

HAMMONDSPORT CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

***WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS***

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HAMMONDSPORT CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Hammondsport Central School District
Hammondsport, New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of *Hammondsport Central School District* as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the *Hammondsport Central School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Hammondsport Central School District* as of June 30, 2018, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 5 to the financial statements, the District implemented Governmental Accounting Standards Board Statement Number 75 during the current fiscal year which resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the *Hammondsport Central School District's* June 30, 2017 financial statements, and our report dated October 4, 2017, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and aggregate remaining fund information financial statement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 9), budgetary comparison information (pages 37 through 38), schedule of changes in the District's net OPEB liability and related ratios (page 44), schedule of District contributions – OPEB (page 45), the schedule of the District's contributions for defined benefit pension plans (page 46), and schedule of the District's share of the net pension asset/liability (page 47), 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 **Hammondspport Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2018 on our consideration of **Hammondspport Central 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 **Hammondspport Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 19, 2018**

I. Discussion and Analysis

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

II. Financial Highlights

The following items are the financial highlights experienced by the *Hammondspport Central School District* during the fiscal year ended June 30, 2018:

- Overall net position from operations of the District decreased during the current year in the amount of \$31,000 as compared to a decrease of \$421,000 during the prior fiscal year.
- The District's total revenue increased approximately 3% from \$13,798,000 during the year ended June 30, 2017 to \$14,237,000 during the year ended June 30, 2018. This increase was primarily related to an increase in state aid and real property taxes.
- The District's total expenses increased approximately 0% from \$14,219,000 during the year ended June 30, 2017 to \$14,268,000 during the year ended June 30, 2018. This increase was primarily related to an increase in BOCES expenditures.
- The District's had capital outlays during the current year in the amount of \$707,000, which primarily related to the capital project and the purchase of transportation vehicles.

III. Overview of the Financial Statements

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

**III. Overview of the Financial Statements
(continued)**

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 10) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the District. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):

1. Governmental Funds (continued)

statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

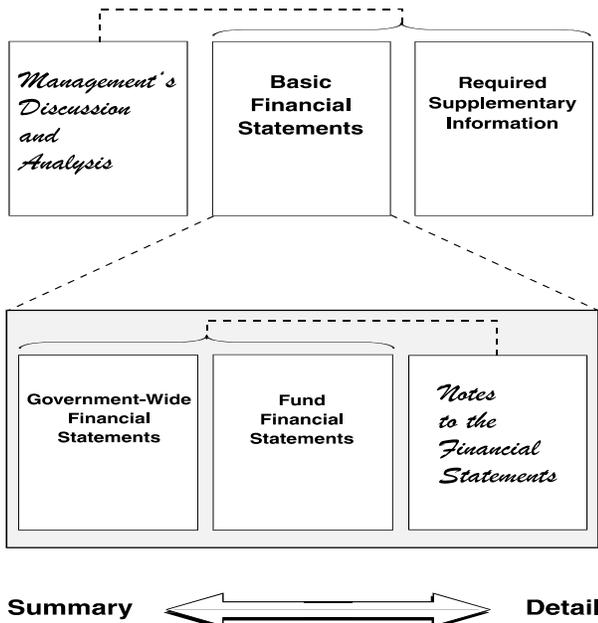
2. Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The 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 District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

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

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, all assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as a Whole (continued)

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 0% to \$14,268,000. The District's expenses cover a range of services, with 76% related to instruction and 13% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 3%, while total expenses increased 0%. The District's total net position from operations decreased approximately \$31,000 during the fiscal year ended June 30, 2018.

Figure A-5 presents the major sources of revenue of the District. Revenue of the District totaled \$14,237,000 for the fiscal year ended June 30, 2018. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue, which represents approximately 60% of the District's total revenue for governmental activities, increased approximately \$137,000 or 2% during the year ended June 30, 2018. The increase primarily resulted from an increase in the District's tax levy during the year ended June 30, 2018.
- The District's state sources which represent \$4,656,000 or 33% of total governmental revenue. The District's state sources increased approximately 4% which was primarily related to increases in basic formula aid.
- During the year ended June 30, 2018, the District saw an increase in program revenue of \$67,000 which mostly resulted from an increase related to state aid, tuition charges and transportation charges.

IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was a deficit of approximately \$3,368,000. The components of net position include: invested in capital assets, net of related debt, of \$8,440,000; restricted net position of \$3,301,000; and unrestricted net position deficit of \$15,109,000 as of June 30, 2018.

Changes in Net Position

The District's total government-wide revenue increased by approximately 3% to \$14,237,000. Approximately 60%, 4% and 33% of total revenue is derived from the property taxes, operating grants, and state aid, respectively. The remaining 4% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

IV. Financial Analysis of the School District as a Whole (continued)

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-types, which include; general support, instruction, transportation, and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$14,268,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately 11% or \$184,000 which was primarily related to a change in the allocation of employee benefits.
- The District's instruction costs decreased by approximately \$182,000 or 2% which was the result of a change in the allocation of employee benefits.
- Debt service of the District decreased approximately \$19,000 during the year ended June 30, 2018 due to outstanding debt declining in the current year.
- Transportation costs of the District increased 8% or \$72,000 during the year ended June 30, 2018. This increase was related to an increase in contractual costs.
- The District's cost of sales (food service fund) totaled \$255,000 during the current year as compared to \$261,000 during the fiscal year ended June 30, 2017.
- The District received approximately \$848,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$13.4 million) were financed by state aid and real property taxes.

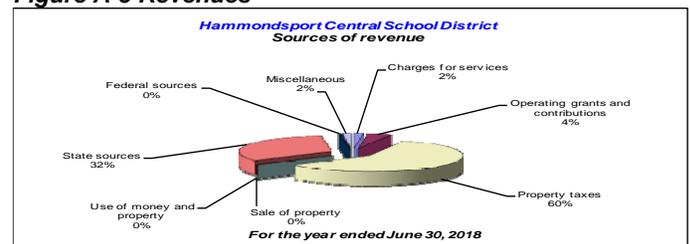
Figure A-3 – Condensed Statement of Net Position

<i>Hammondsport Central School District</i> Condensed Statement of Net Position (in thousands of dollars)			
	Governmental Activities and Total District-wide		
	2018	2017	% Change
Assets			
Current and other assets	\$ 7,483	\$ 7,054	6%
Capital assets	15,111	15,030	1%
Total assets	22,594	22,084	2%
Deferred outflows of resources			
Deferred outflows related to bond refunding	218	291	-25%
Deferred outflows related to pensions and OPEB	3,701	3,268	13%
Total deferred outflows of resources	3,919	3,559	n/a
Deferred outflows of resources and assets	\$ 26,513	\$ 25,643	3%
Liabilities			
Other liabilities	\$ 792	\$ 699	13%
Long-term liabilities	26,511	28,060	-6%
Total liabilities	27,303	28,759	-5%
Deferred inflows of resources			
Deferred inflows related to pensions and OPEB	2,578	173	1390%
Deferred inflows of resources and liabilities	29,881	28,932	3%
Net position			
Net investment in capital assets	8,440	5,658	49%
Restricted	3,301	5,210	-37%
Unrestricted (deficit)	(15,109)	(14,157)	7%
Total net position (deficit)	(3,368)	(3,289)	2%
Total liabilities, deferred inflows of resources, and net position	\$ 26,513	\$ 25,643	3%

Figure A-4 – Changes in Net Position

<i>Hammondsport Central School District</i> Changes in Net Position from Operating Results (in thousands of Dollars)			
	Governmental Activities and Total District-wide		
	2018	2017	% Change
Revenue			
Program revenue			
Charges for services	\$ 239	\$ 214	12%
Operating grants and contributions	609	567	7%
General revenue			
Real property taxes	8,476	8,339	2%
Use of money & property	17	7	149%
Sale of property & comp for loss	(17)	(10)	66%
State sources	4,656	4,463	4%
Federal sources	44	28	60%
Miscellaneous	213	190	12%
Total revenue	14,237	13,798	3%
Expenses			
General support	1,916	1,732	11%
Instruction	10,823	11,005	-2%
Transportation	965	893	8%
Debt service - interest	309	328	-6%
Cost of sales	255	261	-2%
Total expenses	14,268	14,219	0%
Change in net position	\$ (31)	\$ (421)	

Figure A-5 Revenues



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

Figure A-6 Expenses

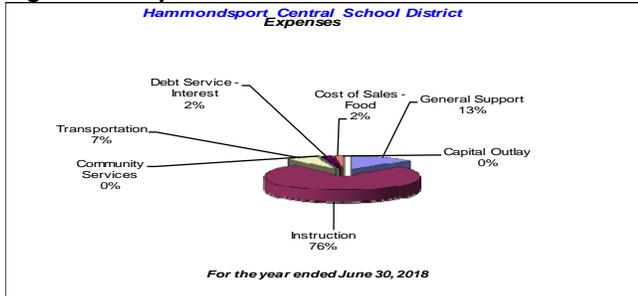


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2018		2017	
Expenditures supported with general revenue (from taxes & other sources)	\$ 13,420	94%	\$ 13,438	95%
Expenditures supported with program revenue	848	6%	781	5%
Total expenditures related to governmental activities	\$ 14,268	100%	\$ 14,219	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2018	2017	Change	2018	2017	Change
General support	\$ 1,916	\$ 1,732	\$ 184	\$ 1,916	\$ 1,732	\$ 184
Instruction	10,823	11,005	(182)	10,291	10,525	(234)
Transportation	965	893	72	951	883	68
Debt service - interest	309	328	(19)	309	328	(19)
Cost of sales - food	255	261	(6)	(47)	(30)	(17)
Total	\$ 14,268	\$ 14,219	\$ 49	\$ 13,420	\$ 13,438	\$ (18)

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include

V. Financial Analysis of the School District's Funds (continued)

the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund expenditures and other uses exceeded its revenue and other sources by approximately \$1,760,000.
- The District's general fund unassigned fund balance equated to approximately \$756,000 as of June 30, 2018.
- The District had many fund balance reserves during the year ended June 30, 2018, and had a total restricted fund balance of approximately \$3,095,000.
- The District's total assets decreased approximately \$2,142,000 as of June 30, 2018 primarily as the result of a decrease in cash. The District's liabilities decreased approximately \$63,000, as a result of a decrease in due to retirement systems.
- Total revenue in the District's general fund increased \$409,000, which was primarily related to an increase in the property taxes and State aid. Total expenditures in the District's general fund increased \$2,689,000 primarily as a result of an increase in health insurance costs and transfers to the capital project fund.

