

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2018

SOLVAY UNION FREE SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Solvay Union Free School District
Solvay, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Solvay Union Free School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Solvay Union Free School District's basic financial statements as listed in the table of contents. We have also audited each fiduciary fund type of Solvay Union Free School District, as of and for the year ended June 30, 2018, as displayed in Solvay Union Free School District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis, schedule of funding progress-other postemployment benefit plans, schedule of revenues, expenditures and changes in fund balance, schedule of district contributions and schedule of district's proportionate share of the net pension liability* on pages 4–12, 46-49, respectively, 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 Solvay Union Free School District's basic financial statements. The *schedule of change from adopted to final budget and the real property tax limit, the schedule of project expenditures – capital projects fund* and *investment in capital assets, net of related debt* (the supplemental information) on pages 50-52 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2018 on our consideration of Solvay Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Syracuse, New York
September 17, 2018

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

Financial Highlights

- The rates charged by the New York State Teacher's Retirement System decreased from 11.72% to 9.80% of member payroll. This resulted in a decrease in expenses of approximately $188,000.

- The District incurred $900,000 of capital expenditures in the current year related to the 2016 construction project, 2017 construction project, and Smart Schools Bond Act project.

- The District issued serial bonds of $4,565,000 with a premium of $656,000 in relation to the 2016 Construction project.

Overview of the Financial Statements

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

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

- The remaining statements are *fund financial statements* that focus on *individual funds* of the District, reporting the District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column.

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

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

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

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

		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 • Reconciliation of governmental funds revenues, expenditures and changes in fund balances to the Statement of activities • Reconciliation of governmental funds balance sheet to the Statement of net position.	• Balance sheet • Statement of revenues, 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/deferred outflows of resources/ liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can

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

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflow of resources, liabilities and deferred inflows of resources – 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 nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the 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:

- Some funds are required by New York State law and by bond covenants. Generally, the District is required by New York State General Municipal Law (para. 36) to follow the system of accounts formulated and prescribed by the New York State Comptroller.

- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information in the notes to the financial statements explains the relationship (or differences) between them.

- 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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities. (Rounded to the nearest thousand)

Table 1:

	Governmental Activities and Total School District		Total Percentage Change
		(as restated)	
	2018	2017	2017-2018
Current and Other Assets	$ 15,610,000	$ 13,357,000	16.87%
Capital Assets	42,316,000	42,451,000	-0.32%
Net pension asset	540,000	545,000	-0.92%
Total Assets	58,466,000	56,353,000	3.75%
Deferred Outflow of Resources	8,420,000	6,794,000	23.93%
Total Assets and deferred outflow of resources	$ 66,886,000	$ 63,147,000	
Long-Term Liabilities-Due in One Year	$ 7,493,000	$ 8,041,000	-6.82%
Long-Term Liabilities-Due in More than One Year	64,224,000	59,245,000	8.40%
Net pension liability	353,000	989,000	-64.31%
Other Liabilities	492,000	4,818,000	-89.79%
Total Liabilities	72,562,000	73,093,000	-0.73%
Deferred Inflow of Resources	2,616,000	419,000	524.34%
Net Position:			
Invested in Capital Assets	42,316,000	42,451,000	-0.32%
Related Debt	(17,542,000)	(19,775,000)	-11.29%
Restricted	10,503,000	7,752,000	35.49%
Unrestricted Net Deficit	(43,569,000)	(40,793,000)	6.81%
Total Net Position	(8,292,000)	(10,365,000)	-20.00%
Total Liabilities and Net Position	$ 66,886,000	$ 63,147,000	

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (continued)

Table 2:

	Governmental Activities and Total School District		Total Percentage Change
	2018	2017	2017-2018
REVENUES			
Program Revenues:			
Charges for Services	$ 1,393,000	$ 1,206,000	15.51%
Operating Grants and Contributions	2,110,000	1,398,000	50.93%
General Revenue:			
Property Taxes and Other Tax Items	12,142,000	11,890,000	2.12%
State Sources	16,585,000	16,030,000	3.46%
Federal Sources	-	64,000	-100.00%
Other General Revenues	4,021,000	3,679,000	9.30%
Total Revenues	36,251,000	34,267,000	5.79%
PROGRAM EXPENSES			
General Support	5,273,000	5,016,000	5.12%
Instruction	25,045,000	24,171,000	3.62%
Transportation	2,432,000	2,395,000	1.54%
Debt Service	814,000	693,000	17.46%
School Lunch Program	613,000	612,000	0.16%
Total Program Expenses	34,177,000	32,887,000	
Total Expenses	34,177,000	32,887,000	3.92%
Increase in Net Position	$ 2,074,000	$ 1,380,000	50.29%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (continued)

Table 3 presents the cost of each of the District's largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. (Rounded to the nearest thousand)

Table 3
Governmental Activities

	Total cost of services		Net cost of services	
	2018	2017	2018	2017
General Support	$ 5,273,000	$ 5,016,000	$ 5,273,000	$ 5,016,000
Instruction	25,045,000	24,171,000	22,237,000	22,236,000
Pupil Transportation	2,432,000	2,395,000	2,432,000	2,395,000
Debt Service - Interest	814,000	693,000	814,000	693,000
School Lunch Program	613,000	612,000	(81,000)	(57,000)
Total	$34,177,000	$32,887,000	$30,675,000	$30,283,000

Financial Analysis of the School District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with the New York State Comptroller.

