

**SOUTH SENECA
CENTRAL SCHOOL DISTRICT**

Ovid, New York

FINANCIAL REPORT

June 30, 2018



SOUTH SENECA CENTRAL SCHOOL DISTRICT

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SOUTH SENECA CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
South Seneca Central School District
Ovid, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of a Matter

During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As discussed in Notes 10 and 14 to the financial statements, net position as of June 30, 2017 was restated to reflect this change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, and the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios and related notes to required supplementary information on pages 4-4j and 47-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Net Investment in Capital Assets (supplementary information) on pages 56-58 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 26, 2018

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

The following is a discussion and analysis of South Seneca Central School District's (the School District) 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 District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) 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

- During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As a result, beginning net position was reduced \$(1,915,503). GASB Statement No. 75 requires the School District to record its total OPEB liability of \$2,659,087, as well as deferred outflows and deferred inflows related to the OPEB plan. See Note 10 for more detailed information.
- The School District ended the year with a total net position of \$32,018,447, an increase of \$2,424,327 from the prior year as restated. The year-end net position was composed of \$7,244,185 in restricted, \$22,968,746 in net investment in capital assets, and \$1,805,516 in unrestricted net position. The unrestricted net position increased \$387,212 compared to the prior year as restated.
- Revenues exceeded expenses by \$2,424,327 in 2018 compared to revenues exceeding expenses by \$2,546,326 in 2017.
- The School District continues to take measures to contain the growth of General Fund operating expenditures. General Fund budgeted expenditures, including carry-over encumbrances, were underspent by \$2,240,770 during the current year. Revenues and other financing sources in the General Fund were greater than estimated by \$142,070 during the year ended June 30, 2018.
- The overall indebtedness of the School District, in the amount of \$22,246,859, was down (10.36%) from last year's amount of \$24,817,483 due to payment of principal on bond debt.
- Unassigned fund balance in the General Fund showed an increase in 2018 from \$950,189 to \$958,638. Total fund balance in the General Fund, including reserves, was \$7,943,010 at June 30, 2018, compared to \$6,960,631 in 2017.
- Fund balance for all governmental funds was \$9,288,100 at year-end, which is down (\$1,871,089) from 2017 mainly due to the use of resources to complete various capital projects during the year.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts, that is, the funds of the School District, reporting the School District's operations in greater detail than the District-wide financial statements.

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, a Schedule of Changes in the School District's total OPEB Liability and Related Ratios related to the School District's postemployment benefits, and information related to the School District's pension obligations.

District-wide Financial Statements

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

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

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

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

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

Governmental Fund Financial Statements

The Governmental 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. The School 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 one 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 financial statements, additional information following the Governmental Fund financial statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for the fiscal year ended June 30, 2018 increased by \$2,424,327. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017-2018</i>
<i>Current assets</i>	\$ 7,263,280	\$ 4,206,978	\$ (3,056,302)
<i>Noncurrent assets</i>	5,965,431	6,795,591	830,160
<i>Capital assets, net</i>	41,811,169	44,031,405	2,220,236
<i>Total Assets</i>	55,039,880	55,033,974	(5,906)
<i>Deferred charges on defeased debt</i>	1,375,705	997,859	(377,846)
<i>Other postemployment benefits</i>	135,301	148,206	12,905
<i>Pensions</i>	4,602,506	4,713,398	110,892
<i>Total Deferred Outflows of Resources</i>	6,113,512	5,859,463	(254,049)
<i>Current liabilities</i>	4,672,972	4,498,203	(174,769)
<i>Noncurrent liabilities</i>	26,573,070	22,570,308	(4,002,762)
<i>Total Liabilities</i>	31,246,042	27,068,511	(4,177,531)
<i>Other postemployment benefits</i>		157,242	157,242
<i>Pensions</i>	313,230	1,649,237	1,336,007
<i>Total Deferred Inflows of Resources</i>	313,230	1,806,479	1,493,249
<i>Net investment in capital assets</i>	21,424,119	22,968,746	1,544,627
<i>Restricted</i>	6,751,697	7,244,185	492,488
<i>Unrestricted</i>	1,418,304	1,805,516	387,212
<i>Total Net Position</i>	\$ 29,594,120	\$ 32,018,447	\$ 2,424,327

The decrease in current assets is mainly due to a decrease in cash. This decrease stems from the expenditure of previously unspent debt proceeds in the Capital Projects Fund. The increases in noncurrent assets, deferred outflows - pensions and deferred inflows of resources - pensions, are related to changes in the actuarially determined proportionate share of the pension systems plans net pension (asset) liability and related deferred outflows and inflows of resources, along with increases in cash restricted for General Fund reserves. Capital assets increased based on capital outlay exceeding depreciation expense. The decrease in deferred charges on defeased debt is related to amortization of deferred amounts on refunding bonds.

Current liabilities decreased primarily due to decreases in accounts payable for capital projects, and amounts due to TRS, partially offset by increases in the current portion of long term obligations. Changes in noncurrent liabilities, deferred outflows of resources - OPEB, and deferred inflows of resources - OPEB, are primarily due to current year implementation and recognition of GASB Statement No. 75 and changes from the prior year as restated, based on an actuarial valuation of the School District's OPEB plan. Regular principal payments on long-term debt, and decreases in the School District's proportionate share of NYS pension plan liabilities also contributed to the changes.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

Net investment in capital assets increased because capital outlay and debt principal payments exceeded debt proceeds and depreciation expense for the current year. The increase in restricted net position is primarily based on increases in board approved reserves in the General Fund. Unrestricted net position increased primarily due to results of operations in the General Fund.

Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>REVENUES</i>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 189,687	\$ 146,527	\$ (43,160)
<i>Operating grants and contributions</i>	1,851,402	1,880,562	29,160
<i>Capital grants</i>		350,215	350,215
<i>General Revenues:</i>			
<i>Real property taxes</i>	6,887,837	7,004,782	116,945
<i>Real property tax items</i>	1,050,032	957,357	(92,675)
<i>State sources</i>	14,339,450	13,387,828	(951,622)
<i>Use of money and property</i>	11,148	33,991	22,843
<i>Other general revenues</i>	642,606	656,194	13,588
<i>Total Revenues</i>	\$ 24,972,162	\$ 24,417,456	\$ (554,706)
<i>PROGRAM EXPENSES</i>			
<i>General support</i>	\$ 4,371,596	\$ 4,368,856	\$ (2,740)
<i>Instruction</i>	15,353,210	14,854,865	(498,345)
<i>Pupil transportation</i>	1,357,508	1,358,203	695
<i>School lunch program</i>	495,063	522,385	27,322
<i>Interest on debt</i>	848,459	888,820	40,361
<i>Total Expenses</i>	\$ 22,425,836	\$ 21,993,129	\$ (432,707)
<i>CHANGE IN NET POSITION</i>	\$ 2,546,326	\$ 2,424,327	\$ (121,999)

Total revenues for the School District's Governmental Activities decreased (2.22%), while total expenses decreased by (1.93%). Capital grants increased based on SMART School State aid for capital projects. Property taxes increased based on increases in voter approved tax levy, while other tax items decreased due to STAR tax relief reimbursements. State sources decreased primarily due to decreases in excess cost aid.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

Figures 3 and 4 show the sources of revenue for 2018 and 2017.