Food Service Fund

- The District's food service fund experienced a \$2,000 increase in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$302,000 during 2018 as compared with \$290,000 in 2017. Expenditures increased approximately \$19,000 as a result an equipment purchase and an increase in materials and supplies in the current year.

Special Aid Fund

- The District's special aid fund revenue and expenditures increased approximately \$41,000 or 11% which was primarily due to a new equipment grant in the current year.

Capital Projects Fund

- The District had expenditures in the amount of \$310,000 in capital projects during the year ended June 30, 2018, which was related to costs associated with the capital outlay project and a new capital project.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers, which is the common method utilized to manage the budget throughout the year. Actual expenditures were approximately \$790,000 below the revised budget. The most significant positive variances was in the areas of employee benefits and instruction which totaled \$273,000 and \$275,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$254,000 above the final budgeted amount. The most significant variances in revenue was in the area of local sources which totaled \$264,000, above the budget, while state sources totaled \$44,000, below that budgeted.

Figure A-9 – Budget vs. Actual Comparison

<i>Hammondspport Central School District</i>				
<i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i>				
	Revised			
	Budget	Actual	Difference	%
Revenue				
Local sources	\$ 8,601	\$ 8,865	\$ 264	3%
State sources	4,701	4,657	(44)	-1%
Federal sources	20	54	34	172%
Total revenue	\$ 13,322	\$ 13,576	\$ 254	2%
Expenditures				
General support	\$ 1,743	\$ 1,577	\$ 165	9%
Instruction	7,023	6,748	275	4%
Transportation	790	714	76	10%
Employee benefits	3,314	3,041	273	8%
Debt service	1,045	1,045	-	0%
Operating transfers	2,211	2,211	-	0%
Total expenditures	\$ 16,126	\$ 15,336	\$ 790	5%

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2018, the District had invested approximately \$15,111,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2018, totaled approximately \$707,000 and consisted primarily of costs associated with the District's capital project costs and the purchase of transportation vehicles.

**VII. Capital Assets and Debt Administration
(continued)**

Long-term Debt

As depicted in Figure A-11, as of June 30, 2018, the District had approximately \$26,511,000 in bonds, other post-employment benefits liabilities, net pension liability and compensated absences, a decrease of approximately 6% as compared with the previous year. This decrease was primarily due a decrease in bonds payable as a result of the District making regularly scheduled payments. There was an increase in the other post-employment benefit liability resulting from the implementation of GASB 75. During the current year, the net pension liability related to the Employees' Retirement System decreased, while the Teachers' Retirement System went from a net pension liability in the prior year to a net pension asset in the current year.

Figure A-10 – Capital Assets

<i>Hammondspport Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Land	\$ 97,231	\$ 97,231	0%
Buildings	19,297,374	19,197,374	1%
Construction in progress	209,615	-	N/A
Equipment	3,773,608	3,568,275	6%
Accumulated depreciation	(8,266,496)	(7,833,366)	6%
Total Capital Assets, net	\$ 15,111,332	\$ 15,029,514	1%

Figure A-11 – Outstanding Long-term Debt

<i>Hammondspport Central School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Bonds payable	\$ 8,563,260	\$ 9,371,798	-9%
Net pension liability	117,344	670,293	-82%
Other post-employment benefits	16,352,257	16,547,169	-1%
Compensated Absences	1,477,746	1,470,349	1%
Total Long-Term Debt	\$ 26,510,607	\$ 28,059,609	-6%

VIII. Factors Bearing on the District's Future

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

- The District is monitoring the health of the State's economy closely and waiting to see what the projections are for the funding of public education. The District receives a majority of its revenue from local funding, and compliance with the New York State Tax Cap laws and the impact it has on District finances both short and long-term are constantly being monitored.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Hammondsport Central School District
Attention: Ms. Theresa Stopka, Treasurer
8272 Main Street Ext
Hammondsport, NY 14840

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Schedule 1

Page 10

	<u>2018</u>	<u>2017</u>
Assets		
Cash		
Unrestricted	\$ 3,522,891	\$ 1,425,084
Restricted	3,301,046	5,210,166
Receivables		
State and federal aid	275,487	280,280
Other receivables	159,089	115,154
Inventories	12,250	17,480
Prepaid expenses	-	6,067
Net pension asset - NYS Teachers' Retirement System	211,457	-
Capital assets, net	15,111,332	15,029,514
Total assets	<u>22,593,552</u>	<u>22,083,745</u>
Deferred Outflows of Resources		
Deferred outflows related to bond refunding	218,572	291,429
Deferred outflows related to pensions	3,215,377	3,268,298
Deferred outflows related to OPEB	486,154	-
Total assets and deferred outflows of resources	<u>\$ 26,513,655</u>	<u>\$ 25,643,472</u>
Liabilities		
Current liabilities		
Accounts payable and retainage payable	\$ 230,461	\$ 60,406
Accrued liabilities	16,449	11,140
Accrued interest	9,066	9,542
Due to fiduciary funds	2,160	1,505
Due to other governments	289	239
Due to retirement systems	531,096	608,948
Unearned revenue	2,750	7,747
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	820,000	800,000
Portion due or payable after one year		
Bonds payable	7,743,260	8,571,798
Net pension liability - TRS Employees' Retirement System	-	305,381
Net pension liability - NYS Employees' Retirement System	117,344	364,912
Other post-employment benefits	16,352,257	16,547,169
Compensated absences	1,477,746	1,470,349
Total liabilities	<u>27,302,878</u>	<u>28,759,136</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	976,582	173,560
Deferred inflows related to OPEB	1,602,119	-
Total liabilities and deferred inflows of resources	<u>29,881,579</u>	<u>28,932,696</u>
Net Position		
Net investment in capital assets	8,440,163	5,657,716
Restricted	3,301,046	5,210,166
Unrestricted (deficit)	(15,109,133)	(14,157,106)
Total net position (deficit)	<u>(3,367,924)</u>	<u>(3,289,224)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 26,513,655</u>	<u>\$ 25,643,472</u>

HAMMONDSPOrt CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

Page 11

	Expenses	Indirect Expenses Allocation	Program Revenues		2018 Net (Expense) Revenue and Changes in Net Position	2017 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
Functions/Programs						
General support	\$ 1,858,223	\$ 58,016	\$ -	\$ -	\$ (1,916,239)	\$ (1,731,679)
Instruction	10,411,753	411,680	163,783	368,278	(10,291,372)	(10,525,041)
Pupil transportation	828,875	135,862	-	13,912	(950,825)	(883,402)
Debt service	309,223	-	-	-	(309,223)	(327,601)
Food service program	254,644	-	74,834	227,172	47,362	29,736
Depreciation	605,558	(605,558)	-	-	-	-
Total functions and programs	<u>\$ 14,268,276</u>	<u>\$ -</u>	<u>\$ 238,617</u>	<u>\$ 609,362</u>	<u>(13,420,297)</u>	<u>(13,437,987)</u>
General Revenues						
Real property taxes					8,475,611	8,339,046
Use of money and property					16,619	6,669
Sale of property and compensation for loss					(17,376)	(10,490)
Miscellaneous					213,355	191,143
State sources					4,656,504	4,463,466
Federal sources					44,109	27,597
Total general revenues					<u>13,388,822</u>	<u>13,017,431</u>
Change in net position					(31,475)	(420,556)
Net position (deficit), beginning of year					(3,289,224)	(2,868,668)
Prior period adjustment					(47,225)	-
Net position (deficit), end of year					<u>\$ (3,367,924)</u>	<u>\$ (3,289,224)</u>

