Funds	<u>1,391,540</u>	<u>497,789</u>	<u>35,000</u>	<u>-</u>
Total Government Activities	3,811,702	3,557,549	1,514,979	1,514,979
Fiduciary Fund	<u>67,576</u>	<u>321,729</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,879,278</u>	<u>\$ 3,879,278</u>	<u>\$ 1,514,979</u>	<u>\$ 1,514,979</u>

**III. Capital Assets**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Land	\$ 19,242	\$ -	\$ -	\$ 19,242
Land Improvements	91,985	-	-	91,985
Construction in Progress	5,321,000	10,449,692	-	15,770,692
Buildings and Improvements	33,984,216	-	-	33,984,216
Furniture and Equipment	2,895,011	33,231	-	2,928,242
Vehicles	<u>2,683,404</u>	<u>256,380</u>	<u>-</u>	<u>2,939,784</u>
Total	<u>44,994,858</u>	<u>10,739,303</u>	<u>-</u>	<u>55,734,161</u>
Accumulated Depreciation				
Buildings and Improvements	11,953,300	765,650	-	12,718,950
Furniture and Equipment	2,289,245	98,552	-	2,387,797
Vehicles	<u>1,794,910</u>	<u>159,796</u>	<u>-</u>	<u>1,954,706</u>
Total	<u>16,037,455</u>	<u>1,023,998</u>	<u>-</u>	<u>17,061,453</u>
Total Capital Assets, Net	<u>\$ 28,957,403</u>	<u>\$ 9,715,305</u>	<u>\$ -</u>	<u>\$ 38,672,708</u>

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***I. Pension Plans***

General Information

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

Plan Descriptions

*Teachers' Retirement System*

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

*Employees' Retirement System*

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**I. Pension Plans**

life insurance. The System is included in the State's financial report as a pension trust fund. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined after January 1, 2010 who generally contribute 3% 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 contributions based on salaries paid during the Systems' fiscal year ending March 31. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

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

	<u>ERS</u>	<u>TRS</u>
2017-18	\$ 402,543	\$ 731,423
2016-17	333,585	873,195
2015-16	428,110	967,389

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

Pension Liabilities

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 net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**I. Pension Plans**

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2017	June 30, 2016
Net pension asset/(liability)	\$(310,517)	\$347,150
District's portion of the Plan's total net pension asset/(liability)	.0096211%	.045672%

*Pension Expense (Credit)*

For the year ended June 30, 2018, the District recognized its proportionate share of pension expense of \$375,408 for ERS and \$874,595 for TRS.

*Deferred Outflows and Inflows of Resources Related to Pensions*

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

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 110,751	\$ 285,620	\$ 91,521	\$ 135,350
Changes of assumptions	205,898	3,532,323	-	-
Net difference between projected and actual earnings on pension plan investments	451,001	-	890,232	817,640
Changes in proportion and differences between contributions and proportionate share of contributions	61,965	176,223	4,846	66,339
Contributions subsequent to the measurement date	114,536	685,680	-	-
Total	<u>\$ 944,151</u>	<u>\$ 4,679,846</u>	<u>\$ 986,599</u>	<u>\$ 1,019,329</u>

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2019 for ERS and June 30, 2018 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**I. Pension Plans**

Year ended:	<u>ERS</u>	<u>TRS</u>
2018	\$ -	\$ 95,270
2019	84,007	949,480
2020	69,776	683,711
2021	(215,790)	180,959
2022	(94,973)	681,765
Thereafter	-	383,652

*Actuarial Assumptions*

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

	<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%	1.9% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.5%
Projected Cost of Living Adjustments	1.3% annually	1.5% annually

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

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



**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**I. Pension Plans**

*Actuarial Assumptions*

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

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

<u>ERS</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
	<u>2018</u>	<u>2018</u>
Asset Class:		
Domestic equities	36%	4.55%
International equities	14	6.35
Private equity	10	7.50
Real estate	10	5.55
Absolute return strategies (1)	2	3.75
Opportunistic portfolio	3	5.68
Real assets	3	5.29
Bonds and mortgages	17	1.31
Cash	1	(0.25)
Inflation-indexed bonds	<u>4</u>	1.25
Total	<u>100%</u>	

\* Real rates of return are net of the long-term inflation assumption of 2.5% for 2018.