Figure 3

Sources of Revenue for 2018

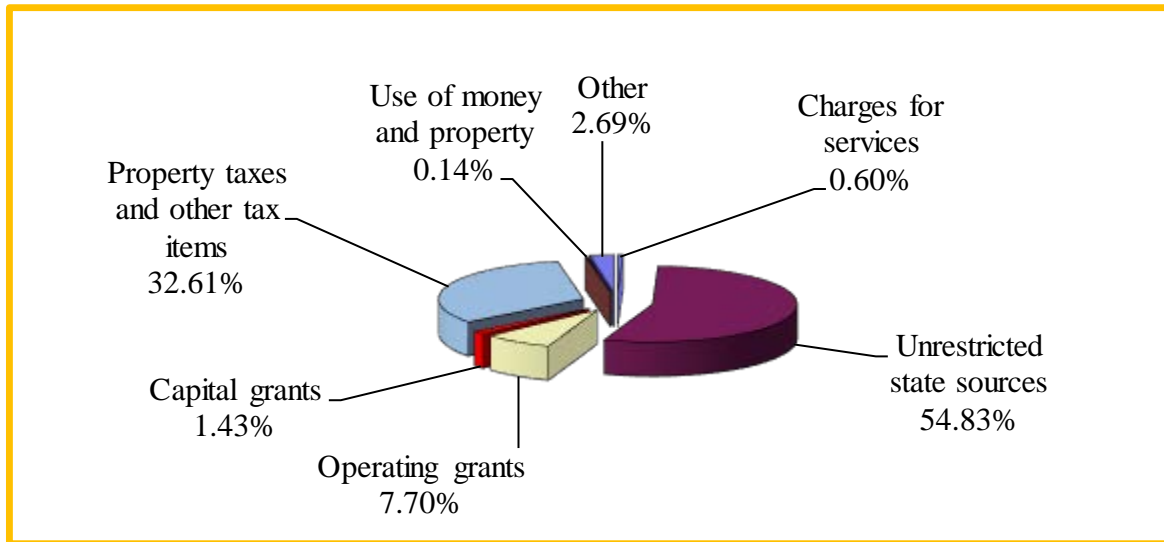
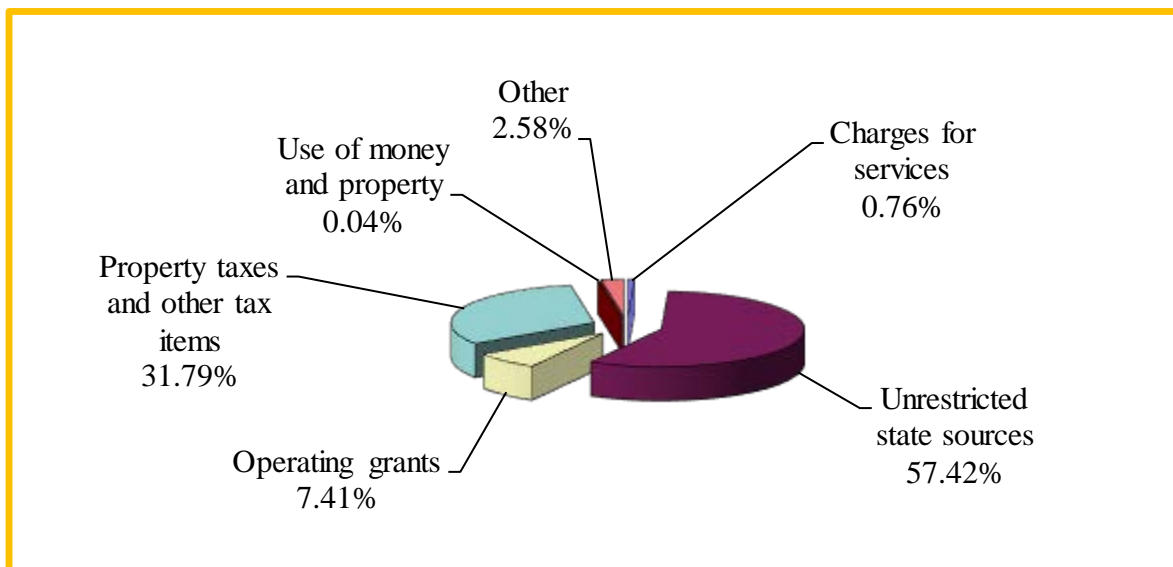


Figure 4

Sources of Revenue for 2017



SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

Figures 5 and 6 present the cost of each of the School District's programs for 2018 and 2017.

Figure 5

Cost of Programs for 2018

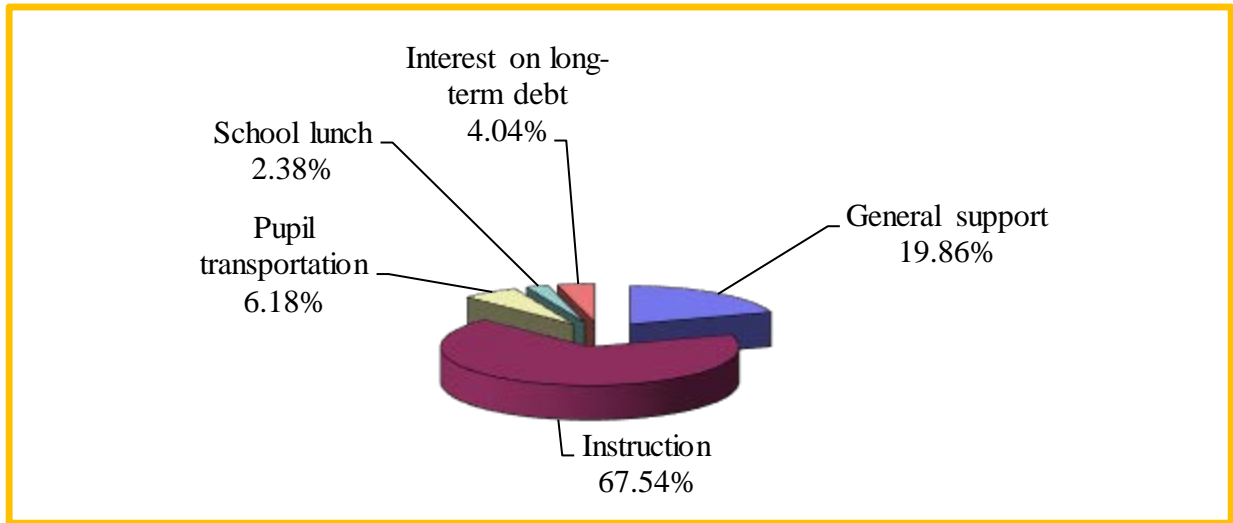
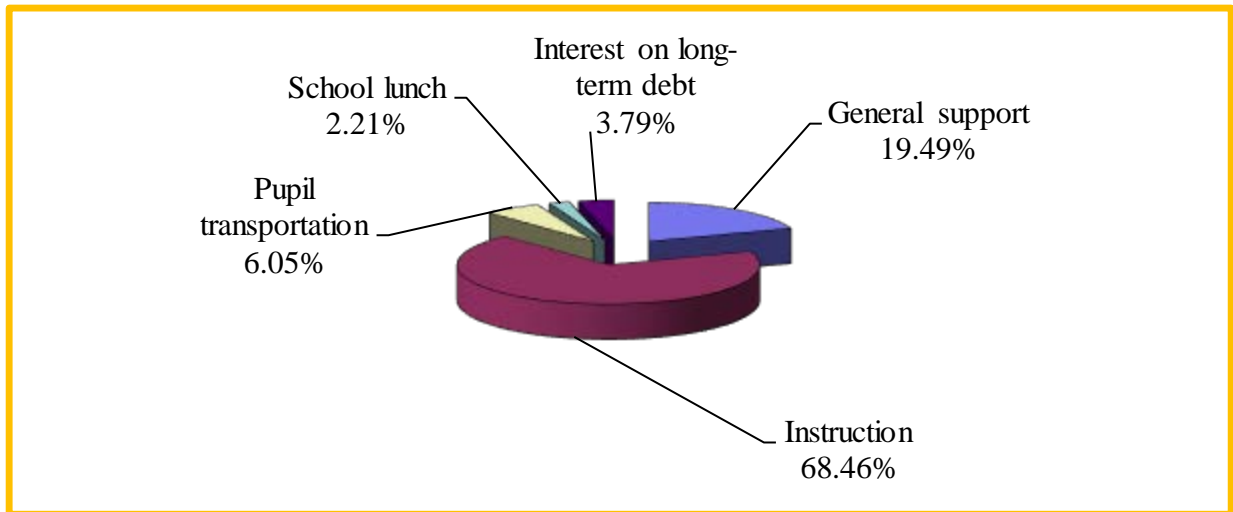


Figure 6

Cost of Programs for 2017



SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balances for the year for the School District's Governmental Funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined fund balances of \$9,288,100, which is (16.8%) less than last year's total of \$11,159,189. This decrease is primarily the result of an increase in capital project expenditures over the prior year.

Figure 7

<i>Governmental Fund Balances</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017-2018</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 6,960,631	\$ 7,943,010	\$ 982,379
<i>Special Aid</i>	74,913	85,457	10,544
<i>School Lunch Fund</i>	97,719	111,946	14,227
<i>Debt Service Fund</i>	296,020	300,480	4,460
<i>Capital Funds</i>	3,718,626	836,354	(2,882,272)
<i>Miscellaneous Special Revenue Fund</i>	11,280	10,853	(427)
<i>Total Governmental Funds</i>	\$ 11,159,189	\$ 9,288,100	\$ (1,871,089)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School District budget was revised several times. These budget amendments consist of budget transfers between functions, which did not increase the overall budget. In addition, the Board of Education revised the budget for carry-over encumbrances of \$60,530. Actual charges to appropriations (expenditures and encumbrances) were \$2,240,770 less than final budgeted amounts and revenues along with other financing sources exceeded estimates by \$142,070 for the year ended June 30, 2018.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2018.