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

Schedule 3

Page 12

	Governmental Funds					2018	2017
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Assets							
Unrestricted cash	\$ 1,450,480	\$ 37,979	\$ 80,040	\$ -	\$ -	\$ 1,568,499	\$ 1,425,084
Restricted cash	3,095,424	-	-	205,622	1,954,392	5,255,438	5,210,166
Due from other funds	100,023	-	11,688	-	-	111,711	100,011
State and federal aid receivable	208,885	64,614	1,988	-	-	275,487	280,280
Other receivables	157,511	-	1,578	-	-	159,089	115,154
Prepaid expenses	-	-	-	-	-	-	6,067
Inventories	-	-	12,250	-	-	12,250	17,480
Total assets	<u>\$ 5,012,323</u>	<u>\$ 102,593</u>	<u>\$ 107,544</u>	<u>\$ 205,622</u>	<u>\$ 1,954,392</u>	<u>\$ 7,382,474</u>	<u>\$ 7,154,242</u>
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 165,720	\$ 2,441	\$ -	\$ -	\$ 62,300	\$ 230,461	\$ 60,406
Accrued liabilities	15,946	-	503	-	-	16,449	11,140
Due to other funds	13,869	100,001	-	-	1	113,871	101,516
Unearned revenue	2,750	-	-	-	-	2,750	7,747
Due to other governments	-	-	289	-	-	289	239
Due to Teachers' Retirement System	489,680	-	-	-	-	489,680	565,892
Due to Employees' Retirement System	38,771	151	2,494	-	-	41,416	43,056
Total liabilities	<u>726,736</u>	<u>102,593</u>	<u>3,286</u>	<u>-</u>	<u>62,301</u>	<u>894,916</u>	<u>789,996</u>
Fund Equity							
Nonspendable	-	-	12,250	-	-	12,250	23,547
Restricted	3,095,424	-	-	205,622	-	3,301,046	5,210,166
Assigned	433,773	-	92,008	-	1,892,091	2,417,872	465,188
Unassigned	756,390	-	-	-	-	756,390	665,345
Total fund equity	<u>4,285,587</u>	<u>-</u>	<u>104,258</u>	<u>205,622</u>	<u>1,892,091</u>	<u>6,487,558</u>	<u>6,364,246</u>
Total liabilities and fund equity	<u>\$ 5,012,323</u>	<u>\$ 102,593</u>	<u>\$ 107,544</u>	<u>\$ 205,622</u>	<u>\$ 1,954,392</u>	<u>\$ 7,382,474</u>	<u>\$ 7,154,242</u>

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 4

Page 13

	Governmental Funds					2018	2017
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Revenue							
Real property taxes	\$ 8,475,611	\$ -	\$ -	\$ -	\$ -	\$ 8,475,611	\$ 8,339,046
Charges for services	163,783	-	-	-	-	163,783	138,164
Use of money and property	16,161	-	20	53	385	16,619	6,669
Sale of property compensation for loss	1,782	-	-	-	-	1,782	1,937
Miscellaneous	207,355	6,000	13,276	-	-	226,631	197,365
State sources	4,656,504	83,902	17,177	-	-	4,757,583	4,556,663
Federal sources	44,109	300,652	193,379	-	-	538,140	482,239
Surplus food	-	-	16,616	-	-	16,616	20,159
Sales (school food service)	-	-	61,558	-	-	61,558	69,591
Total revenue	13,565,305	390,554	302,026	53	385	14,258,323	13,811,833
Expenditures							
General support	1,577,147	19,999	77,405	-	-	1,674,551	1,455,875
Instruction	6,747,638	364,358	-	-	-	7,111,996	6,790,989
Pupil transportation	713,057	13,912	-	-	-	726,969	673,159
Employee benefits	3,041,356	2,364	40,160	-	-	3,083,880	3,058,865
Debt service							
Principal	800,000	-	-	-	-	800,000	770,000
Interest	245,380	-	-	-	-	245,380	267,331
Capital outlay	-	-	-	-	309,615	309,615	100,000
Cost of sales	-	-	110,000	-	-	110,000	100,889
Other expenses	-	-	72,620	-	-	72,620	64,266
Total expenditures	13,124,578	400,633	300,185	-	309,615	14,135,011	13,281,374
Excess (deficiency) of revenue over expenditures	440,727	(10,079)	1,841	53	(309,230)	123,312	530,459
Other sources and uses							
Operating transfers in	10,837	10,079	-	-	2,201,341	2,222,257	106,841
Operating transfers out	(2,211,420)	-	-	(10,817)	(20)	(2,222,257)	(106,841)
Total other sources (uses)	(2,200,583)	10,079	-	(10,817)	2,201,321	-	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	(1,759,856)	-	1,841	(10,764)	1,892,091	123,312	530,459
Fund equity, beginning of year	6,045,443	-	102,417	216,386	-	6,364,246	5,833,787
Fund equity, end of year	\$ 4,285,587	\$ -	\$ 104,258	\$ 205,622	\$ 1,892,091	\$ 6,487,558	\$ 6,364,246

See accompanying independent auditor's report and notes to financial statements.

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
AS OF JUNE 30, 2018

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	Total 6/30/2018	(Memo only) Total 6/30/2017
Assets				
Cash	\$ 249,476	\$ 252,376	\$ 501,852	\$ 428,860
Due from other funds	-	2,181	2,181	1,515
Total assets	\$ 249,476	\$ 254,557	\$ 504,033	\$ 430,375
Liabilities				
Accrued liabilities	\$ -	\$ 214,882	\$ 214,882	\$ 135,539
Due to other funds	-	21	21	10
Student extraclassroom activity funds	-	39,654	39,654	37,010
Total liabilities	-	254,557	254,557	172,559
Net position				
Reserved for scholarships	249,476	-	249,476	257,816
Total liabilities and net position	\$ 249,476	\$ 254,557	\$ 504,033	\$ 430,375

HAMMONDSPOUR CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 6

Page 15

	6/30/2018	(Memo only) 6/30/2017
Additions		
Gifts and contributions	\$ 81,185	\$ 74,020
Interest earnings	56	50
Total additions	81,241	74,070
Deductions		
Scholarships awarded	89,581	50,111
Change in net position	(8,340)	23,959
Net position - beginning of year	257,816	233,857
Net position - end of year	\$ 249,476	\$ 257,816

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Total fund balances - governmental funds \$ 6,487,558

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 23,377,828	
Accumulated depreciation	<u>(8,266,496)</u>	15,111,332

District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds, pension costs are based on required contributions	211,457
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(9,066)
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Deferred outflows from the refunding of debt is reported on the statement of net position and is amortized over the refunded debt. In the governmental funds the total sources and payments related to the refunding are recognized in the combined statement of revenue, expenditures, and changes in fund equity.	218,572
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Deferred outflows and inflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, pension expense is based on required contributions.	2,724,949
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Net deferred inflows of resources related to actuarial OPEB differences are reported on the the statement of net position and amortized over the average members' years of service. In the government funds, OPEB expense is based on required contributions	(1,602,119)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable	(8,563,260)	
Net pension liability - ERS	(117,344)	
Other post-employment benefits	(16,352,257)	
Compensated absences	<u>(1,477,746)</u>	<u>(26,510,607)</u>

Total net position - governmental activities \$ (3,367,924)

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 6,823,937	\$ -	\$ -	\$ -	\$ 6,823,937
Due from other funds	111,711	-	-	(111,711)	-
State and federal aid receivable	275,487	-	-	-	275,487
Other receivables	159,089	-	-	-	159,089
Inventories	12,250	-	-	-	12,250
Net pension asset - NYS Teachers' Retirement System	-	211,457	-	-	211,457
Capital assets, net	-	15,111,332	-	-	15,111,332
Total assets	7,382,474	15,322,789	-	(111,711)	22,593,552
Deferred Outflows of Resources					
Deferred outflows related to bond refunding	-	218,572	-	-	218,572
Deferred outflows related to pensions	-	3,215,377	-	-	3,215,377
Deferred outflows related to OPEB	-	486,154	-	-	486,154
Total deferred outflows of resources	-	3,920,103	-	-	3,920,103
Total assets and deferred outflows of resources	\$ 7,382,474	\$ 19,242,892	\$ -	\$ (111,711)	\$ 26,513,655
Liabilities and Fund Equity/Net Position					
Liabilities					
Accounts payable	\$ 230,461	\$ -	\$ -	\$ -	\$ 230,461
Accrued liabilities	16,449	-	-	-	16,449
Accrued interest	-	-	9,066	-	9,066
Due to other funds	113,871	-	-	(111,711)	2,160
Unearned revenue	2,750	-	-	-	2,750
Due to other governments	289	-	-	-	289
Due to retirement systems	531,096	-	-	-	531,096
Bonds payable	-	-	8,563,260	-	8,563,260
Net pension liability - ERS and TRS	-	-	117,344	-	117,344
Other post-employment benefits	-	-	16,352,257	-	16,352,257
Compensated absences	-	-	1,477,746	-	1,477,746
Total liabilities	894,916	-	26,519,673	(111,711)	27,302,878
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	976,582	-	-	976,582
Deferred inflows related to OPEB	-	1,602,119	-	-	1,602,119
Total liabilities and deferred inflows of resources	894,916	2,578,701	26,519,673	(111,711)	29,881,579
Fund equity and net position	6,487,558	16,664,191	(26,519,673)	-	(3,367,924)
Total liabilities, deferred inflows of resources, and fund equity/net position	\$ 7,382,474	\$ 19,242,892	\$ -	\$ (111,711)	\$ 26,513,655

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

Total net change in fund balances - governmental funds \$ 123,312

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 706,534	
Depreciation expense	<u>(605,558)</u>	100,976

Proceeds from the sale of assets are reported as revenue in the governmental funds, whereas in the statement of activities a gain or loss on sale is reported. (19,158)

Repayment of bond principal (including refunding) and bond anticipation notes principal is an expenditure the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 800,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus required the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (63,843)

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, pension expense is based on the District's required contribution to pension plans. (91,537)