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***I. Pension Plans***

<u>TRS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
	<u>2017</u>	<u>2017</u>
Asset Class:		
Domestic equities	35%	5.9 %
International equities	18	7.4
Real estate	11	4.3
Private equities	<u>8</u>	9.0
Total equities	<u>72</u>	
Domestic fixed income securities	16	1.6
Global fixed income securities	2	1.3
High-yield fixed income securities	1	3.9
Mortgages	8	2.8
Short-term	<u>1</u>	0.6
Total fixed income	<u>28</u>	
Total	<u>100%</u>	

\* Real rates of return are net of the long-term inflation assumption of 2.2% for 2017.

*Discount Rate*

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

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2018 calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is one percentage point lower (6% for ERS and 6.25% for TRS) or one percentage point higher (8% for ERS and 8.25% for TRS) than the current rate:

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**I. Pension Plans**

*Discount Rate*

<b>ERS</b>	<b>1% Decrease <u>(6.0%)</u></b>	<b>Current Assumption <u>(7.0%)</u></b>	<b>1% Increase <u>(8.0%)</u></b>
Employer's proportionate share of the net pension asset/(liability)	\$ (2,349,456)	\$ (310,517)	\$ 1,414,344
 <b>TRS</b>	 <b>1% Decrease <u>(6.25%)</u></b>	 <b>Current Assumption <u>(7.25%)</u></b>	 <b>1% Increase <u>(8.25%)</u></b>
Employer's proportionate share of the net pension asset/(liability)	\$ (5,980,374)	\$ 347,150	\$ 5,646,138

*Changes in assumptions*

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

*Collective Pension Expense*

Collective pension expenses includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows or resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2018 is \$392,933 for ERS and \$887,713 for TRS.

*Payables to the pension plan*

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. 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 \$114,536.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**I. Pension Plans**

*Payables to the pension plan*

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as Reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$789,819.

Other Benefits

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

**II. Indebtedness**

Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the General Long-Term Debt Account Group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance-sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

Interest on short-term debt for the year was composed of:

Interest paid	\$ 97,190
Less interest accrued in the prior year	(15,921)
Plus interest accrued in the current year	<u>412,483</u>
Total Expense	<u>\$ 493,752</u>

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***II. Indebtedness***

Short-Term Debt

Bond Anticipation Notes

The following is a summary of changes in short-term debt for the year ended June 30, 2018:

Balance, July 1	\$ 12,031,383
Increases	19,515,111
Decreases	<u>(12,031,383)</u>
Balance, June 30	<u>\$ 19,515,111</u>

Long-Term Debt

Serial Bonds

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

Interest on long-term debt was comprised of:

Interest paid	\$ 491,896
Less interest accrued in the prior year	(493,790)
Plus interest accrued in the current year	455,114
Plus amortization of bond issuance costs	2,411
Less amortization of deferred amounts on refunding deferred expenses and bond premium	<u>(8,713)</u>
Total Expense	<u>\$ 446,918</u>

Long-term obligations

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**II. Indebtedness**

Changes

The changes in indebtedness during the year ended June 30, 2018 are summarized as follows:

	<b>Restated Balance July 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30</b>
Serial Bonds	\$ 12,535,000	\$ -	\$ 675,000	\$ 11,860,000
Plus - Bond premium	896,349	-	81,247	815,102
Less - Unamortized loss on refunding*	<u>(800,226)</u>	<u>-</u>	<u>(72,534)</u>	<u>(727,692)</u>
Total Bonds	12,631,123	-	683,713	11,947,410
Compensated absences	380,300	-	4,998	375,302
Judgments and claims	107,920	-	107,920	-
Other postemployment benefits (See Note 5)	<u>53,869,815</u>	<u>3,336,631</u>	<u>1,384,497</u>	<u>55,821,949</u>
<b>Total</b>	<b><u>\$ 66,989,158</u></b>	<b><u>\$ 3,336,631</u></b>	<b><u>\$ 2,181,128</u></b>	<b><u>\$ 68,144,661</u></b>

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

The above liabilities are liquidated by the General Fund.

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

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$11,955,000 of bonds outstanding are considered defeased.