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2018</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real property taxes</i>	\$ 6,901,677	\$ 6,901,677	\$ 7,004,782	\$ 103,105
<i>Other tax items</i>	1,033,700	1,033,700	957,357	(76,343)
<i>State sources</i>	13,591,924	13,591,924	13,387,828	(204,096)
<i>Federal sources</i>	35,000	35,000	70,858	35,858
<i>Other, including financing sources</i>	532,000	532,000	815,546	283,546
Total Revenues and Other Financing Sources	\$ 22,094,301	\$ 22,094,301	\$ 22,236,371	\$ 142,070
Appropriated Fund Balance	250,000	250,000		
Appropriated Reserves	1,441,104	1,441,104		
Carryover Encumbrances	60,530	60,530		
EXPENDITURES				
<i>General support</i>	\$ 2,863,343	\$ 3,217,090	\$ 2,866,560	\$ 350,530
<i>Instruction</i>	12,135,629	11,614,361	10,746,352	868,009
<i>Pupil transportation</i>	1,360,936	1,365,757	1,202,281	163,476
<i>Employee benefits</i>	3,835,027	3,804,227	3,299,734	504,493
<i>Debt service</i>	3,440,000	3,440,000	3,085,738	354,262
<i>Other financing uses</i>	211,000	404,500	404,500	-
Total Expenditures and Other Financing Uses	\$ 23,845,935	\$ 23,845,935	\$ 21,605,165	\$ 2,240,770

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the School District had invested in a broad range of capital assets. This amount represents a net increase of \$2,220,236 compared to last year, as shown in Figure 9.

Figure 9

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2017-2018</i>
	<i>2017</i>	<i>2018</i>	
<i>Land</i>	\$ 201,966	\$ 201,966	\$ -
<i>Construction in progress</i>	1,997,513	5,230,000	3,232,487
<i>Buildings, net</i>	37,868,919	36,831,857	(1,037,062)
<i>Equipment, net</i>	1,742,771	1,767,582	24,811
Total	\$ 41,811,169	\$ 44,031,405	\$ 2,220,236

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

Capital asset activity for the year ended June 30, 2018 included the following:

Construction in progress	\$ 3,518,501
Equipment	470,843
Total additions	3,989,344
Less net book value of disposed equipment	(117,107)
Less depreciation expense	(1,652,001)
Net Increase in Capital Assets	\$ 2,220,236

Debt Administration

Debt considered liabilities of Governmental Activities decreased by (\$2,570,624) in 2018, as shown in *Figure 10*. Total indebtedness represented approximately 43.9% of the School District's constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017-2018</i>
<i>Serial bonds</i>	\$ 24,817,483	\$ 22,246,859	\$ (2,570,624)
<i>Total</i>	\$ 24,817,483	\$ 22,246,859	\$ (2,570,624)

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's bond rating, per Moody's, is A1.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- South Seneca Central School District has continued to utilize services of Central Business Offices (CBO) at TST BOCES to consolidate office functions. Tax collection, accounts payable, and payroll functions of the School District are primarily performed at the CBO. NYSED encourages School Districts to share services through BOCES and, therefore, provide additional state aid to participating districts.
- Pension rates for school districts reflect changes to the School District's required contributions to the ERS (15.9%) and for TRS (10.62%) retirement systems. The majority of our staff are TRS eligible employees so any rate changes will have a significant impact to overall expenditures. South Seneca has built up reserves to offset some of these expenditures.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

- The School District has made expenditure reduction a priority. This has resulted in reduced expenditures which translated to a longer, sustainable future for South Seneca. Reductions include, but are not limited to, utilizing more BOCES services (which are state aidable), reconfiguring special education programs, and allowing staff reductions through attrition whenever possible. The School District enters 2018-19 in a stable position where it can maintain essential staff to meet the program goals of the Board of Education and the new state educational requirements.
- Recently enacted legislation in New York State caps tax levy increases to CPI or 2% whichever is less. However, the law provides for some adjustments which allows the tax cap to exceed 2%. For the 2018-19 budget year, the tax levy increase approved by voters was 2.14% which includes adjustments for capital expenditures. The School District has established reserves and will be able to utilize these reserves to stabilize current and future budgets resulting from calculated tax cap.
- South Seneca has set new budget parameters. Budgeting goals for Administration and the Board of Education are based on maintaining the long term sustainability of the District while continuing to provide a quality education to all students.
- South Seneca Central School has utilized the \$100,000 Capital Outlay for annual, smaller-sized maintenance projects. The focus of the project has been LED lighting replacements throughout the School District to reduce energy needs.
- South Seneca is finishing two (2) combined projects totaling \$8.8M which are expected to be completed by December 31, 2018. Permanent financing was done for these projects and there is no plan to utilize long term financing for several years. A capital reserve requiring voter approval will be used for any interim projects.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the South Seneca Central School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, South Seneca Central School District, at 7263 Main Street, Ovid, New York 14521.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS

Current Assets

Cash - Unrestricted	\$ 1,892,436
Cash - Restricted	<u>686,967</u>
Due from state and federal governments	<u>1,310,093</u>
Due from other governments	<u>15,058</u>
Due from fiduciary funds	<u>25,487</u>
Other receivables, net	<u>64,631</u>
Inventories	<u>14,559</u>
Prepaid items	<u>197,747</u>
Total Current Assets	<u><u>4,206,978</u></u>

Noncurrent Assets

Restricted cash	<u>6,485,643</u>
Net pension asset - Proportionate share	<u>309,948</u>
Capital assets, net:	
Nondepreciable capital assets	<u>5,431,966</u>
Depreciable capital assets, net	<u>38,599,439</u>
Total Noncurrent Assets	<u><u>50,826,996</u></u>

Total Assets	<u><u>55,033,974</u></u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - Pensions	<u>4,713,398</u>
Deferred outflows of resources - OPEB	<u>148,206</u>
Deferred charges on defeased debt	<u>997,859</u>
Total Deferred Outflows of Resources	<u><u>5,859,463</u></u>

LIABILITIES

Current Liabilities

Accounts payable	<u>389,011</u>
Accrued liabilities	<u>55,106</u>
Due to other governments	<u>119,288</u>
Bond interest and matured bonds	<u>28,686</u>
Unearned revenues	<u>70,250</u>
Due to Teachers' Retirement System	<u>669,311</u>
Due to Employees' Retirement System	<u>84,531</u>
Compensated absences payable	<u>17,024</u>
Current portion of long-term liabilities:	
Bonds payable	<u>3,064,996</u>
Total Current Liabilities	<u><u>4,498,203</u></u>

See Independent Auditor's Report and Notes to Basic Financial Statements

SOUTH SENECA CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018 (Continued)

LIABILITIES (continued)

Noncurrent Liabilities and Obligations

Bonds payable	\$ 19,181,863
Compensated absences payable	<u>529,734</u>
Other postemployment benefit liabilities	<u>2,659,087</u>
Net pension liability - Proportionate share	<u>199,624</u>
Total Noncurrent Liabilities and Obligations	<u>22,570,308</u>

Total Liabilities

27,068,511

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - Pensions	<u>1,649,237</u>
Deferred inflows of resources - OPEB	<u>157,242</u>

Total Deferred Inflows of Resources

1,806,479

NET POSITION

Net investment in capital assets	<u>22,968,746</u>
Restricted	<u>7,244,185</u>
Unrestricted	<u>1,805,516</u>

Total Net Position

\$ 32,018,447

SOUTH SENECA CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	Revenue and Changes in Net Position
General support	\$ 4,368,856	\$	\$	\$	\$ (4,368,856)
Instruction	14,854,865	78,293	1,480,114	350,215	(12,946,243)
Pupil transportation	1,358,203				(1,358,203)
School lunch program	522,385	68,234	400,448		(53,703)
Interest on debt	888,820				(888,820)
Total Functions and Programs	\$ 21,993,129	\$ 146,527	\$ 1,880,562	\$ 350,215	(19,615,825)

GENERAL REVENUES

Real property taxes	7,004,782
Real property tax items	957,357
Use of money and property	33,991
State sources	13,387,828
Sale of property and compensation for loss	(111,029)
Miscellaneous	767,223