In the statement of activities, certain operating expenses - compensated absences and other post-employment benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, other post-employment benefits and compensated absences changed by this amount. (881,225)

Change in net position of governmental activities \$ (31,475)

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 8,475,611	\$ -	\$ -	\$ -	\$ 8,475,611
Charges for services	163,783	-	-	(163,783)	-
Use of money and property	16,619	-	-	-	16,619
Sale of property compensation for loss	1,782	(19,158)	-	-	(17,376)
Miscellaneous	226,631	-	-	(13,276)	213,355
State sources	4,757,583	-	-	(101,079)	4,656,504
Federal sources	538,140	-	-	(494,031)	44,109
Surplus food	16,616	-	-	(16,616)	-
Sales (school food service)	61,558	-	-	(61,558)	-
Total revenue	14,258,323	(19,158)	-	(850,343)	13,388,822
Expenditures					
General support	1,674,551	(144,881)	-	386,569	1,916,239
Instruction	7,111,996	411,680	7,397	2,760,299	10,291,372
Pupil transportation	726,969	(12,619)	-	236,475	950,825
Employee benefits	3,083,880	-	965,365	(4,049,245)	-
Debt service	1,045,380	-	(736,157)	-	309,223
Capital outlay	309,615	(309,615)	-	-	-
Cost of sales	110,000	-	-	(157,362)	(47,362)
Other expenses	72,620	(45,541)	-	(27,079)	-
Total expenditures	14,135,011	(100,976)	236,605	(850,343)	13,420,297
Excess (deficiency) of revenue over expenditures	123,312	81,818	(236,605)	-	(31,475)
Other sources and uses					
Operating transfers in	2,222,257	-	-	(2,222,257)	-
Operating transfers out	(2,222,257)	-	-	2,222,257	-
Total other sources (uses)	-	-	-	-	-
Net change for year	\$ 123,312	\$ 81,818	\$ (236,605)	\$ -	\$ (31,475)

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

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

A. Reporting Entity

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial 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 following is a brief review of certain entities included in the School District's reporting entity:

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of the *Hammondspport Central School District* represents 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. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are included available at the District's offices.

B. Joint Venture

The *Hammondspport Central School District* is a component of the Supervisory District of the Steuben and Allegany Counties 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Joint Venture (continued)

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

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

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 Section 1950 of the Education Law.

During the year, the District was billed \$2,024,000 for BOCES administration and program costs. The District's share of BOCES aid, including BOCES refund, amounted to \$317,000 for the year ended June 30, 2018. Financial statements for the Steuben and Allegany Counties BOCES are available at the BOCES administrative offices.

C. Basis of Presentation

1. District-wide Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

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

2. Fund Financial Statements

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

The District reports the following major governmental funds:

General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid - is used to account for the proceeds of specific revenue sources such as Federal and State grants that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service - is used to account for all revenue and expenditures pertaining to the cafeteria operations.

Capital Projects - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

Fiduciary Fund Types - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. Included in the Fiduciary Fund are Private Purpose Trust Funds and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting. Private Purpose Trust Funds are accounted for on the accrual basis of accounting.

D. 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 District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Non-expendable trust funds are accounted for on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (continued)

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

E. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

F. Inventory

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

G. Investments

Investments are stated at current market value.

H. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to March 11, 2015. For assets acquired prior to March 12, 2015, estimated historical costs, based on appraisals conducted by independent third-party professionals was used. Donated assets are reported at estimated fair market value at the time received.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	40 years
Land improvements	5,000	Straight-line	40 years
Furniture and equipment	5,000	Straight-line	5 years
Transportation vehicles	5,000	Straight-line	7 years

I. Due To/From Other Funds

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

J. Compensated Absences

Sick leave and Retirement Incentive Pay - certain of the District's employee groups have negotiated retirement incentive benefits payable based on accumulated unused sick days. Generally the employee must have accumulated minimum years of service with the District and must be eligible for retirement under the provisions of either the teacher or employee retirement systems. The District has recorded an estimated liability in the District-wide financial statement amounting to \$1,477,746 to recognize the cost of the incentive benefits for those employees eligible to receive such a benefit. Payment of these benefits is dependent on many factors; therefore, the timing of future payments is not readily determinable.

The District believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows of Resources

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

L. Deferred Inflows of Resources

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

M. Unearned Revenue

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying-

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Unearned Revenue (continued)

expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. Unearned revenue recorded in the governmental funds are not recorded in the District-wide statements.

N. Post-Employment Benefits

In addition to the retirement benefits described in Note 3VA, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of these employees, upon reaching normal retirement age while working for the District, will have the District pay their health insurance premiums from their retirement incentive benefits (until exhausted) in accordance with their respective employment contract.

Generally, the District is 50% responsible for this post-employment benefit, such as teachers who retire at age 55 (until they reach age 65), and full time non-teaching employees (hired prior to July 1, 1981).

O. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

1. Inventory Reserve

This reserve is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Food Service Fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

O. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

1. Retirement Contribution Reserve

Retirement Contribution reserve is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. This reserve is account for in the General Fund.

2. Repair Reserve

This reserve is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Expenditure of this reserve may be made only after a public hearing has been held, except in emergency situations. This reserve is account for in the General fund.

3. Capital Reserve

Capital reserve (Education law 3651) is 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 specified purpose further authorized by the voters. The form for the required legal notice for the vote 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 account for in the General Fund and the General and Capital Projects Funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

O. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

4. Unemployment Insurance Reserve

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

5. Reserve for Transportation

This reserve represents funds allocated for future purchases of school buses.

6. Reserve for Employee Benefits

The purpose of this reserve is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of service. This reserve fund may be established by a majority vote of the Board of Education 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.

7. Endowment Scholarships Reserve

This reserve is used to account for endowments, scholarships and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (continued)

1. Governmental Funds (continued)

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2018.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Superintendent and Treasurer have been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Reserve for encumbrances as of June 30, 2018 totaled \$33,773.

2. Appropriated Fund Equity

General Fund - The amount of \$400,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2019 as allowed by Section 1318 of the Real Property Tax Law.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (continued)

2. Government-wide financial statements

A. Net Investment in Capital Assets

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the current year, the District had a transfer of \$2,127,340 capital reserve in the general fund to the capital project fund.

2. Budget Basis for Accounting

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for the Food Service Fund reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special revenue and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, expenditures and changes in fund equity - budget and actual.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Property Taxes

1. Calendar

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

2. Enforcement

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

R. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

S. Deferred Compensation Plan

Hammondspport Central School District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b) - Tax Sheltered Annuities (TSA). The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' TSA plan administrator. The TSA plans are owned by the individuals and held in trust by the plan administrator. The School District has a fiduciary responsibility for funds withheld and remittance to trustees.

T. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

Total fund balances of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

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

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

1. Long-term Revenue Differences

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

2. Capital Related Differences

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

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

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

3. Long-term Debt Transaction Differences

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash

The *Hammondsport Central School District's* investment policies are governed by State statutes. School District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District treasurer is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and School Districts.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2018, the District's bank deposits were fully collateralized.

A. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)

I. Cash (continued)

A. Deposits (continued)

Total financial institution (bank) balances at June 30, 2018 per the bank were approximately \$7,499,000. Deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 250,000	\$ 7,226,000	\$ 23,000	\$ 7,499,000

II. Interfund Transactions

Interfund balances and transactions as of and during the year ended June 30, 2018 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 100,023	\$ 13,869
Capital Projects Fund	-	1
School Lunch Fund	11,688	-
Special Aid Fund	-	100,001
Fiduciary Funds	2,181	21
Total	<u>\$ 113,892</u>	<u>\$ 113,892</u>

	Interfund Revenue	Interfund Expenditures
General Fund	\$ 10,837	\$ 2,211,420
Special Aid Fund	10,079	-
Capital Projects Fund	2,201,341	20
Debt Service fund	-	10,817
Total	<u>\$ 2,222,257</u>	<u>\$ 2,222,257</u>

During the year ended June 30, 2018, the District transferred \$20 from the capital projects fund to the general fund to close out the capital outlay project. In addition, the District transferred \$100,000 from the general fund to the capital projects fund towards a new capital outlay project. The District also transferred \$2,101,341 from the general fund to the capital projects fund towards a capital project as approved by the voters. The District also transferred \$10,817 from the debt service fund to the general fund towards debt service costs. Lastly, the District transferred \$10,079 from the general fund to the special aid fund to cover its local share of the summer school/Section 4408 program.

III. Receivables

Receivables at June 30, 2018 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)

III. Receivables (continued)

Fund	Description	Amount
Special Aid	State and Federal Aid	\$ 64,614
Food Service	State and Federal Aid	1,988
Food Service	Other receivables	1,578
General	State and Federal Aid	208,885
General	Other Receivables	157,511
		<u>\$ 434,576</u>

IV. Capital Assets

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

	Beginning Balance 06/30/17	Net change	Ending Balance 06/30/18
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 97,231	\$ -	\$ 97,231
Construction-in-Progress	-	209,615	209,615
Capital assets that are depreciated:			
Buildings and Improvements	19,197,374	100,000	19,297,374
Furniture and Equipment	3,568,275	205,333	3,773,608
Total depreciable historical cost	<u>22,765,649</u>	<u>305,333</u>	<u>23,070,982</u>
Less accumulated depreciation:			
Buildings and Improvements	(5,595,973)	(438,470)	(6,034,443)
Furniture and Equipment	(2,237,393)	(167,358)	(2,232,053)
Total accumulated Depreciation	<u>(7,833,366)</u>	<u>\$ (605,828)</u>	<u>(8,266,496)</u>
Total net book value	<u>\$15,029,514</u>		<u>\$15,111,332</u>

Depreciation expense was charged to governmental functions during the current year as follows:

General support	\$ 58,016
Instruction	411,680
Pupil transportation	135,862
	<u>\$ 605,558</u>

During the fiscal year ended June 30, 2018 the District had capital additions in the amount of \$706,534 during the current fiscal year.