The Board of Education and the voters approved the following debt which remains unissued at June 30, 2018: \$20,160,000 for District improvements and \$293,000 for the purchase of buses.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

**B. Liabilities**

**II. Indebtedness**

Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2018</u>
<u>Serial Bonds</u>				
Refunding - 2016	2016	2037	3.0-5.0%	\$ 11,860,000
Total Serial Bonds				<u>\$ 11,860,000</u>
<u>Bond Anticipation Notes</u>				
In Capital Projects Fund:				
Buses	2017	2018	1.47%	\$ 22,200
Buses	2017	2018	1.47%	64,824
Capital Project	2017	2018	.79%	870,000
Capital Project	2017	2018	.79%	17,936,347
Buses	2017	2018	1.47%	149,700
Buses	2017	2018	1.47%	179,040
Buses	2017	2018	1.47%	<u>293,000</u>
Total Bond Anticipation Notes				<u>\$ 19,515,111</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>	<u>Total</u>
2019	\$ 690,000	\$ 486,062	\$ 81,212	\$ 1,257,274
2020	715,000	457,838	76,488	1,249,326
2021	750,000	421,213	71,591	1,242,804
2022	790,000	382,713	66,456	1,239,169
2023	830,000	342,213	61,046	1,233,259
2024-2038	<u>8,085,000</u>	<u>2,278,317</u>	<u>458,309</u>	<u>10,821,626</u>
Total	<u>\$ 11,860,000</u>	<u>\$ 4,368,356</u>	<u>\$ 815,102</u>	<u>\$ 17,043,458</u>

Judgments and Claims

While there are currently no pending certiorari proceedings, there could be in the future, the results of which could require future tax refunds by the District if existing assessment rolls are modified based on the outcome of the litigation proceedings. The District would determine a plan on funding any settlements at which time they become known. No amounts have been accrued at June 30, 2018.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***III. Constitutional Debt Limit***

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2018, the District has exhausted 57% of its constitutional debt limit.

***IV. Deferred Inflows of Resources***

Deferred inflows of resources on the balance sheet - governmental funds arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period.

**4. COMMITMENTS AND CONTINGENCIES**

***A. Risk Financing and Related Insurance***

General Information

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

Workers' Compensation Insurance

The District participates in a claims-servicing public entity risk pool, Rensselaer-Columbia-Greene Workers' Compensation Consortium (Consortium), to insure workers' compensation claims. The Consortium, a consortium of school districts located in Rensselaer, Columbia and Greene counties of New York, was accepted as a self-insurer by the State of New York Workers' Compensation Board effective July 1, 1985. The Consortium is governed by a plan agreement administered by a Board of Directors, consisting of one Director for each member. As of June 30, 2018, there were 18 members in the Consortium. Workers' compensation benefits are provided by the Plan and administered under a contract with PMA Companies, the third party claims administrator for the Consortium.



**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**4. COMMITMENTS AND CONTINGENCIES**

***A. Risk Financing and Related Insurance***

The purpose of the Consortium is to provide for the efficient and economical evaluation, processing, administration, defense and payment of claims against Consortium members for workers' compensation and employers' liability payments through self-insurance and otherwise, to achieve cost savings for such claims and services, to provide risk management, to the extent permitted by law, to reduce future liability for workers' compensation and employer liability payments; and to perform all other functions reasonably necessary and incident to such purposes; including but not limited to, the obtaining of excess workers' compensation insurance and employers' liability insurance for the Consortium members. Current coverage limits are \$1,000,000 per occurrence for employers' liability and excess workers' compensation insurance coverage for paid workers' compensation claims in excess of \$600,000 per individual occurrence.

The Consortium provides that each member continues to be individually liable for workers' compensation payments to employees and for employers' liability payments to third parties. The Consortium is a public entity risk pool without any transfer of risk among the participants.

To fund the Consortium, each member is assessed an annual premium for workers' compensation coverage in accordance with a reasonable estimate of each member's responsibility for actual claims and expenses of the Consortium. Assessments are based on such factors as the cost of insurance premiums, the amount of anticipated investment income, number of employees, payrolls, claims experience, services rendered, benefits received and other relevant factors.

Health Insurance Plan

The District participates in the Rensselaer-Columbia-Greene Health (R-C-G) Insurance Trust, which is a Trust formed under New York State Insurance Law on June 30, 1988. The Trust's purpose is to provide for the purchase of policies of group health, prescription, dental and vision insurance, pursuant to Insurance Law Section 4235, and to provide related services to its members. There are currently 20 members of the R-C-G Health Insurance Trust.