Total General Revenues 22,040,152

Change in Net Position 2,424,327

Total Net Position - Beginning of Year 29,594,120

Total Net Position - End of Year **\$ 32,018,447**

See Independent Auditor's Report and Notes to Basic Financial Statements

SOUTH SENECA CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2018

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 1,296,036	\$ 227,522	\$ 4,677
Cash - Restricted	6,185,452		49,500
Due from other funds	566,463		26,585
Due from state and federal governments	825,491	113,256	21,131
Due from other governments	15,058		
Due from Fiduciary Funds	25,487		
Other	21,768	42,623	171
Inventories			14,559
Prepaid items	197,747		
Total Assets	\$ 9,133,502	\$ 383,401	\$ 116,623
LIABILITIES			
Accounts payable	\$ 221,989	\$ 25,357	\$ 1,410
Accrued liabilities	52,786	2,309	11
Due to other funds	26,588	202,259	
Due to other governments	118,263	445	580
Due to Teachers' Retirement System	669,311		
Due to Employees' Retirement System	84,531		
Compensated absences payable	17,024		
Unearned revenues		67,574	2,676
Total Liabilities	1,190,492	297,944	4,677
FUND BALANCES			
Nonspendable	197,747		14,559
Restricted	6,185,452		97,387
Assigned	601,173	85,457	
Unassigned	958,638		
Total Fund Balances	7,943,010	85,457	111,946
Total Liabilities and Fund Balances	\$ 9,133,502	\$ 383,401	\$ 116,623

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds

Debt Service Fund	Capital Projects Fund	Miscellaneous Special Revenue Fund	Total Governmental Funds
\$	\$ 364,201	\$	\$ 1,892,436
300,191	626,489	10,978	7,172,610
289			593,337
	350,215		1,310,093
			15,058
			25,487
		69	64,631
			14,559
			197,747
\$ 300,480	\$ 1,340,905	\$ 11,047	\$ 11,285,958
\$	\$ 140,061	\$ 194	\$ 389,011
			55,106
	364,490		593,337
			119,288
			669,311
			84,531
			17,024
			70,250
-	504,551	194	1,997,858
			212,306
300,480	836,354	10,853	7,430,526
			686,630
			958,638
300,480	836,354	10,853	9,288,100
\$ 300,480	\$ 1,340,905	\$ 11,047	\$ 11,285,958

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

Fund Balances - Total Governmental Funds **\$ 9,288,100**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 66,899,593	
Less accumulated depreciation	<u>(22,868,188)</u>	44,031,405

The School District's proportionate share of the Employee Retirement Systems' collective net pension (asset) or liability is not reported in the funds.

TRS net pension (asset) - Proportionate share	\$ 309,948	
ERS net pension liability - Proportionate share	<u>(199,624)</u>	110,324

Deferred outflows of resources, including deferred charges on defeased debt, OPEB, and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including OPEB and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred charges on defeased debt	\$ 997,859	
OPEB deferred outflows of resources	148,206	
ERS deferred outflows of resources - Pension	673,351	
TRS deferred outflows of resources - Pension	4,040,047	
OPEB deferred inflows of resources	(157,242)	
ERS deferred inflows of resources - Pension	(637,736)	
TRS deferred inflows of resources - Pension	<u>(1,011,501)</u>	4,052,984

Long-term liabilities, including bonds and notes payable are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable		(21,070,000)
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Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.

Accrued interest on long-term debt	\$ (28,686)	
Premiums on long term obligations	(1,176,859)	
Long-term compensated absences	(529,734)	
Other postemployment benefit liabilities	<u>(2,659,087)</u>	<u>(4,394,366)</u>

Net Position of Governmental Activities **\$ 32,018,447**

See Independent Auditor's Report and Notes to Basic Financial Statements

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 7,004,782	\$	\$
Other tax items	957,357		
Charges for services	7,435		
Use of money and property	29,290		6
Sale of property and compensation for loss	6,078		
Miscellaneous	763,255	225,840	1,940
State sources	13,387,828	701,865	10,756
Federal sources	70,858	552,409	363,168
Surplus food			26,524
Sales - School lunch			66,687
Total Revenues	22,226,883	1,480,114	469,081
EXPENDITURES			
General support	2,779,348		
Instruction	10,564,991	1,311,133	197,373
Pupil transportation	1,194,995	32,704	
Employee benefits	3,224,420	169,731	55,891
Debt service:			
Principal	2,125,000		
Interest	960,738		
Cost of sales			266,590
Capital outlay			
Total Expenditures	20,849,492	1,513,568	519,854
Excess (Deficiency) of Revenues Over Expenditures	1,377,391	(33,454)	(50,773)
OTHER FINANCING SOURCES AND (USES)			
Operating transfers in	9,488	53,486	65,000
Operating transfers (out)	(404,500)	(9,488)	
Total Other Financing Sources and (Uses)	(395,012)	43,998	65,000
Net Change in Fund Balances	982,379	10,544	14,227
Fund Balances - Beginning of Year	6,960,631	74,913	97,719
Fund Balances - End of Year	\$ 7,943,010	\$ 85,457	\$ 111,946

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds			
Debt Service Fund	Capital Projects Fund	Miscellaneous Special Revenue Fund	Total Governmental Funds
\$	\$	\$	\$ 7,004,782
			957,357
			7,435
4,460		235	33,991
			6,078
		3,575	994,610
	350,215		14,450,664
			986,435
			26,524
			66,687
4,460	350,215	3,810	24,534,563
			2,779,348
		4,237	12,077,734
			1,227,699
			3,450,042
			2,125,000
			960,738
			266,590
	3,518,501		3,518,501
-	3,518,501	4,237	26,405,652
4,460	(3,168,286)	(427)	(1,871,089)
	286,014		413,988
			(413,988)
-	286,014	-	-
4,460	(2,882,272)	(427)	(1,871,089)
296,020	3,718,626	11,280	11,159,189
\$ 300,480	\$ 836,354	\$ 10,853	\$ 9,288,100

SOUTH SENECA CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds **\$ (1,871,089)**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas proceeds from the sale are reported as revenue in the Governmental Funds.

Capital asset additions	\$	3,989,344	
Net book value of disposed assets		(117,107)	
Depreciation expense		<u>(1,652,001)</u>	2,220,236

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid on serial bonds			2,125,000
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Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore, expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to other postemployment benefits do not effect current financial resources and are, also, not reported in the Governmental Funds.

Net change in compensated absences payable	\$	3,728	
Net change in other postemployment benefit liabilities		<u>(13,128)</u>	(9,400)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.

Amortization of deferred charges on defeased debt	\$	(377,846)	
Amortization of premiums on obligations		445,624	
Change in accrued interest		<u>4,140</u>	71,918

Changes in the School District's proportionate share of net pension (assets) and liabilities have no effect on current financial resources and therefore, are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$	7,621	
TRS		<u>(119,959)</u>	<u>(112,338)</u>

Net Change in Net Position of Governmental Activities **\$ 2,424,327**

See Independent Auditor's Report and Notes to Basic Financial Statements

SOUTH SENECA CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2018

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash - Unrestricted	\$ <u> </u>	\$ <u>127,220</u>
Cash - Restricted	<u>440,950</u>	<u> </u>
Total Assets	<u>440,950</u>	<u><u>\$ 127,220</u></u>
LIABILITIES		
Due to Governmental Funds	<u> </u>	\$ <u>25,487</u>
Extraclassroom Activity Funds balance	<u> </u>	<u>97,386</u>
Other liabilities	<u>51</u>	<u>4,347</u>
Total Liabilities	<u>51</u>	<u><u>\$ 127,220</u></u>
NET POSITION		
Restricted for scholarships	\$ <u><u>440,899</u></u>	

See Independent Auditor's Report and Notes to Basic Financial Statements

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

	Private Purpose Trust Fund
	<u> </u>
ADDITIONS	
Gifts and contributions	\$ 32,818
Investment earnings	<u>10,148</u>
Total Additions	<u>42,966</u>
DEDUCTIONS	
Scholarships and awards	<u>42,321</u>
Change in Net Position	645
Net Position - Beginning of Year	<u>440,254</u>
Net Position - End of Year	<u><u>\$ 440,899</u></u>

See Independent Auditor's Report and Notes to Basic Financial Statements

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies**

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

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 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 School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 85, "Omnibus 2017."

- The primary government, which is the South Seneca Central School District;
- 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 basic financial statements to be misleading or incomplete.

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

The decision to include a potential component unit in the School 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 Extraclassroom Activity Funds are included in the School District's reporting entity.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, 7263 Main Street, Ovid, New York 14521.

Joint Venture

The School District is one of nine component school districts in the Tompkins-Seneca-Tioga 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.

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

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

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law.

Basis of Presentation - District-wide Financial Statements

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

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation - District-wide Financial Statements - Continued

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. 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.