Governmental Funds

The purpose of the District's governmental funds is to account for and provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between assigned or unassigned balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities and postemployment obligations that are not recognized in the governmental funds. Fund balances for capital projects are restricted by State law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

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

General Fund Budgetary Highlights

The budgetary comparison information on page 52 presents both adopted and final modified budget totals compared with actual results for the General Fund for the year ended June 30, 2018. The significant variances between the adopted and the final budget for 2018 were as follows:

Voter Approved Budget	$33,427,500
Board Approved Budget Adjustments	29,000
2017 Additional Appropriations:	
Encumbrances Carryover	210,238
Final Budget	$33,666,738

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the District had approximately $65 million invested in a broad range of capital assets including buildings, transportation equipment, computer equipment, and furniture and fixtures. Table 4 categorically illustrates the District's capital assets.

Table 4:

	Governmental Activities and Total School District		Total Percentage Change
	2018	2017	2017-2018
Land	$ 247,500	$ 247,500	0.00%
Construction in Progress	591,638	5,302,975	-88.84%
Buildings and Improvements	56,571,322	51,503,750	9.84%
Machinery and Equipment	7,354,432	7,298,508	0.77%
Total	$ 64,764,892	$ 64,352,733	0.64%

Long-Term Obligations

At June 30, 2018, the District had approximately $70 million in long-term obligations. Table 5 provides a summary of these obligations. The notes to the basic financial statements provide additional details regarding these obligations.

Table 5:

	Total School District		Total Percentage Change
	2018	2017 (as restated)	2017-2018
General Obligation Bonds (Financed with Property Taxes)	$ 17,542,614	$ 15,375,146	14.10%
Other Postemployment Benefits	51,816,393	49,423,777 *	4.84%
Pension Liability	353,312	989,497	-64.29%
Compensated Absences	613,812	640,488	-4.16%
Total Long-term Liabilities	$ 70,326,131	$ 66,428,908	5.87%

* - In accordance with GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the prior year other postemployment benefit liability of $18,398,423 was retroactively restated to a liability of $49,423,777 conform to the requirements of GASB No. 75. The adoption of GASB No. 75 increased the liability $31,025,354 and decreased the unrestricted net position of the District.

Factors bearing on the District's Future

- At June 30, 2018, the District had exhausted 3.28% of its constitutional debt limit.
- Employer contributions for Teachers' Retirement System and Employees' Retirement System may continue to fluctuate but not as much as recent years.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District Business Office at PO Box 980, Syracuse, New York 13209.

SOLVAY UNION FREE SCHOOL DISTRICT

Statement of Net Position

June 30, 2018

ASSETS	
Cash	
Unrestricted	$ 2,661,378
Restricted	10,502,760
Receivables	
State and federal aid	1,506,157
Due from fiduciary funds	456
Other	912,180
Inventories	27,323
Capital assets, net	42,316,197
Net pension asset- proportionate share	540,249
Total assets	58,466,700
DEFERRED OUTFLOW OF RESOURCES	
Other postemployment benefits	301,887
Pensions	8,117,395
Total deferred outflow of resources	8,419,282
Total assets and deferred outflow of resources	$ 66,885,982
LIABILITIES	
Accounts payable	$ 276,556
Accrued liabilities	215,284
Long-term liabilities	
Due and payable within one year	
Bonds payable	2,409,060
Due to teachers' retirement system	1,270,927
Due to employees' retirement system	112,351
Other postemployment benefits payable	3,700,610
Due and payable after one year	
Bonds payable	15,133,554
Other postemployment benefits payable	48,115,783
Workers compensation	360,799
Compensated absences payable	613,812
Net pension liability- proportionate share	353,312
Total liabilities	72,562,048
DEFERRED INFLOW OF RESOURCES	
Pensions	2,616,336
Total deferred inflow of resources	2,616,336
NET POSITION	
Investment in capital assets, net of related debt	24,773,583
Restricted	10,502,760
Unrestricted (deficit)	(43,568,745)
Total net position	(8,292,402)
Total liabilities, deferred inflow of resources and net position	$ 66,885,982