The Trust is governed by a Trust Agreement and a Board of Trustees who execute the provisions of the Trust, as set forth in the Agreement.

Premium costs for group health insurance and related policies purchased and for group health insurance administration are allocated among the Trust members. Payments made by members to the Trust for such policies are paid to the group insurance carriers by the Trust. The Trust has contracted with Benetech for third party administration.

The District participates in the health and prescription plans offered through the Trust.

***B. Other Items***

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**5. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE**

*Change in Accounting Principle and Restatement of Net Position*

For the fiscal year ended June 30, 2018, the District implemented GASB. Statement No. 75, *Accounting Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and inflow of resources related to OPEB. The implementation of the statements resulted in an increase in the liability for Other Post Employment Benefits Payable in the Statement of Net Position. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	\$ (7,968,932)
GASB Statement No. 75 implementation	<u>(26,930,565)</u>
Net position beginning of year, as restated	<u>\$ (34,899,497)</u>

*Plan Description*

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

*Funding Policy*

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 10 to 15 years of service to qualify for other postemployment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2018 approximately \$1,384,000 was paid on behalf of 124 retirees.

*Benefits Provided*

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**5. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE**

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

Inactive plan members or beneficiaries currently receiving benefit payments	124
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	<u>151</u>
Total plan members	<u>275</u>

*Net OPEB Liability*

The District's total OPEB liability of \$55,821,949 was measured as of June 30, 2018; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

*Actuarial Assumptions and Other Inputs*

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

Inflation	2.60%
Salary increases	3%
Discount Rate	3.00% (S&P Municipal Bond 20-year High Grade Index)
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2018 decreasing .5% per year to an ultimate rate of 4.50% by 2023.
Medicare	4.50% for 2018.

Mortality rates were based on RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017 with experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2017 (generational mortality).

Retirement participation rate assumed that 100% of future retirees eligible for coverage will elect the benefit and 50% of future spouses of retirees eligible for coverage will elect the benefit. Marriage assumption, it was assumed that 80% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses. For current retirees, actual census information was used. Additionally, a tiered approach based on age and years of service was used to determine retirement rate assumption.

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**5. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE**

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

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

*Changes in the Net OPEB Liability*

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

	<b>Total OPEB Liability</b> [a]	<b>Plan Fiduciary Net Position</b> [b]	<b>Net OPEB Liability</b> [a] – [b]
<b>Balances at June 30, 2017</b>	\$ 53,869,815	\$ -	\$ 53,869,815
Changes for the year:			
Service cost	1,731,279	-	1,731,279
Interest	1,647,418	-	1,647,418
Difference between expected and actual experience	(42,066)	-	(42,066)
Contributions – employer	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs (change in discount rate)	-	-	-
Benefit payments	(1,384,497)	-	(1,384,497)
Administrative expense	-	-	-
Net changes	<u>1,952,134</u>	<u>-</u>	<u>1,952,134</u>
<b>Balances, June 30, 2018</b>	<u>\$ 55,821,949</u>	<u>\$ -</u>	<u>\$ 55,821,949</u>

Changes of benefit terms reflect changes in assumptions and other inputs including a change in the discount rate from 4.00% percent in 2017 to a 3.00% percent in 2018.

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (2.00%) or 1 percentage point higher (4.00%) than the current discount rate:

	<b>1% Decrease (2.00%)</b>	<b>Discount Rate (3.00%)</b>	<b>1% Increase (4.00%)</b>
Total OPEB Liability	\$ 66,153,431	\$ 55,821,949	\$ 47,645,397

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**5. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE**

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50% decrease to 3.5%) or 1 percentage point higher (8.50% decreasing to 5.50%) than the current healthcare cost trend rate:

	<b>1% Decrease (6.50% Decreasing to <u>3.50%</u>)</b>	<b>Healthcare Cost Trend Rate (7.50% Decreasing to <u>4.50%</u>)</b>	<b>1% Increase (8.50% Decreasing to <u>5.50%</u>)</b>
Total OPEB Liability	\$ 46,337,838	\$55,821,949	\$ 68,212,312

*OPEB Expense, 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 \$3,373,162. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(36,531)
Contributions subsequent to the measurement period	-	-
Total	<u>\$ -</u>	<u>\$ (36,531)</u>

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

<b><u>Year Ending June 30,</u></b>	
2019	\$ (5,535)
2020	\$ (5,535)
2021	\$ (5,535)
2022	\$ (5,535)
2023	\$ (5,535)
Thereafter	\$ (8,856)

**SCHODACK CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**6. DEFICIT FUND EQUITY**

The Capital Projects Fund had a deficit fund equity of \$16,868,940. This amount will be reduced as financing is paid off or permanent financing is obtained.