Basis of Presentation - Governmental Fund Financial Statements

The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on Major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- **General Fund:** The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - **Special Aid Fund:** Used to account for proceeds received from state and federal grants that are restricted for special educational programs.
 - **School Lunch Fund:** Used to account for child nutrition activities whose funds are restricted as to use.
- **Capital Projects Fund:** Accounts for financial resources used for the renovation of the School District's educational complex and the purchase of School District transportation equipment.
- **Debt Service Fund:** Accounts for the accumulation of resources and payment of principal and interest on long-term general obligation debt of Governmental Activities.
- **Miscellaneous Special Revenue Fund:** Accounts for resources donated to the School District for various purposes.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

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

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- **Agency Fund:** Strictly custodial in nature and does not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

The District-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the School 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 financial 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 School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

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

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Cash and Investments

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

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School 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 Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance for these non-liquid assets (inventories and prepaid items) has been reported as nonspendable to signify that a portion of fund balance is not available for other subsequent expenditures.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1998. For assets acquired prior to June 30, 1998, capital assets are reported at estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capital assets with a cost in excess \$1,000 for furniture and equipment and \$10,000 for buildings at the date of acquisition are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Buildings	20 - 40 years
Furniture and equipment	3 - 20 years

Vested Employee Benefits - Compensated Absences

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

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

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the Governmental Fund financial 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.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Postemployment Benefits

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

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District complies with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

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 judgements, other postemployment benefit 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 School District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

Unearned Revenue

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Unearned Revenue - Continued

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenues in the subsequent fiscal year, rather than when measurable and available.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element 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 School District reports deferred charges on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows of resources related to pensions and OPEB plans in the District-wide Statement of Net Position. The types of deferred outflows related to pensions and OPEB are described in Notes 9 and 10, respectively.

In addition to liabilities, the Statement of Net Position reports 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 will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows of resources related to pensions and OPEB plans which are further described in Notes 9 and 10, respectively.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Equity Classifications - District-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - District-wide Financial Statements - Continued

- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of “restricted” or “net investment in capital assets.”

Equity Classifications - Governmental Fund Financial Statements

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District’s legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government’s highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government’s highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education of the School District has not adopted any resolutions to commit fund balance. The School District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

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

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Employee Benefit Accrued Liability Reserve (GML §6-p) - Used to reserve funds 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.
- Unemployment Insurance Reserve (GML §6-m) - 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 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- Mandatory Reserve for Debt Service (GML §6-l) - Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvements that were financed by obligations, which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvements. This reserve is accounted for in the Debt Service Fund.
- NYS Retirement Contributions Reserve (GML §6-r) - Used to reserve funds for the payment of retirement contributions, due to volatility in the economic marketplace. 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.
- Liability Reserve (Education Law §1709(8-c)) - Used to reserve funds for the payment of potential property loss and liability claims. 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.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Insurance Reserve (GML §6-m) - 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.

Property Taxes - Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 16, 2017. Taxes were collected during the period September 1 to November 30, 2017.

Property Taxes - Enforcement

Uncollected real property taxes are subsequently enforced by the Counties of Seneca and Schuyler. An amount representing uncollected real property taxes transmitted to the Counties for enforcement is paid to the School District no later than the following April 1.

Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of Estimates

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

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

New Accounting Standards

The School District has adopted and implemented the following Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2018:

- GASB has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,” effective for the year ended June 30, 2018. This Statement replaces the requirements of Statements No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,” as amended, and No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.”
- GASB has issued Statement No. 85, “Omnibus 2017,” effective for the year ended June 30, 2018.
- GASB has issued Statement No. 86, “Certain Debt Extinguishment Issues,” effective for the year ended June 30, 2018.

Future Changes in Accounting Standards

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

- GASB has issued Statement No. 83, “Certain Asset Retirement Obligations,” effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending June 30, 2021.
- GASB has issued Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,” effective for the year ending June 30, 2020. This statement improves the information disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements.
- GASB has issued Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period,” effective for the year ending June 30, 2021.

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

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 2* Participation in BOCES**

During the year ended June 30, 2018, the School District's share of BOCES income amounted to \$1,037,308. The School District was billed \$4,519,633 for BOCES administration and program costs. Financial statements for Tompkins-Seneca-Tioga BOCES are available from the BOCES administrative office at 555 Warren Road, Ithaca, New York.

***Note 3* Cash and Cash Equivalents**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances of \$10,571,136, including certificates of deposit, are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash consists of the following at June 30, 2018:

Restricted for debt service	\$	300,480
Restricted for capital projects		2,596,913
Restricted for special projects		10,978
Restricted for other General Fund reserves		4,028,398
Restricted for school lunch		49,500
Unspent debt proceeds		186,341
Subtotal		<u>7,172,610</u>
Restricted for scholarships		<u>440,950</u>
Total	\$	<u><u>7,613,560</u></u>

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 4 Interfund Balances and Activity

Interfund 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	\$ 566,463	\$ 26,588	\$ 9,488	\$ 404,500
Special Aid Fund		202,259	53,486	9,488
Capital Projects Fund		364,490	286,014	
School Lunch Fund	26,585		65,000	
Debt Service Fund	289			
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u><u>\$ 593,337</u></u>	<u><u>\$ 593,337</u></u>	<u><u>\$ 413,988</u></u>	<u><u>\$ 413,988</u></u>

In addition to the above interfund activity, the Agency Fund owed governmental funds \$25,487 at June 30, 2018.

Interfund receivables and payables are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to the Capital Projects Fund, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize the School Lunch Fund.

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

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 5 Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 201,966	\$	\$	\$ 201,966
Construction in progress	1,997,513	3,518,501	(286,014)	5,230,000
Total Nondepreciable Historical Cost	<u>2,199,479</u>	<u>3,518,501</u>	<u>(286,014)</u>	<u>5,431,966</u>
Capital assets that are depreciated:				
Buildings	57,495,523		286,014	57,781,537
Furniture and equipment	3,567,226	470,843	(351,979)	3,686,090
Total Depreciable Historical Cost	<u>61,062,749</u>	<u>470,843</u>	<u>(65,965)</u>	<u>61,467,627</u>
Total Historical Cost	<u>63,262,228</u>	<u>3,989,344</u>	<u>(351,979)</u>	<u>66,899,593</u>
Less accumulated depreciation:				
Buildings	(19,626,604)	(1,323,076)		(20,949,680)
Furniture and equipment	(1,824,455)	(328,925)	234,872	(1,918,508)
Total Accumulated Depreciation	<u>(21,451,059)</u>	<u>(1,652,001)</u>	<u>234,872</u>	<u>(22,868,188)</u>
Total Historical Cost, Net	\$ <u>41,811,169</u>	\$ <u>2,337,343</u>	\$ <u>(117,107)</u>	\$ <u>44,031,405</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 1,311,577
Instruction	70,599
Pupil transportations	<u>269,825</u>
Total	\$ <u>1,652,001</u>

Note 6 Short-term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue or redeem any RANs or TANs during the year.

The School 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 an insufficient or no provision is 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 School District did not issue or redeem any budget notes during the year.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 6 Short-term Debt - Continued

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The School District did not issue or redeem any BANs during the year.

Note 7 Long-term Debt

At June 30, 2018, the total outstanding indebtedness of the School District represented 43.9% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds - The School District borrows money in order to acquire land or equipment 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.

The following is a summary of the School District's long-term debt for the year ended June 30, 2018:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2018</u>
2015 Refunding Bonds	06/15/2015	06/15/2024	3.00%-5.00%	\$ 13,830,000
2017 Serial Bonds	06/15/2017	06/15/2033	2.00%-3.00%	7,240,000
Add: Unamortized premiums				1,176,859
Net Refunding Bonds				22,246,859
Total				\$ 22,246,859

Interest expense on short-term and long-term debt during the year ended June 30, 2018 was comprised of the following:

Interest paid	\$ 960,738
(Less) interest accrued in the prior year	(32,826)
Plus interest accrued in the current year	28,686
(Less) amortization of bond premium	(445,624)
Plus amortization of deferred charges on defeased debt	377,846
Total	\$ 888,820

Interest paid on the Serial Bonds varies from year to year, in accordance with interest rates specified in the bond agreements.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 7 Long-term Debt - Continued

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

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Serial Bonds	\$ 23,195,000	\$	\$ (2,125,000)	\$ 21,070,000	\$ 2,685,000
Add: Unamortized premiums	1,622,483		(445,624)	1,176,859	379,996
Total	\$ 24,817,483	\$ -	\$ (2,570,624)	\$ 22,246,859	\$ 3,064,996

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

Year	Principal	Interest	Total
2019	\$ 2,685,000	\$ 960,738	\$ 3,645,738
2020	2,640,000	859,988	3,499,988
2021	2,755,000	745,388	3,500,388
2022	2,880,000	628,538	3,508,538
2023	3,005,000	506,088	3,511,088
2024-2028	5,035,000	902,152	5,937,152
2029-2033	2,070,000	228,300	2,298,300
Total	\$ 21,070,000	\$ 4,831,192	\$ 25,901,192

On June 15, 2015, the School District issued \$13,915,000 of general obligation bonds, with interest rates ranging between 3.00% and 5.00%. The School District issued these bonds to advance refund \$14,090,000 of outstanding refunding serial bonds with interest rates ranging from 4.00% to 5.75%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, \$14,090,000 in bonds is considered defeased and the liability was removed from the School District's financial statements. The outstanding principal of the defeased bonds was \$13,830,000 at June 30, 2018. The School District capitalized deferred charges on defeased debt related to the refunding bonds of \$2,292,069 which will be amortized over the life of the bonds.