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
 (CONTINUED)**

V. Liabilities

A. Pension Plans

1. Plan Descriptions and Benefits Provided

a. Teachers' Retirement System (TRS)

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

b. Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
 (CONTINUED)**

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

b. Employees' Retirement System (ERS) (continued)

Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

2. Contributions

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

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

<u>Year</u>	<u>TRS</u>	<u>ERS</u>
2018	\$ 449,000	\$ 166,000
2017	517,000	163,000
2016	583,000	193,000

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

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

V. Liabilities (continued)

A. Pension Plans (continued)

2. Contributions (continued)

Since 1989, the TRS' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

Over the years, the State Legislature authorized local governments to make available retirement incentive programs to qualifying employees. The District had no expenditures incurred or liability accrued related to retirement incentives as of and for the year ended June 30, 2018.

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

	ERS	TRS
Actuarial measurement date	3/31/2018	6/30/2017
Net pension asset (liability)	\$ (117,344)	\$ 211,457
District's portion of the Plan's total net Pension asset (liability)	.0036358%	.027820%

For the year ended June 30, 2018, the District's recognized pension expense of \$143,293 for ERS and \$546,170 for TRS. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 41,853	\$ 173,977	\$ 34,586	\$ 82,445
Changes of assumptions	77,809	2,151,616	-	-
Net difference between projected and actual earnings on pension plan investments	170,433	-	336,418	498,042
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	25,505	84,243	15,464	9,627
District's contributions subsequent to the measurement date	41,416	448,525	-	-
Total	\$ 357,016	\$ 2,858,361	\$ 386,468	\$ 590,114

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

Year ended:	ERS		TRS	
2019	\$	67,965	\$	512,000
2020		22,686		583,793
2021		(82,360)		421,907
2022		(37,743)		115,670
2023		-		420,722
Thereafter				214,155

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/2018	6/30/2018
Actuarial valuation date	4/1/17	6/30/17
Interest rate	7%	7.5%
Salary scale	3.8% average 4/1/10 – 3/31/15	3.8%, indexed 7/1/09 – 6/30/14
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	2.5%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

V. Liabilities (continued)

A. Pension Plans (continued)

4. Actuarial Assumptions (continued)

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active members' mortality rates are based on plan members' experience.

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

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

Measurement date	ERS 3/31/18	Expected Rate of Return	TRS 6/30/17	Expected Rate of Return
Asset Type:				
Domestic equity	36%	4.55%	35%	5.9%
International equity	14%	6.35%	18%	7.4%
Private Equity	10%	7.50%	8%	9.0%
Real Estate	10%	5.55%	11%	4.3%
Absolute return strategies	2%	3.75%	-%	-%
Opportunistic portfolio	3%	5.68%	-%	-%
Real assets	3%	5.29%	-%	-%
Domestic fixed income securities	-%	-%	16%	1.6%
Global fixed income securities	-%	-%	2%	1.3%
High-yield fixed income	-%	-%	1%	3.9%
Bonds and Mortgages	17%	1.31%	8%	2.8%
Cash and short-term	1%	(.25%)	1%	.1%
Inflation-indexed bond funds	4%	1.50%	-%	-%
Total:	<u>100%</u>		<u>100%</u>	

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

V. Liabilities (continued)

A. Pension Plans (continued)

5. Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1- percentage point lower (6.% for ERS and 6.25% for TRS) or 1-percentage point higher (8% for ERS and 8.25% for TRS) than the current rate:

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension asset/(liability)	\$ (887,859)	\$ (117,344)	\$ 534,480
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
TRS			
Employer's proportionate share of the net pension asset/(liability)	\$ (3,642,777)	\$ 211,457	\$ 3,439,187

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

V. Liabilities (continued)

A. Pension Plans (continued)

7. Pension Plan Fiduciary Net Position

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

(In thousands)

Measurement date	ERS		TRS	
	3/31/2018		6/30/2017	
Employers' total pension liability	\$	183,400,590	\$	114,708,261
Plan Net Position	\$	180,173,145	\$	115,468,360
Employers' net pension asset/(liability)	\$	(3,227,445)	\$	760,099
Ratio of plan net position to be Employers' total pension asset/(liability)		98.24%		100.66%

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$41,416.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$489,680 (employer contribution \$448,525 and employee contributions of \$41,155).

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

V. Liabilities (continued)

B. Other Post-Employment Benefits

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and vision insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2018 the plan had total active employees of 102 and retirees of 93.

Total OPEB Liability

The District's total OPEB Liability of \$16,352,257 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	3.00% increase annually based on District's review of historical experience and future expectations
Discount rate	2.92% as of July, 1 2016 and 3.56% as of July 1, 2017
Healthcare cost trend rates	6.25% reduced to an ultimate rate of 3.886% until 2075
Retiree's share of benefit-related costs	The District pays 75% for Single and Family coverage for admins, and 50% for all others

The discount rate was based on a yield for 20 year tax-exempt general obligation municipal bonds.

Mortality rates were based on the RP-2014 adjusted to MP-2017 mortality improvement scale on a fully generational basis.

The actuarial assumptions used in July 1, 2017 valuation represent a long-term expectation of future OPEB outcomes

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Changes in the Total OPEB Liability

Service cost	\$ 844,203
Interest	515,779
Differences between expected and actual experience	
Changes in assumptions	(1,602,119)
Benefit payments	<u>(450,142)</u>
Net changes	(692,279)
Net OBEP liability – beginning of year (as previously stated)	16,547,169
Prior period adjustment (see Note 5)	<u>497,367</u>
Net OPEB liability – end of year	<u>\$ 16,352,257</u>

Changes in assumptions reflect change in the discount rate from 2.92% in 2017 to 3.56% in 2018. Also, salary scale changes are to increase 3.00% annually and health care trend rate of 7.25% to 3.886%

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

The following presents the total OPEB Liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56%) or 1 percentage point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Current Assumption (3.56%)	1% Increase (4.56%)
Total OPEB Liability	<u>\$ 18,954,485</u>	<u>\$ 16,352,257</u>	<u>\$ 14,231,323</u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (6.25% - 2.886%)	Current Assumption (7.25% - 3.886%)	1% Increase (8.25% - 4.886%)
Total OPEB liability	<u>\$ 13,781,803</u>	<u>\$ 16,352,257</u>	<u>\$ 19,664,750</u>

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,359,982. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 1,602,119
Benefit payments subsequent to the measurement date	486,154	-
Total	\$ 486,154	\$ 1,602,119

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

Year ended:	
2019	\$ 224,797
2020	(261,357)
2021	(261,357)
2022	(261,357)
2023	(261,357)
Thereafter	(295,334)

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds is recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the financial statements when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

V. Liabilities (continued)

C. Indebtedness (continued)

1. Short-Term Debt

a. Bond Anticipation Notes

balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. The District may issue Bond Anticipation Notes, 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.

The District did not issue any bond anticipation notes during the current year and had no balance outstanding as of June 30, 2018.

Interest expense on short-term debt amounted to \$0 for the fiscal year ended June 30, 2018.

2. Long-Term Debt

a. Debt Limit

At June 30, 2018, the total indebtedness represents approximately 10% of its debt limit.

b. Serial Bonds

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

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Changes

The changes in the School District's indebtedness during the year ended June 30, 2018 and 2017 are summarized as follows:

	<u>Balance June 30, 2018</u>	<u>Balance June 30, 2017</u>
2008 Serial Bonds	\$ -	\$ 195,000
2015 Serial Bonds		
- refunded	3,515,000	3,555,000
2015 Serial Bonds	4,565,000	4,905,000
2015 Serial Bonds	45,000	65,000
2012 Serial Bonds		
- refunded, net	438,260	651,798
Net pension liability	117,344	670,293
Other post-employment benefits	16,352,257	16,547,169
Compensated absences	<u>1,477,746</u>	<u>1,470,349</u>
	<u>\$ 26,510,607</u>	<u>\$ 28,059,609</u>

During the year, the District made principal payments on its serial bonds in the amount of \$800,000 and amortize outstanding premiums on bonds in the amount of \$8,538. The net change in compensated absences was an increase of \$7,397 during the fiscal year ended June 30, 2018. The net change in other post-employment benefits was a decrease of \$194,912 during the fiscal year ended June 30, 2018. Lastly, the net pension liability in the NYS Employees' Retirement System decreased \$247,568, while the NYS Teachers' Retirement System was a net pension liability of \$308,381 in the prior year and a net pension asset of \$211,457 in the current year.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity

1. The following is a summary of serial bonds indebtedness:

<u>Description of Issue</u>	<u>Outstanding at June 30, 2018</u>
Serial Bonds, issued in 2015 with a maturity date of 2037, bonds carry interest rates of 1.25% to 4.00%. Proceeds used to refund 2008 serial bonds.	<u>\$ 3,515,000</u>
Serial Bonds, issued in 2015 with a maturity date of 2030, bonds carry interest at 2.00% to 3.00%.	<u>\$ 4,565,000</u>
Serial Bonds, issued in 2015 with a maturity date of 2020, bonds carry interest at 2.50% to 2.75%.	<u>\$ 45,000</u>
Serial Bonds, issued in 2012 with a maturity date of 2020, with interest rates of 2.00% to 4.00%. Plus: Net premiums on bonds	<u>\$ 430,000</u> <u>8,260</u>
	<u>\$ 438,260</u>
	<u>\$ 8,563,260</u>

2. The following is a summary of maturing debt service requirements for serial bond:

	<u>Serial Bonds – 2012 Construction Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 210,000	\$ 13,900
2020	220,000	5,500
Total	<u>\$ 430,000</u>	<u>\$ 19,400</u>

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Maturity (continued)

Year	Serial Bonds – 2015	
	Construction Bond	
	Principal	Interest
2019	\$ 345,000	\$ 109,208
2020	345,000	102,308
2021	360,000	95,408
2022	370,000	88,208
2023	380,000	80,808
2024-2028	2,025,000	270,174
2029-2030	740,000	31,200
Total	\$ 4,565,000	\$ 777,314

Year	Serial Bonds – 2015 refunded	
	Construction Bond	
	Principal	Interest
2019	\$ 245,000	\$ 93,425
2020	255,000	88,325
2021	255,000	83,225
2022	260,000	78,025
2023	265,000	72,725
2024-2028	680,000	286,400
2029-2033	810,000	151,925
2034-2037	745,000	74,000
Total	\$ 3,515,000	\$ 928,050

Year	Serial Bonds – 2015	
	Bus Bonds	
	Principal	Interest
2019	\$ 20,000	\$ 1,054
2020	25,000	586
Total	\$ 45,000	\$ 1,640

e. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$245,380 for the fiscal year ended June 30, 2018.

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

f. Premiums, Debt Issuance Costs and Amortization

Net premiums resulting from bond and other debt refinancing are being amortized over the life of the relating debt using the interest method. These premiums are accordingly included in the outstanding principal balances for the bonds. Debt issuance costs related to the bonds were expensed in accordance with GASB 65.

3. Advanced Bond Refunding

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

VI. Fund Equity

A. District-wide Net Position

Net position of the District include restricted net position of \$3,301,046 which represent restricted amounts in the general and debt service funds as presented below.

B. Assigned – Appropriated Fund Equity

General Fund - The amount of \$400,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2019 as allowed by Section 1318 of the Real Property Tax Law.

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

VI. Fund Equity (continued)

C. Classifications

The District's fund equity is comprised of various components which include the following:

<u>Fund</u>	<u>Reservation Purposes</u>	<u>Balance June 30, 2018</u>
<i>Nonspendable</i>		
School Food Service	Reserve for inventory	<u>\$ 12,250</u>
<i>Restricted</i>		
General	Unemployment insurance reserve	\$ 84,914
	Debt service reserve	28,440
	Transportation reserve	200,837
	Capital reserve technology	400,331
	Reserve for repairs	314,141
	Reserve for retirement system	905,461
	Workers Compensation reserve	155,568
	Employee benefit accrued liability reserve	1,005,732
		<u>\$ 3,095,424</u>
Debt Service	Reserve for debt	<u>\$ 205,622</u>
Private Purpose Trust	Reserve for scholarships	<u>\$ 249,476</u>
<i>Assigned</i>		
General	Reserve for encumbrances	\$ 33,773
	Appropriated fund balance	400,000
		<u>\$ 433,773</u>
School Food Service	Fund equity	<u>\$ 92,008</u>
Capital Projects	Fund equity	<u>\$ 1,892,091</u>

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

VII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

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

2. Risk Sharing Pools

For its employee health coverage, *Hammondspport Central School District* is a participant in the Steuben Area Schools Plan, a public entity risk pool operated for the benefit of 9 individual school districts. The School District pays monthly premiums to the Plan for this health coverage.

The Plan is authorized to assess supplemental premiums to the participating districts. The Plan provides coverage for its members up to \$250,000 per insured event. The Steuben Area Schools Plan obtains independent coverage for insured events in excess of this amount.

B. Federal and State Grants

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

C. Compensated Absences

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$1,500,000 as of June 30, 2018 for accumulating non-vesting sick leave.

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)**

VII. Commitments and Contingencies (continued)

D. Litigation

The District, in the normal course of its operations, is involved in various litigation and arbitration cases. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the District's financial position.

NOTE 4 - CAPITAL PROJECTS

During the year ended June 30, 2018, the District had expenditures related to a capital outlay in the amount of \$100,000 and \$209,615 related to costs associated with the new capital project. In addition, the District transferred \$20 from the capital projects fund to the general fund to close out the capital outlay project. Also, a transfer of \$2,101,341 from the general fund to the capital projects fund occurred to move the capital reserve previously approved by the voters to fund the new capital project.

NOTE 5 – PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2018 the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45 Districts were required to amortize the OPEB liability over a period of years. The District has recorded a prior period adjustment in the amount of \$497,367 related to the change in the OPEB liability balance as well as an adjustment in the amount of \$450,142 related to deferred outflows of resources. The total impact on the District's net position was a reduction in the amount of \$47,225 as a result of this change in accounting principle.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 19, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Adopted Budget	Revised Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 8,459,688	\$ 8,459,688	\$ 8,459,328	\$ (360)
Real property tax items	12,000	12,000	16,283	4,283
Charges for services	27,000	27,000	163,783	136,783
Use of money and property	2,000	2,000	16,161	14,161
Sale of property and compensation for loss	-	-	1,782	1,782
Miscellaneous	100,000	100,000	207,355	107,355
State Sources:				
Basic formula	4,263,665	4,263,665	4,219,187	(44,478)
BOCES	348,967	348,967	317,329	(31,638)
Textbooks	34,575	34,575	24,698	(9,877)
All other aid	54,000	54,000	95,290	41,290
Federal Sources:				
Medicaid reimbursement	20,000	20,000	44,109	24,109
Total revenue	13,321,895	13,321,895	13,565,305	243,410
Other Sources				
Operating transfer in	-	-	10,837	10,837
Total revenue and other sources	13,321,895	13,321,895	\$ 13,576,142	\$ 254,247
Appropriated reserves	296,503	296,503		
Appropriated fund equity and encumbrances	378,291	380,251		
Supplemental appropriations	-	2,127,340		
Total revenue, other sources and appropriated fund equity	\$ 13,996,689	\$ 16,125,989		

See accompanying independent auditor's report.

	Adopted Budget	Revised Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 64,138	\$ 70,298	\$ 67,331	\$ -	\$ 2,967
Central administration	137,446	138,038	137,547	-	491
Finance	235,965	262,883	258,638	-	4,245
Staff	87,414	160,602	103,726	375	56,501
Central services	857,041	879,990	779,415	3,680	96,895
Special items	241,336	230,800	230,490	5,940	(5,630)
Instructional:					
Instruction, administration and improvement	417,340	423,558	418,351	-	5,207
Teaching - regular school	3,853,871	3,653,500	3,605,925	-	47,575
Programs for children with handicapping conditions	1,286,763	1,552,011	1,440,571	-	111,440
Occupational education	100,719	101,065	101,065	-	-
Instructional media	621,485	758,629	707,624	23,778	27,227
Pupil services	532,974	533,963	474,102	-	59,861
Pupil Transportation	716,696	789,698	713,057	-	76,641
Employee Benefits	3,681,120	3,314,153	3,041,356	-	272,797
Debt Service:					
Debt service principal	800,000	800,000	800,000	-	-
Debt service interest	245,381	245,381	245,380	-	1
Total expenditures	13,879,689	13,914,569	13,124,578	33,773	756,218
Other Uses:					
Transfer to other funds	117,000	2,211,420	2,211,420	-	-
Total other uses	117,000	2,211,420	2,211,420	-	-
Total expenditures and other uses	\$ 13,996,689	\$ 16,125,989	15,335,998	\$ 33,773	\$ 756,218
Excess (deficiency) of revenue and other sources over expenditures and other uses			\$ (1,759,856)		

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS1A

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	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 17,617	\$ 17,177	\$ (440)
Federal sources	181,830	193,379	11,549
Sales	75,350	61,558	(13,792)
Miscellaneous	2,445	13,276	10,831
Surplus food	21,000	16,616	(4,384)
Use of money and property	-	20	20
Total revenue	<u>298,242</u>	<u>302,026</u>	<u>3,784</u>
Expenditures			
General support	77,352	77,405	(53)
Employee benefits	39,905	40,160	(255)
Cost of sales	109,623	110,000	(377)
Other expenses	71,362	72,620	(1,258)
Total expenditures	<u>298,242</u>	<u>300,185</u>	<u>(1,943)</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>1,841</u>	<u>\$ 1,841</u>
Fund equity, beginning of year		<u>102,417</u>	
Fund equity, end of year		<u>\$ 104,258</u>	

HAMMONDSPORT 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

Schedule SS2

Page 39

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 13,996,689
Additions:	
Prior year encumbrances	1,960
Original Budget	13,998,649
Budget Revisions:	
Supplemental Appropriation	2,127,340
Final budget	<u>\$ 16,125,989</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	\$ 14,399,542
Maximum allowed (4% of 2018-19 budget)	\$ 575,982

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	433,773
Unassigned fund balance	756,390
Total unrestricted fund balance	<u>1,190,163</u>
Less:	
Appropriated fund balance	400,000
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	33,773
Total adjustments	<u>433,773</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 756,390</u>
Actual percentage	<u>5.3%</u>

* Per Office of State Comptroller's "Fund Balance Reporting and Governmental Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of the General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: 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.