**7. TAX ABATEMENTS**

The County of Rensselaer entered into a property tax abatement program for the purpose of economic development. No tax abatements were entered into during June 30, 2018.

**8. RELATED ENTITY**

The Schodack Wildcat Foundation, Inc. (the Foundation) is a related entity as the Board of Education for the District elect the individuals to serve on the Foundation Board. In addition, the Foundation is set up for the benefit of the District. Any donations from the Foundation would result in a budget amendment to the District. The District and the Foundation have common Board members. Management has determined the activity of the Foundation is insignificant to the District.

**9. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 11, 2018, which is the date these financial statements were issued. All subsequent events requiring recording or disclosure as of June 30, 2018, have been incorporated into these financial statements herein.

**SCHODACK CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance With Actual</u>
<b>Revenues</b>				
Local Sources				
Real property taxes	\$ 13,121,918	\$ 11,703,872	\$ 11,702,530	\$ (1,342)
Other tax items	-	1,418,046	1,418,136	90
Charges for services	391,838	391,838	533,035	141,197
Use of money and property	227,000	227,000	289,963	62,963
Miscellaneous	310,555	313,880	537,956	224,076
Total Local Sources	14,051,311	14,054,636	14,481,620	426,984
State sources	7,913,654	7,913,654	8,151,616	237,962
Federal sources	85,000	85,000	92,589	7,589
<b>Other Sources</b>				
Transfers from other funds	-	-	-	-
Total Revenue and Other Sources	22,049,965	22,053,290	\$ <u>22,725,825</u>	\$ <u>672,535</u>
<b>Other Sources</b>				
Prior year encumbrances	211,731	211,731		
Appropriated reserves	-	-		
Appropriated fund equity	1,000,000	1,115,400		
Total Revenues and Other Sources	\$ <u>23,261,696</u>	\$ <u>23,380,421</u>		

**SCHODACK CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance With Actual and Encumbrances</u>
<b>Expenditures</b>					
General Support					
Board of education	\$ 12,606	\$ 13,542	\$ 12,967	\$ -	\$ 575
Central administration	219,031	216,886	215,422	-	1,464
Finance	302,471	291,818	271,750	-	20,068
Staff	119,327	131,974	119,984	-	11,990
Central services	1,543,947	1,799,467	1,621,474	66,770	111,223
Special items	283,070	370,812	327,745	-	43,067
	<u>2,480,452</u>	<u>2,824,499</u>	<u>2,569,342</u>	<u>66,770</u>	<u>188,387</u>
Total General Support					
Instruction					
Instruction, administration and improvement	1,001,114	945,525	904,913	1,200	39,412
Teaching - regular school	4,908,509	5,133,176	4,972,183	805	160,188
Programs for children with handicapping conditio	2,873,166	2,897,459	2,857,439	-	40,020
Occupational education	536,850	552,038	544,462	-	7,576
Teaching - special school	107,413	105,978	65,385	143	40,450
Instructional media	707,826	852,839	833,238	4,524	15,077
Pupil services	939,069	968,167	892,211	22,885	53,071
	<u>11,073,947</u>	<u>11,455,182</u>	<u>11,069,831</u>	<u>29,557</u>	<u>355,794</u>
Total Instruction					
Other					
Pupil transportation	1,161,602	1,269,344	1,182,859	-	86,485
Community services	-	8	11	(1)	(2)
Employee benefits	6,576,952	5,895,649	5,257,947	-	637,702
Debt Service - Principal	153,601	153,601	149,272	-	4,329
Debt Service - Interest	6,682	6,682	6,606	-	76
	<u>7,898,837</u>	<u>7,325,284</u>	<u>6,596,695</u>	<u>-</u>	<u>728,590</u>
Total Other					
Total Expenditures	21,453,236	21,604,965	20,235,868	96,327	1,272,771
<b>Other Uses</b>					
Transfers to other funds	1,808,460	1,775,456	1,514,979	-	260,477
Total Expenditures and Other Uses	<u>\$ 23,261,696</u>	<u>\$ 23,380,421</u>	<u>\$ 21,750,847</u>	<u>\$ 96,327</u>	<u>\$ 1,533,248</u>
Net Change in Fund Equity					
Fund Equity-Beginning			\$ 974,978		
			<u>5,545,080</u>		
Fund Equity-Ending			<u>\$ 6,520,058</u>		