The components of deferred charges on defeased debt are summarized as follows:

Deferred Charges on Defeased Debt	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
2015 Refunding Bonds	\$ 1,375,705	\$	\$ (377,846)	\$ 997,859	\$ 322,199
Total	\$ 1,375,705	\$ -	\$ (377,846)	\$ 997,859	\$ 322,199

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Compensated Absences

Compensated Absences represents the value of the earned and unused portion of the liability for compensated absences. This liability is liquidated from the General Fund.

A summary of balances and activity related to noncurrent compensated absences for the year ended June 30, 2018 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated Absences	\$ 533,462	\$ -	\$ (3,728)	\$ 529,734

Changes to long-term compensated absences are reported net, as it is impractical to individually determine additions and deletions during the fiscal year.

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)

Plan Descriptions and Benefits Provided - Teachers' Retirement System (TRS)

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

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 9* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Descriptions and Benefits Provided - Teachers' Retirement System (TRS) - Continued

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS)

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

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 9* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS) - Continued

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to be making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Contributions

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	ERS	TRS
2018	\$ 285,409	\$ 794,408
2017	286,105	803,062
2016	350,869	1,009,283

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

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

	ERS	TRS
Actuarial valuation date	04/01/2017	06/30/2016
Net pension liability (asset)	\$ 3,227,444,946	\$ (760,099,284)
School District's proportionate share of the Plan's total net pension (asset) liability	199,624	(309,948)
School District's share of the net pension (asset) liability	0.0061852%	0.0407773%

For the year ended June 30, 2018, the School District recognized pension expense of \$275,203 for ERS and \$753,402 for TRS in the District-wide financial statements. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 71,199	\$ 255,011	\$ 58,836	\$ 120,845
Changes of assumptions	132,367	3,153,785		
Net differences between projected and actual earnings on pension plan investments	289,938		572,308	730,018
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	95,316		6,592	160,638
School District's contributions subsequent to the measurement date	84,531	631,251		
Total	\$ 673,351	\$ 4,040,047	\$ 637,736	\$ 1,011,501

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

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

<u>Year Ended</u>	<u>ERS</u>	<u>TRS</u>
2019	\$ 76,601	45,880
2020	62,940	808,549
2021	(129,409)	571,261
2022	(59,048)	122,386
2023		569,524
Thereafter		279,695

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Investment rate of return	7.0%	7.25%
Salary increases	3.8%	1.9% - 4.7%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

Actuarial Assumptions

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

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 were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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

For TRS, 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.

Measurement date	ERS March 31, 2018	TRS June 30, 2017
Asset Type:		
Domestic equities	4.6%	5.9%
International equities	6.4%	7.4%
Real estate	5.6%	4.3%
Private equity/Alternative investments	7.5%	9.0%
Absolute return strategies	3.8%	
Opportunistic portfolio	5.7%	
Real assets	5.3%	
Cash	(0.3%)	
Inflation-indexed bonds	1.3%	
Domestic fixed income securities		1.6%
Global fixed income securities		1.3%
High-yield fixed income securities		3.9%
Mortgages and bonds	1.3%	2.8%
Short-term		0.6%

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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 contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

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

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	\$ 1,510,407	\$ 199,624	\$ (909,246)
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's proportionate share of the net pension (asset) liability	\$ 5,339,491	\$ (309,948)	\$ (5,041,074)

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Pension Plan Fiduciary Net Position

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

	Dollars in Thousands	
	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension liability	\$ 183,400,590	\$ 114,708,261
Plan net position	(180,173,145)	(115,468,360)
Employers' net pension liability	\$ 3,227,445	\$ (760,099)
Ratio of Plan Net Position to the Employers' Total Pension Liability	98.2%	(100.7%)

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. 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 estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$84,531.

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 and employee contributions as of June 30, 2018 amounted to \$669,311.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Current Year Activity

The following is summary of current year activity:

	Beginning Balance	Change	Ending Balance
ERS			
Net pension (asset) liability	\$ 582,037	\$ (382,413)	\$ 199,624
Deferred outflows of resources	(507,044)	(166,307)	(673,351)
Deferred inflows of resources	96,637	541,099	637,736
Subtotal	171,630	(7,621)	164,009
TRS			
Net pension (asset) liability	420,416	(730,364)	(309,948)
Deferred outflows of resources	(4,095,462)	55,415	(4,040,047)
Deferred inflows of resources	216,593	794,908	1,011,501
Subtotal	(3,458,453)	119,959	(3,338,494)
Total	\$ (3,286,823)	\$ 112,338	\$ (3,174,485)

Note 10 Other Postemployment Benefits Other Than Pensions (OPEB)

During the year ended June 30, 2018, the School District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."

General Information about the OPEB Plan

Plan Description - The School District provides a self-insured minimum premium traditional indemnity plan to eligible retirees and dependents through the Tompkins-Seneca-Tioga Health Insurance Cooperative. The Plan offers retirees a choice between two deductibles with all other coverage being the same.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 10* Other Postemployment Benefits Other Than Pensions (OPEB) - Continued**

General Information about the OPEB Plan - Continued

Benefit eligibility provisions are established and may be amended by action of the School District subject to applicable collective bargaining and employment agreements. The School District assigns the authority to establish and amend provisions to the Board of Education for non-bargaining unit employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Benefits Provided - The School District provides health insurance coverage, and survivor benefits and postemployment dental coverage to retirees and dependents; however, participants must pay 100% of the premium cost.

The specifics of each contract are on file at the School District offices and are available upon request.

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

Inactive employees	43
Active employees	<u>176</u>
Total	<u><u>219</u></u>

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 10* Other Postemployment Benefits Other Than Pensions (OPEB) - Continued**

Total OPEB Liability

The School District's total OPEB liability of \$2,659,087 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2016.

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

Single Discount Rate	3.6%
Salary Rate	3.5%
Rate of Inflation	2.2%
Marriage Rate	70.0%
Participation Rate	100.0%
Healthcare Cost Trend Rates	7.00% - 6.30% for 2018, decreasing to an ultimate rate of 3.84% for 2087

The long-term bond rate is based on the Bond Buyer Weekly 20-Year Bond GO Index as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2015 mortality improvement scale on a fully generational basis.

Rates of turnover and retirement rates are based on the experience under the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The ERS rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis.

Termination rates were based on the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement.

The actuarial assumptions used in the July 1, 2016 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Other Postemployment Benefits Other Than Pensions (OPEB) - Continued

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 2,790,296
Changes For the Year:	
Service cost	103,705
Interest cost	80,551
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(180,164)
Benefit payments	(135,301)
	<u>(131,209)</u>
Balance at June 30, 2018	\$ <u>2,659,087</u>

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

	1% Decrease (2.60%)	Discount Rate (3.60%)	1% Increase (4.60%)
Total OPEB Liability	\$ 2,903,649	\$ 2,659,087	\$ 2,445,395

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.3% to 6.0%) or 1-percentage-point high (7.3% to 8.0%) than the current healthcare cost trend rate:

	1% Decrease (5.30% to 6.00%)	Healthcare Cost Trend Rate (6.30% to 7.00%)	1% Increase (7.30% to 8.00%)
Total OPEB Liability	\$ 2,612,536	\$ 2,659,087	\$ 2,709,533

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Other Postemployment Benefits Other Than Pensions (OPEB) - Continued

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$161,334.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	-	157,242
Contributions subsequent to measurement date	148,206	-
Total	\$ 148,206	\$ 157,242

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

Fiscal Year	Amount
Ending June 30,	
2019	\$ (22,922)
2020	(22,922)
2021	(22,922)
2022	(22,922)
Thereafter	(65,554)

Current Year Activity

The following is a summary of current year activity:

	Beginning Balance	Change	Ending Balance
Other postemployment benefits liability	\$ 2,790,296	\$ (131,209)	\$ 2,659,087
Deferred outflows of resources	(135,301)	(12,905)	(148,206)
Deferred inflows of resources		157,242	157,242
Total Effect on Net Position	\$ 2,654,995	\$ 13,128	\$ 2,668,123

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 11* Commitments and Contingencies**

Risk Financing and Related Insurance - General Information

The School District is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; 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 three years.