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

Schedule SS3

Page 40

Project Title	Original Appropriation	Revised Appropriation	Expenditures				Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2018
			Prior Years	Current Year	Interfund Transfer	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
2017 Capital Outlay Project	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ 20	\$ 100,020	\$ 100,000	\$ -	\$ -	\$ 100,020	\$ 100,020	\$ -
2017 Capital Project	2,100,000	2,100,000	-	209,615	-	209,615	2,100,000	-	-	2,101,706	\$ 2,101,706	1,892,091
	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ 309,615</u>	<u>\$ 20</u>	<u>\$ 309,635</u>	<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,201,726</u>	<u>\$ 100,020</u>	<u>\$ 1,892,091</u>

See accompanying independent auditor's report.

HAMMONDSPOrt CENTRAL SCHOOL DISTRICT
BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS4A

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Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school *	N/A	2018	N/A	\$ 39,981	\$ 39,981
Universal Pre-kindergarten	0409-18-2467	2018	\$ 54,000	54,000	54,000
School breakfast programs	N/A	2018	N/A	2,346	2,346
School lunch programs	N/A	2018	N/A	3,464	3,464
Summer snack program	N/A	2018	N/A	470	470
Boces Aid	N/A	2018	N/A	10,897	10,897
				<u>\$ 111,158</u>	<u>\$ 111,158</u>

* Included in revenue is an interfund transfer from the general fund for the local share of the grant in the amount of \$10,079.

HAMMONDSport CENTRAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS4B

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the *HammondSport Central School District* and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the 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). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Non-monetary Federal Program

The accompanying *HammondSport Central School District* is the recipient of a non-monetary federal award program. During the year ended June 30, 2018, the District reported in the Schedule of Federal Awards \$16,616 of donated commodities at fair market value received and disbursed.

Note 3 - Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS4C

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
Direct Award					
REAP Small Rural School Achievement	84.358	S358A097246	\$ 17,135	\$ 17,135	\$ 17,135
Passed through NYS					
Department of Education:					
Title I	84.010A	0021-18-2910	133,428	133,428	133,428
Title II, Part A	84.367A	0147-18-2910	21,693	21,693	21,693
IDEA Part B, Section 611 *	84.027A	0032-18-0867	105,939	105,939	105,939
IDEA Part B, Section 619 *	84.173A	0033-18-0867	2,457	2,457	2,457
CN Equipment	84.174	0034-18-0082	20,000	20,000	20,000
US Department of Agriculture:					
Passed through NYS					
Department of Education:					
National School Breakfast Program **	10.553	N/A	N/A	47,820	47,820
National School Lunch Program **	10.555	N/A	N/A	130,465	130,465
National School Snack Program **	10.555	N/A	N/A	15,094	15,094
Passed through NYS					
Office of General Services:					
National School Lunch Program					
Noncash assistance (Commodities) **	10.555	N/A	N/A	16,616	16,616
Total expenditures and revenue				\$ 510,647	\$ 510,647

* Constitutes a cluster of Federal programs

** Constitutes a cluster of Federal programs

Total expenditures of Federal Awards did not exceed \$750,000 and therefore, the District was not subjected to a single audit in accordance with Uniform Guidance

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2018

Schedule SS5

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Capital Assets	\$ 15,111,332
Less:	
Serial bonds	(8,563,260)
Plus:	
Assets less related liabilities in the Capital projects fund	<u>1,892,091</u>
Net investment in capital assets	<u><u>\$ 8,440,163</u></u>

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS6

Page 44

As of the measurement date of June 30,	2017
Total OPEB Liability	
Service cost	\$ 844,203
Interest	515,779
Changes in assumptions	(1,602,119)
Benefit payments	(450,142)
Net change in total OPEB liability	(692,279)
Total OPEB liability - beginning	16,547,169
Prior period adjustment	497,367
Total OPEB liability - ending	\$ 16,352,257
 Plan fiduciary net position	
Contributions - employer	\$ 450,142
Benefit payments	(450,142)
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	\$ -
 District's net OPEB liability	 \$ 16,352,257
 Plan fiduciary net position as a percentage of total OPEB liability	 0.00%
 Covered-employee payroll	 \$ 7,861,753
 District's net OPEB liability as a percentage of covered-employee payroll	 208.00%

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate changes - 2.92% effective July 1, 2017
and 3.56% effective June 30, 2018
Salary scale increase at 3.00% per year
Health care trend rates from 7.25% to 4.60% in 2018, decreased to 3.886%
by 2075

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB
FOR THE YEAR ENDED JUNE 30, 2018

For the year ended June 30,	<u>2017</u>
Actuarially determined contributions	\$ 450,142
Contributions in relation to the actuarially determined contribution	<u>(450,142)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 7,861,753
Contributions as a percentage of District's covered-employee payroll	5.73%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.56% as of June 30, 2018 and 2.92% as of July 1, 2017
Inflation	2.25% per year
Healthcare cost trend rates	2018 - 6.5%. Rates expected to decrease each year thereafter with an ultimate rate of 3.86% after 2075.
Salary increases	3.00% increase per year
Mortality	RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2017
Retiree Cost Sharing	District pays 75% for single and family for administrators and 50% for single and families for all others
Participants	102 Active and 93 Retirees

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH 2018

Schedule SS8

Page 46

New York State Teachers' Retirement System

For the year ended June 30,	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 448,525	\$ 516,676	\$ 583,409	\$ 773,290	\$ 698,095	\$ 491,398
Contributions in relation to the contractually required contribution	(448,525)	(516,676)	(583,409)	(773,290)	(698,095)	(491,398)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,576,786	\$ 4,408,498	\$ 4,399,766	\$ 4,411,238	\$ 4,295,969	\$ 4,150,321
Contributions as a percentage of District's covered-employee payroll	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

New York State Local Employees' Retirement System

For the year ended March 31,	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 165,943	\$ 162,880	\$ 192,502	\$ 219,242	\$ 217,736	\$ 196,642
Contributions in relation to the contractually required contribution	(165,943)	(162,880)	(192,502)	(219,242)	(217,736)	(196,642)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,139,980	\$ 1,105,122	\$ 1,164,371	\$ 1,244,707	\$ 1,055,700	\$ 1,045,597
Contributions as a percentage of District's covered-employee payroll	14.56%	14.74%	16.53%	17.61%	20.62%	18.81%

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE
NET PENSION ASSET – NYSTRS AND PROPORTIONATE SHARE OF
NET PENSION LIABILITY – NYLSERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2018

Schedule SS9

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New York State Teachers' Retirement System - Net Pension Asset (Liability)

As of the measurement date of June 30,	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset/(liability)	n/a	0.027820%	0.028513%	0.029366%	0.029083%	0.028334%
District's proportionate share of the net pension asset/(liability)	n/a	\$ 211,457	\$ (305,381)	\$ 3,050,239	\$ 3,239,632	\$ 186,509
District's covered-employee payroll	n/a	\$ 4,576,783	\$ 4,535,948	\$ 4,411,238	\$ 4,295,969	\$ 4,150,321
District's proportionate share of the net pension asset/(liability) as a percentage of its covered employee payroll	n/a	4.62%	6.73%	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	n/a	100.70%	99.01%	110.46%	111.48%	100.70%

New York State Local Employees' Retirement System - Net Pension (Liability)

As of the measurement date of March 31,	2018	2017	2016	2015	2014	2013
District's proportion of the net pension (liability)	0.0036358%	0.0038836%	0.0039626%	0.0039792%	n/a	n/a
District's proportionate share of the net pension (liability)	\$ (117,344)	\$ (364,912)	\$ (636,011)	\$ (134,427)	\$ (179,814)	n/a
District's covered-employee payroll	\$ 1,139,980	\$ 1,105,122	\$ 1,164,371	\$ 1,244,707	\$ 1,055,700	n/a
District's proportionate share of the net pension (liability) as a percentage of its covered employee payroll	10.29%	33.02%	54.62%	10.80%	17.03%	n/a
Plan fiduciary net position as a percentage of the total pension (liability)	98.24%	94.70%	90.70%	97.90%	n/a	n/a

**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"**

**To the President and
Members of the Board of Education
Hammondsport Central School District
Hammondsport, New York**

We have audited 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, the financial statements of the governmental activities and each major fund of *Hammondsport Central School District* as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise *Hammondsport Central School District's* basic financial statements and have issued our report thereon dated September 19, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified one deficiency in internal control over financial reporting that we consider to be significant deficiency described in the accompanying schedule of findings and questioned costs as item II.A.2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Hammondsport Central School District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2018-002.

We noted other matters that we have reported to management of *Hammondsport Central School District* in a separate letter dated September 19, 2018.