**SCHODACK CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2018**

	Fiscal Year Ending *
	<u>2018</u>
<b>Total OPEB Liability</b>	
Measurement date	6/30/2018
Service cost at end of year	\$ 1,731,279
Interest	1,647,418
Changes in benefit terms	-
Difference between expected and actual experience in the measurement of the total OPEB liability	(42,066)
Changes in assumptions and other inputs	-
Benefit payments	<u>(1,384,497)</u>
Net Change in Total OPEB Liability	1,952,134
Total OPEB Liability - beginning	<u>53,869,815</u>
Total OPEB Liability - ending	<u>\$ 55,821,949</u>
Covered-employee payroll	\$ 10,522,843
Total OPEB Liability as a percentage of covered-employee payroll	530.48%

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
FOR THE YEAR ENDED JUNE 30, 2018**

	ERS Pension Plan Last 10 Fiscal Years			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0096210%	0.0090967%	0.0091934%	0.8595100%
Proportionate share of the net pension liability (asset)	\$ 310,517	\$ 854,743	\$ 1,475,572	\$ 290,634
Covered-employee payroll	\$ 2,755,805	\$ 2,587,952	\$ 2,516,904	\$ 2,345,135
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	11.27%	33.03%	58.63%	12.39%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.7%	90.70%	97.90%
	TRS Pension Plan Last 10 Fiscal Years			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0456720%	0.0481940%	0.0469520%	0.0467340%
Proportionate share of the net pension liability (asset)	\$ (347,150)	\$ 516,178	\$ (4,876,786)	\$ (5,205,842)
Covered-employee payroll	\$ 7,715,739	\$ 7,644,611	\$ 7,592,591	\$ 7,273,059
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	-4.50%	6.75%	-64.23%	-71.58%
Plan fiduciary net position as a percentage of the total pension asset	100.66%	99.01%	110.46%	111.48%

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

ERS Pension Plan  
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 398,711	\$ 366,075	\$ 433,303	\$ 408,131
Contributions in relation to the contractually required contribution	<u>(398,711)</u>	<u>(366,075)</u>	<u>(433,303)</u>	<u>(408,131)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,755,805	\$ 2,587,952	\$ 2,516,904	\$ 2,345,135
Contributions as a percentage of covered-employee payroll	14.47%	14.15%	17.22%	17.40%

TRS Pension Plan  
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 848,231	\$ 986,123	\$ 1,236,353	\$ 1,121,785
Contributions in relation to the contractually required contribution	<u>(848,231)</u>	<u>(986,123)</u>	<u>(1,236,353)</u>	<u>(1,121,785)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,715,739	\$ 7,644,611	\$ 7,592,591	\$ 7,273,059
Contributions as a percentage of covered-employee payroll	10.99%	12.90%	16.28%	15.42%

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

**SCHODACK CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND  
SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2018**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$	23,049,965
Add: Prior year's encumbrances		211,731
Original Budget		23,261,696
Additions:		
Budget Amendments		118,725
Final Budget	\$	23,380,421

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2018-19 [subsequent year's] voter-approved expenditure budget	\$	24,470,931
Maximum allowed (4% of 2018-19 [subsequent year's] budget)		978,837

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

Unrestricted Fund Equity:		
Committed Fund Equity	\$	-
Assigned Fund Equity		1,096,327
Unassigned Fund Equity		978,837
Total Unrestricted Fund Equity		2,075,164

Less:		
Appropriated Fund Equity		1,000,000
Encumbrances included in Committed and Assigned Fund Equity		96,327
Total Adjustments		1,096,327

General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law	\$	978,837
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Actual percentage		4.00%
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\* Per office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund equity subject to Section 1318 of the Real Property Tax law is: unrestricted fund equity (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund equity, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund equity.