Risk Financing and Related Insurance - Health Insurance

The School District incurs costs related to an employee health insurance plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School districts joining the Plan must remain members for a minimum of one year; a member district may withdraw from the Plan after that time by providing notice to the consortium prior to May 1, immediately preceding the commencement of the next school year. Plan members include eight districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2018, the School District incurred premiums or contribution expenditures totaling \$1,739,366.

Grants

The School District receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the state. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and are subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the School District. Based on prior experience, management expects such amounts to be immaterial.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Commitments and Contingencies - Continued

Litigation

The School District is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the School District.

Note 12 Fund Balance Detail

At June 30, 2018, nonspendable, restricted and assigned fund balances in the governmental funds were as follows:

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Misc. Special Revenue Fund</u>
Nonspendable						
Prepaid expenses	\$ 197,747	\$	\$	\$	\$	\$
Inventory			14,559			
Total Nonspendable Fund Balance	\$ 197,747	\$ -	\$ 14,559	\$ -	\$ -	\$ -
Restricted						
Unemployment insurance reserve	\$ 325,631	\$	\$	\$	\$	\$
Retirement contribution reserve	2,157,990					
Liability reserve	858,895					
Insurance reserve	200,635					
Employee benefit accrued liability reserve	485,247					
Capital reserve	2,157,054				836,354	
School lunch			97,387			
Debt				300,480		
Special projects						10,853
Total Restricted Fund Balance	\$ 6,185,452	\$ -	\$ 97,387	\$ 300,480	\$ 836,354	\$ 10,853
Assigned						
Appropriated for next year's budget	\$ 250,000	\$	\$	\$	\$	\$
Encumbered for:						
General support	87,212					
Instruction	181,361					
Pupil transportation	7,286					
Employee benefits	75,314					
Special Aid		85,457				
Total Assigned Fund Balance	\$ 601,173	\$ 85,457	\$ -	\$ -	\$ -	\$ -

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 13 Restricted Fund Balances

Portions of fund balance are restricted and are not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2018 of the General Fund restricted reserves were as follows:

<u>General Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
Unemployment insurance reserve	\$ 327,881	\$	\$ 86	\$ (2,336)	\$ 325,631
Retirement contribution reserve	2,154,025		3,965		2,157,990
Liability reserve	857,317		1,578		858,895
Insurance reserve	200,266		369		200,635
Employee benefit accrued liability reserve	501,149		923	(16,825)	485,247
Capital reserve - Improvements	1,256,468	500,000	374	(200,000)	1,556,842
Capital reserve - Buses	400,106	200,000	106		600,212
Total	\$ 5,697,212	\$ 700,000	\$ 7,401	\$ (219,161)	\$ 6,185,452

Reconciliation Between Restricted Fund Balance and Restricted Net Position

Restricted fund balances and restricted net position differ because unspent debt proceeds are reported as restricted fund balance in the fund financial statements and as part of net investment in capital assets in the Statement of Net Position.

Restricted fund balance in the fund financial statements	\$ 7,430,526
Less unspent debt proceeds	<u>(186,341)</u>
Restricted Net Position	<u>\$ 7,244,185</u>

Note 14 Restatement

The School District's June 30, 2017 net position has been restated to reflect the following:

Net Position Beginning of Year	\$ 31,509,623
GASB Statement No. 75 Implementation	
Change in OPEB plan liability	(2,050,804)
Beginning OPEB plan deferred outflows of resources	<u>135,301</u>
Net Position Beginning of Year, as Restated	<u>\$ 29,594,120</u>

Note 15 Subsequent Events

On August 28, 2018, the Board approved an Emergency Capital Project for an estimated \$200,000 for repair and reconstruction of flooring and asbestos removal.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 6,901,677	\$ 6,901,677	\$ 7,004,782	\$ 103,105
Real property tax items	1,033,700	1,033,700	957,357	(76,343)
Charges for services	8,000	8,000	7,435	(565)
Use of money and property	7,000	7,000	29,290	22,290
Sale of property and compensation for loss			6,078	6,078
Miscellaneous	400,000	400,000	763,255	363,255
Total Local Sources	8,350,377	8,350,377	8,768,197	417,820
State sources	13,591,924	13,591,924	13,387,828	(204,096)
Federal sources	35,000	35,000	70,858	35,858
Total Revenues	21,977,301	21,977,301	22,226,883	249,582
OTHER FINANCING SOURCES				
Proceeds from obligations	117,000	117,000		(117,000)
Operating transfers in	-	-	9,488	9,488
Total Revenues and Other Financing Sources	22,094,301	22,094,301	\$ 22,236,371	\$ 142,070
Appropriated Fund Balance	250,000	250,000		
Appropriated Reserves	1,441,104	1,441,104		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	60,530	60,530		
Total Revenues, Appropriated Reserves and Designated Fund Balance	\$ 23,845,935	\$ 23,845,935		

See Independent Auditor's Report and Notes to Required Supplementary Information

SOUTH SENECA CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES		
General Support		
Board of Education	\$ 59,949	\$ 61,096
Central administration	190,262	190,262
Finance	388,788	414,871
Staff	67,295	95,395
Central services	1,827,886	2,075,698
Special items	329,163	379,768
Total General Support	<u>2,863,343</u>	<u>3,217,090</u>
Instruction		
Instruction, administration, and improvement	717,505	715,426
Teaching - Regular school	4,736,155	4,598,068
Programs for children with disabilities	3,444,714	3,026,564
Occupational education	777,792	897,549
Teaching - Special school	26,495	38,895
Instructional media	1,484,083	1,389,971
Pupil services	948,885	947,888
Total Instruction	<u>12,135,629</u>	<u>11,614,361</u>
Pupil transportation	1,360,936	1,365,757
Employee benefits	3,835,027	3,804,227
Debt Service		
Principal	2,145,000	2,165,000
Interest	1,295,000	1,275,000
Total Debt Service	<u>3,440,000</u>	<u>3,440,000</u>
Total Expenditures	<u>23,634,935</u>	<u>23,441,435</u>
OTHER FINANCING USES		
Operating transfers out	211,000	404,500
Total Expenditures and Other Financing Uses	<u>\$ 23,845,935</u>	<u>\$ 23,845,935</u>

Net Change in Fund Balance

Fund Balance - Beginning of Year

Fund Balance - End of Year

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 50,405	\$	\$ 10,691
174,171	2,018	14,073
390,678		24,193
59,949		35,446
1,771,933	85,194	218,571
332,212		47,556
2,779,348	87,212	350,530
643,840		71,586
4,277,646	103,699	216,723
2,693,514	65,615	267,435
894,535		3,014
37,511		1,384
1,180,273	10,521	199,177
837,672	1,526	108,690
10,564,991	181,361	868,009
1,194,995	7,286	163,476
3,224,420	75,314	504,493
2,125,000		40,000
960,738		314,262
3,085,738	-	354,262
20,849,492	351,173	2,240,770
404,500		-
21,253,992	\$ 351,173	\$ 2,240,770
982,379		
6,960,631		
\$ 7,943,010		

SOUTH SENECA CENTRAL SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2018	2017	2016
Contractually required contribution	\$ 285,409	\$ 286,105	\$ 350,869
Contributions in relation to the contractually required contribution	(285,409)	(286,105)	(350,869)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	1,897,468	1,867,471	1,849,503
Contributions as a percentage of covered - employee payroll	15.0%	15.3%	19.0%

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2018	2017	2016
Contractually required contribution	\$ 669,290	\$ 794,408	\$ 803,062
Contributions in relation to the contractually required contribution	(669,290)	(794,408)	(803,062)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	6,829,490	6,778,225	6,056,275
Contributions as a percentage of covered - employee payroll	9.8%	11.7%	13.3%