Hammondsport Central School District's Responses to Findings

Hammondsport Central School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **Hammondsport Central School District's** responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not provided 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 19, 2018**

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Page 50

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Hammondspport Central School District*.
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". This material weakness is described in the accompanying schedule of findings and questioned costs as item II.A.2018-001.
3. There was one instance of noncompliance material to the financial statements of *Hammondspport Central School District* reported in the 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". This instance of noncompliance is reported as item II.B.2018-002.
4. A single audit in accordance with Uniform Guidance was not required during the fiscal year ended June 30, 2018, as the District's expenditures of Federal Awards were below \$750,000

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Page 51

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2018-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2018

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording retirement accruals, capital project funds and converting to the full accrual method for government-wide financial statement purposes. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District.

Cause and Effect: AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to generally accepted accounting principles.

Auditor's Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

School District's Response: The District has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements.

B. COMPLIANCE AND OTHER MATTERS

2018-002 Unassigned Fund Balance

Year ended June 30, 2018

Conditions and criteria: **Hammondspport Central School District's** unassigned fund balance in the general fund as of June 30, 2018 amounted to approximately \$756,000. This amount constitutes approximately 5.3% of the 2018-2019 school budget.

Cause and Effect: The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Auditor's Recommendation: **Hammondspport Central School District** should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

School District's Response: **Hammondspport Central School District** realizes that its unassigned fund balance as of June 30, 2018 was in excess of the NYS mandated 4% level. On October 10, 2017 the District developed a reserve plan which included an analysis of unassigned fund balance. The District has and will continue to closely monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance.

I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2017-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2017

Summary of Prior Year Finding: Adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2018 as finding 2018-001.

A. COMPLIANCE AND OTHER MATTERS

2017-002 Unassigned Fund Balance

Year Ended June 30, 2017

Summary of Prior Year Finding: *Hammondspport Central School District's* unassigned fund balance as of June 30, 2017 amounted to approximately \$665,000. This amount constitutes approximately 4.8% of the 2017-2018 school budget. The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Current Status: Similar finding related to compliance and other matters is being reported upon during the year ended June 30, 2018 as finding 2018-002.



To the President and Members of the
Board of Education
and School Administration
Hammondsport Central School District
Hammondsport, New York

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2018 of the District's financial statements and have issued our reports thereon dated September 19, 2018. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Hammondsport Central School District* for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2014 through June 30, 2018. In addition, we have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Hammondsport Central School District* has provided responses to the additional comments, however, we did not audit these responses and, accordingly, we express no opinion on them.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Olean, New York
September 19, 2018

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND
EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Revenue and other sources					
Property taxes	\$ 8,476	\$ 8,339	\$ 8,363	\$ 8,230	\$ 8,097
State aid	4,657	4,463	4,426	3,880	3,785
All other	444	366	404	395	342
	<u>13,577</u>	<u>13,168</u>	<u>13,193</u>	<u>12,505</u>	<u>12,224</u>
Expenditures and other uses					
General support	1,577	1,379	1,456	1,384	1,384
Instruction	6,748	6,448	6,399	6,048	5,986
Transportation	714	663	498	525	573
Benefits	3,041	3,013	2,856	2,971	2,869
Debt	1,045	1,037	1,164	961	880
Transfers	2,211	107	216	111	216
	<u>15,336</u>	<u>12,647</u>	<u>12,589</u>	<u>12,000</u>	<u>11,908</u>
Excess (deficiency) of revenue over expenditures	(1,759)	521	604	505	316
Fund equity					
Beginning of year	6,045	5,524	4,920	4,415	4,099
End of year	<u>\$ 4,286</u>	<u>\$ 6,045</u>	<u>\$ 5,524</u>	<u>\$ 4,920</u>	<u>\$ 4,415</u>
Analysis of fund equity					
Nonspendable					
Prepaid expenses	\$ -	\$ 6	\$ 5	\$ -	\$ -
Restricted					
Reserve for repairs	314	327	327	102	102
Reserve for debt service	28	34	40	40	-
Reserve for capital	601	2,602	1,801	1,323	420
Reserve for employee benefits	1,006	955	1,055	1,105	1,054
Reserve for liability	-	-	-	40	40
Reserve for employees retirement system	905	855	955	1,005	1,004
Reserve for unemployment insurance	85	100	100	115	115
Reserve for workers' compensation	156	121	171	120	120
Assigned					
Reserve for encumbrances	34	2	55	17	62
Next year's budget	400	378	335	350	350
Unassigned	757	665	680	703	1,148
	<u>\$ 4,286</u>	<u>\$ 6,045</u>	<u>\$ 5,524</u>	<u>\$ 4,920</u>	<u>\$ 4,415</u>

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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Fund Balance Reserves

As of June 30, 2018, the District has certain fund balance reserves. The New York State Comptroller's Office in its audits of school districts has increased its scrutiny of fund balance reserves established by districts. We commend the District for developing a reserve plan during the current year and recommend that this document continue to be evaluated, modified when appropriate, and reviewed with the Board at least annually.

In addition, the Comptroller's Office has taken the position in certain audit reports of other districts, that compensated absences that only cash payments made at the time of retirement are eligible to be funded utilizing the Employee Benefit Accrued Liability Reserve (EBALR). We recommend that the District review this position and determine whether its current funding levels are appropriate or if there are any alternatives with respect to its payment of compensated absences in the future.

District's response: The District is currently working with its legal counsel and auditors regarding appropriate usage of the EBALR reserve.

School Funding Transparency Reporting

In 2018, New York State passed a law requiring New York Schools to annually report a detailed statement of total funding allocation for each school in the District. A School Funding Transparency Form was created by New York State to capture this information which is required to be submitted annually by school districts. Beginning in 2019, the District will be required to submit this form annually to the Division of Budget and State Education Department. Because this is a new reporting model, we recommend that the District continue to review any new guidance issued by New York State and Seek opportunities to attend future educational seminars if they arise.

District response: The District is aware of the new requirements and will report the required information when required.

HAMMONDSPORT CENTRAL SCHOOL DISTRICT

***EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT***

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

***WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS***

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND**

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INDEPENDENT AUDITOR'S REPORT

**To the President and
Members of the Board of Education
Hammondsport Central School District
Hammondsport, New York**

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the **Hammondsport Central School District** for the year ended June 30, 2018, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 the *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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Hammondsport Central School District** for the year ended June 30, 2018 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 19, 2018**

HAMMONDSPORT CENTRAL SCHOOL DISTRICT
ANNUAL FINANCIAL STATEMENT ON EXTRACLASROOM ACTIVITY FUND
JULY 1, 2017 THROUGH JUNE 30, 2018

	Balances July 01, 2017	Total Receipts 2017-2018	Total Receipts & Balances	Total Payments 2017-2018	Balances June 30, 2018
Class of 2017	\$ 2,607	\$ -	\$ 2,607	\$ 2,607	\$ -
Class of 2018	3,402	1,702	5,104	2,274	2,830
Class of 2019	6,626	21,576	28,202	25,521	2,681
Class of 2020	4,019	15,551	19,570	10,804	8,766
Class of 2021	-	11,795	11,795	7,431	4,364
Chorus	775	1,210	1,985	1,235	750
Drama Club	3,507	8,701	12,208	9,975	2,233
Student Council	3,631	2,373	6,004	1,747	4,257
Yearbook Club	4,806	8,815	13,621	8,148	5,473
Ski Club	1,200	4,408	5,608	3,901	1,707
Senior Trip Student Aid Fund	5,819	320	6,139	-	6,139
Sales Tax	618	-	618	164	454
Total activity fund	\$ 37,010	\$ 76,451	\$ 113,461	\$ 73,807	\$ 39,654

**HAMMONDSPORT CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of *Hammondspport Central School District*. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$39,654 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

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



To the President and Members of the
Board of Education
and School Administration
Hammondspport Central School District
Hammondspport, New York

Ladies and Gentlemen:

In planning and performing our audit of the statement of cash receipts and disbursements – cash basis of the Extraclassroom Activity Fund of *Hammondspport Central School District* as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered *Hammondspport Central School District's* internal control over financial reporting (internal control) as a basis for designing 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 *Hammondspport Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Hammondspport Central School District's* internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiency. However, material weaknesses or significant deficiencies may exist that have not been identified.

During the course of our audit of the Extraclassroom Activity Fund, we noted the following items:

Point of Sale Records

We commend the District for its improvement in this area. We recommend the District continue its efforts of ensuring that each cash receipt received by the central treasurer is accompanied by supporting documentation which reconciles cash received to participation times rates/fees.

This communication is intended solely for the information and use of management, Board of Education, and others within *Hammondspport Central School District*, and is not intended to be, and should not be, used by anyone other than these specified parties.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 19, 2018**



September 19, 2018

To the Audit Committee
and Board of Education
Hammondsport Central School District
Hammondsport, New York

We have audited the financial statements of **Hammondsport Central School District** as of and for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Governmental Auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 20, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **Hammondsport Central School District** are described in Note 1 to the financial statements. During the current year the District implemented a new accounting policy for the new standard GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a prior period adjustment to the financial statements. For further information related to this accounting change please see note 6 of the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of depreciation is based on estimates of useful lives of assets and cost basis of certain assets were derived from a third-party independent appraisal company. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

In addition, the District also has estimated future costs associated with pension and other post-employment benefits and has recorded a net pension asset (TRS), a net pension liability (ERS) and an other post-employment benefit liability based on an actuarial study performed by a third-party actuary. We evaluated the key assumptions used to develop this study and its reasonableness in relation to the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures on long-term debt in Note 3 to the financial statements, due to their significance.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, including combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board and management of [*Hammondspport Central School District*](#) and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.