**SCHODACK CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES -  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

PROJECT TITLE	SED Project Number	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Equity (Deficiency) June 30, 2018	
				Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Maple Hill High School	49-15-01-04-0-002-017	\$ 1,579,056	\$ 1,684,173	\$ 1,684,083	\$ -	\$ 1,684,083	\$ 90	\$ 1,618,264	\$ -	\$ 42,415	\$ 1,660,679	\$ (23,404)
Maple Hill Middle School	49-15-01-04-0-004-010	2,413,079	2,301,945	2,282,407	-	2,282,407	19,538	2,331,836	-	1,724	2,333,560	51,153
Castleton Elementary School	49-15-01-04-0-001-014	11,912,844	11,244,479	11,239,382	-	11,239,382	5,097	11,093,837	385,513	90,758	11,570,108	330,726
Bus Garage	49-15-01-04-5-005-007	521,490	1,099,147	1,085,062	-	1,085,062	14,085	791,549	-	360	791,909	(293,153)
CES Modular Village	49-15-01-04-0-011-001	1,151,737	1,223,662	1,223,662	-	1,223,662	-	1,234,637	-	600	1,235,237	11,575
District Wide Security Project	49-15-01-04-7-999-002	50,000	62,845	62,845	-	62,845	-	-	-	62,845	62,845	-
Asbestos Abatement	49-15-01-04-0-002-016	32,400	56,093	56,093	-	56,093	-	-	-	56,093	56,093	-
Middle School Gym	49-15-01-04-0-004-012	153,691	153,691	153,691	-	153,691	-	-	-	153,691	153,691	-
High School Water Project	49-15-01-04-0-002-019	913,360	913,360	885,363	-	885,363	27,997	-	-	-	-	(885,363)
Middle School Roof Project	49-15-01-04-0-004-013	318,760	318,760	157,738	-	157,738	161,022	-	-	-	-	(157,738)
HS 2017	49-15-01-04-0-002-020	14,915,551	14,915,551	4,560,217	9,183,002	13,743,219	1,172,332	-	-	-	-	(13,743,219)
MS 2017	-	-	-	-	28,943	28,943	(28,943)	-	-	-	-	(28,943)
CES 2017	49-15-01-04-0-001-016	1,862,335	1,862,335	502,150	1,015,604	1,517,754	344,581	-	-	-	-	(1,517,754)
Bus Garage 2017	49-15-01-04-5-005-009	-	-	127,473	47,881	175,354	(175,354)	160,000	-	-	160,000	(15,354)
2017 Capital Outlay	49-15-01-04-5-002-021	91,984	91,215	91,984	-	91,984	(769)	-	-	100,000	100,000	8,016
HS-Kitchen Auditorium Tech	49-15-01-04-5-002-022	-	-	42,926	44,668	87,594	(87,594)	-	-	35,000	35,000	(52,594)
School Bus Purchase	-	2,074,933	2,902,879	2,902,873	256,380	3,159,253	(256,374)	2,606,365	-	-	2,606,365	(552,888)
<b>Totals</b>		<b>\$ 37,991,220</b>	<b>\$ 38,830,135</b>	<b>\$ 27,057,949</b>	<b>\$ 10,576,478</b>	<b>\$ 37,634,427</b>	<b>\$ 1,195,708</b>	<b>\$ 19,836,488</b>	<b>\$ 385,513</b>	<b>\$ 543,486</b>	<b>\$ 20,765,487</b>	<b>\$ (16,868,940)</b>

**SCHODACK CENTRAL SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2018**

<b>Capital Assets, Net</b>		\$	38,672,708
<b>Add:</b>			
Cash on hand	\$	2,381,339	
Unamortized deferred loss		<u>727,692</u>	
			3,109,031
<b>Deduct:</b>			
Bond anticipation note		19,515,111	
Short-term portion of bonds payable		690,000	
Long-term portion of bonds payable		11,170,000	
Unamortized bond premium		<u>815,102</u>	
			<u>(32,190,213)</u>
<b>Net Investment in Capital Assets</b>		\$	<u><u>9,591,526</u></u>

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

To the President and Members of the Board of Education of the  
Schodack Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Schodack 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, and have issued our report thereon dated October 11, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Marvin and Company, P.C.*

Latham, NY

October 11, 2018