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 320,554	\$ 318,093	\$ 357,629	\$ 332,359	\$ 225,956	\$ 136,421	\$ 144,220
(320,554)	(318,093)	(357,629)	(332,359)	(225,956)	(136,421)	(144,220)
-	-	-	-	-	-	-
1,729,439	1,735,753	2,047,973	2,102,059	2,020,290	1,968,163	1,890,841
18.5%	18.3%	17.5%	15.8%	11.2%	6.9%	7.6%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,009,283	\$ 898,200	\$ 646,129	\$ 645,001	\$ 538,880	\$ 408,039	\$ 488,993
(1,009,283)	(898,200)	(646,129)	(645,001)	(538,880)	(408,039)	(488,993)
-	-	-	-	-	-	-
5,757,461	5,527,385	5,457,171	5,805,590	6,251,508	6,591,906	6,408,820
17.5%	16.3%	11.8%	11.1%	8.6%	6.2%	7.6%

SOUTH SENECA CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) NYSLRS PENSION PLAN FOR THE YEAR ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.0061852%	0.0061944%	0.0064478%	0.0062535%
School District's proportionate share of the net pension (asset) liability	\$ 199,624	\$ 582,037	\$ 1,034,891	\$ 211,258
School District's covered-employee payroll during the measurement period	1,863,925	1,867,471	1,849,503	1,697,165
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	10.7%	31.2%	56.0%	12.4%
Plan fiduciary net position as a percentage of the total pension (asset) liability	98.2%	90.7%	90.7%	97.9%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.040777%	0.039253%	0.038329%	0.037419%
School District's proportionate share of the net pension (asset) liability	\$ (309,948)	\$ 420,416	\$ (3,981,110)	\$ (4,168,257)
School District's covered-employee payroll during the measurement period	6,778,225	6,056,275	5,757,461	5,527,385
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	(4.6%)	6.9%	(69.1%)	(75.4%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	(100.7%)	99.0%	(110.5%)	(111.5%)

See Independent Auditor's Report and Notes to Required Supplementary Information

SOUTH SENECA CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2018	2017	2016
Service cost	\$ 103,705	\$ *	\$ *
Interest cost	80,551	*	*
Changes of benefit terms		*	*
Differences between expected and actual experience		*	*
Changes in assumptions or other inputs	(180,164)	*	*
Benefit payments	(135,301)	*	*
	(131,209)	*	*
Total OPEB Liability - Beginning	2,790,296	*	*
Total OPEB Liability - Ending	\$ 2,659,087	\$ 2,790,296	\$ *
Covered Employee Payroll	8,991,885	*	*
Total OPEB Liability as a Percentage of Covered Payroll	29.57%		

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed for each year going forward as it becomes available.

See Independent Auditor's Report and Notes to Required Supplementary Information

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 1 Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the 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. Supplemental appropriations may occur subject to legal restrictions, if the board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Original adopted budget	\$ 23,785,405
Prior year encumbrances	<u>60,530</u>
Final Budget	<u><u>\$ 23,845,935</u></u>

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.

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

Note 2 Reconciliation of the General Fund Budget Basis to GAAP

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

Note 3 Schedule of Changes in the School District's Total OPEB Liability and Related Ratios

Changes of assumptions and other inputs reflect the effects of change in the discount rate each period. The following are the discount rates in each period:

2018 - 3.60%
2017 - 2.85%

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 4 Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability
The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present four years of information. These schedules will present ten years of information as it becomes available from the pension plans.

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2017 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2017 actuarial valuation determines the employer rates for contributions payable in fiscal year 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	Five-year phase in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

NYSTRS

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition, at a rate of 20% per year, of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 5 **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School Districts' Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
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Asset valuation method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 3.0%.
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Inflation	2.5%
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Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
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Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return	7.25% compounded annually, net of investment expenses, including inflation.
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Cost of living adjustments	1.5% compounded annually
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SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ <u>23,785,405</u>
Prior year's encumbrances	<u>60,530</u>
Original Budget	<u>23,845,935</u>
Final Budget	\$ <u><u>23,845,935</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget	\$ <u><u>24,354,864</u></u>
Maximum allowed (4% of the 2018-2019 budget)	\$ <u><u>974,195</u></u>
General Fund fund balance subject to §1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 601,173
Unassigned fund balance	<u>958,638</u>
Total Unrestricted Fund Balance	<u><u>1,559,811</u></u>
Less:	
Appropriated fund balance	\$ 250,000
Encumbrances included in assigned fund balance	<u>351,173</u>
Total Adjustments	<u><u>601,173</u></u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	\$ <u><u>958,638</u></u>
Actual Percentage	3.94%

See Independent Auditor's Report

SOUTH SENECA CENTRAL SCHOOL DISTRICT

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

PROJECT TITLE	Original Budget	Revised Budget	Expenditures		Total
			Prior Years	Current Year	
Ovid JR/SR High School 001-015	\$ 2,386,930	\$ 2,386,930	\$ 2,019,833	\$	\$ 2,019,833
Ovid JR/SR High School 001-017	4,235,500	4,235,500	1,427,829	2,082,261	3,510,090
Concession/Toilet Building 7012-001	384,500	384,500	207,930	305,874	513,804
Press Box 7013-001	50,500	50,500	-	27,778	27,778
Ovid JR/SR High School 001-016	621,369	621,369	300,000	373,087	673,087
Interlaken Elementary 004-015	468,640	468,640	61,754	93,272	155,026
Bus Garage at Ovid 5002-008	200,000	200,000		200,000	200,000
Ovid JR/SR High School 004-016	100,000	100,000		86,014	86,014
Smart School Bond 56-05-01-07-7-999-BA1	589,249	588,969		350,215	350,215
Total	\$ 9,036,688	\$ 9,036,408	\$ 4,017,346	\$ 3,518,501	\$ 7,535,847

***Architectural and state approved budget modifications for subproject reallocations not yet finalized and available at this report date.**

See Independent Auditor's Report

Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018	
	Proceeds of Obligations	State Aid	Transfers	Local Sources		Total
\$ 367,097	\$ 1,510,851	\$	\$	\$ 395,000	\$ 1,905,851	(113,982) *
725,410	3,625,616			398,797	4,024,413	514,323 *
(129,304)	530,692			36,203	566,895	53,091 *
22,722	28,692				28,692	914 *
(51,718)	726,100		(26,094)	284,347	984,353	311,266 *
313,614	167,236			58,532	225,768	70,742 *
			200,000		200,000	-
13,986			86,014		86,014	-
238,754				350,215	350,215	- *
\$ 1,500,561	\$ 6,589,187	\$ -	\$ 259,920	\$ 1,523,094	\$ 8,372,201	\$ 836,354

SOUTH SENECA CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net	\$ <u>44,031,405</u>
Add	
Unamortized deferred charges on defeased debt	<u>997,859</u>
Deduct	
Short-term portion of bonds payable	<u>(2,685,000)</u>
Long-term portion of bonds payable	<u>(18,385,000)</u>
Unamortized bond premiums	<u>(1,176,859)</u>
Unspent bond proceeds	<u>186,341</u>
Net Investment in Capital Assets	\$ <u><u>22,968,746</u></u>

See Independent Auditor's Report

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

Board of Education
South Seneca Central School District
Ovid, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Seneca Central School District (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated September 26, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 26, 2018

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

Board of Education
South Seneca Central School District
Ovid, New York

Report on Compliance for Each Major Federal Program

We have audited South Seneca Central School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully Submitted,



Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 26, 2018

SOUTH SENECA CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Pass - Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through NYS Department of Education				
Special Education Cluster:				
Special Education - Grants to States (IDEA, Part B)	84.027	0032-18-0848	\$	227,195
Special Education - Preschool Grants (IDEA)	84.173	0033-18-0848		6,511
Total Special Education Cluster			-	233,706
Title I Grants to Local Educational Agencies	84.010	0021-18-2810		255,269
Title I School Improvement Grant	84.010A	0011-17-2710		8,418
Total Title I			-	263,687
Rural Education	84.358	0006-18-2810		4,003
Rural Education	84.358	0006-17-2810		9,271
Total Rural Education			-	13,274
Improving Teacher Quality State Grants	84.367	0147-18-2810		9,168
Improving Teacher Quality State Grants	84.367	0147-17-2810		32,574
Total Improving Teacher Quality State Grants			-	41,742
Total U.S. Department of Education			-	552,409
U.S. Department of Agriculture				
Passed Through NYS Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	009900		101,540
National School Lunch Program	10.555	009900		277,195
Summer Food Service Program for Children	10.559	009900		10,957
Total Child Nutrition Cluster			-	389,692
Total U.S. Department of Agriculture			-	389,692
Total Expenditures of Federal Awards			\$ -	\$ 942,101

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

SOUTH SENECA CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 **Matching Costs**

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2018, the School District received and used \$26,524 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

SOUTH SENECA CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? ___ yes X none reported

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

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

Identification of major programs

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk? X yes ___ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None