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2018

	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	$ (4,156,846)	$ (1,116,050)	$ -	$ -	$ (5,272,896)
Instruction	(19,093,065)	(5,952,265)	1,241,363	1,567,333	(22,236,634)
Pupil transportation	(2,060,243)	(372,017)	-	-	(2,432,260)
Employee benefits	(7,440,332)	7,440,332	-	-	-
Debt service - interest	(814,370)	-	-	-	(814,370)
School lunch program	(613,035)	-	151,467	543,060	81,492
Total functions and programs	$ (34,177,891)	$ -	$ 1,392,830	$ 2,110,393	(30,674,668)
GENERAL REVENUES					
Real property taxes					12,141,836
Other real property tax items					2,548,615
Nonproperty taxes					46,697
Use of money and property					952,387
Sale of property and compensation for loss					39,162
State sources					16,584,872
Miscellaneous					434,613
Total general revenues					32,748,182
Change in net position					2,073,514
Total net position - beginning of year, as restated					(10,365,916)
Total net position - end of year					$ (8,292,402)

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2018

	General	Special Aid	School Lunch Fund	Debt Service	Capital Projects Fund	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 2,485,405	$ -	$ 175,973	$ -	$ -	$ 2,661,378
Restricted	8,394,280	41,991	-	1,550,569	515,920	10,502,760
Receivables						
State and federal aid	831,050	674,752	355	-	-	1,506,157
Due from other funds	885,386	-	-	27	86,137	971,550
Due from fiduciary funds	456	-	-	-	-	456
PILOT, transportation and other	910,974	-	19	1,187	-	912,180
Inventories	-	-	27,323	-	-	27,323
Total assets	$ 13,507,551	$ 716,743	$ 203,670	$ 1,551,783	$ 602,057	$ 16,581,804
LIABILITIES						
Accounts payable	$ 198,296	$ 12,417	$ 1,693	$ -	$ 64,150	$ 276,556
Accrued liabilities and deferred revenue	136,086	40,637	5,941	-	-	182,664
Due to other funds	86,137	663,689	221,697	-	27	971,550
Due to fiduciary funds		-	-	-	-	-
Bond anticipation note payable	-	-	-	-		-
Due to teachers' retirement system	1,270,927	-	-	-	-	1,270,927
Due to employees' retirement system	112,351	-	-	-	-	112,351
Total liabilities	1,803,797	716,743	229,331	-	64,177	2,814,048
FUND BALANCES						
Nonspendable:						
Reserved for inventory	-	-	27,323	-	-	27,323
Restricted for:						
Reserved for tax certiorari	844,280	-	-	-	-	844,280
Reserved for workers' compensation	1,750,000	-	-	-	-	1,750,000
Reserved for unemployment insurance	200,000	-	-	-	-	200,000
Reserved for retirement	2,250,000	-	-	-	-	2,250,000
Reserved for capital expenditures	1,000,000	-	-	-	-	1,000,000
Reserved for employee benefits	2,250,000	-	-	-	-	2,250,000
Reserved for insurance	100,000	-	-	-	-	100,000
Assigned to:						
Assigned appropriated fund balance	1,400,000	-	-	-	-	1,400,000
Assigned unappropriated fund balance	135,120	-	(52,984)	1,551,783	42,764	1,676,683
Unassigned:						
Unassigned fund balance	1,774,354	-	-	-	495,116	2,269,470
Total fund balances	11,703,754	-	(25,661)	1,551,783	537,880	13,767,756
Total liabilities and fund balances	$ 13,507,551	$ 716,743	$ 203,670	$ 1,551,783	$ 602,057	$ 16,581,804

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position

June 30, 2018

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash				
Unrestricted	$ 2,661,378	$ -	$ -	$ 2,661,378
Restricted for reserves	10,502,760	-	-	10,502,760
Receivables				
State and federal aid	1,506,157	-	-	1,506,157
Due from other funds	971,550	-	(971,550)	-
Due from fiduciary funds	456	-	-	456
PILOT, transportation and other	912,180	-	-	912,180
Inventories	27,323	-	-	27,323
Capital assets, net	-	42,316,197	-	42,316,197
Net pension asset- proportionate share	-	540,249	-	540,249
Total assets	16,581,804	42,856,446	(971,550)	58,466,700
DEFERRED OUTFLOW OF RESOURCES				
Other postemployment benefits	-	301,887	-	301,887
Pensions	-	8,117,395	-	8,117,395
Total deferred outflow of resources	-	8,419,282	-	8,419,282
	$ 16,581,804	$ 51,275,728	$ (971,550)	$ 66,885,982
LIABILITIES				
Payables				
Accounts payable	$ 276,556	$ -	$ -	$ 276,556
Accrued liabilities	182,664	32,620	-	215,284
Due to other funds	971,550	-	(971,550)	-
Due to fiduciary funds	-	-	-	-
Bond anticipation note payable	-	-	-	-
Long-term debt-due within one year				
Due to employees' retirement system	112,351	-	-	112,351
Due to teachers' retirement system	1,270,927	-	-	1,270,927
Bonds payable	-	2,409,060	-	2,409,060
Other postemployment benefits payable	-	3,700,610	-	3,700,610
Long-term debt-due in more than one year				
Bonds payable	-	15,133,554	-	15,133,554
Other postemployment benefits payable	-	48,115,783	-	48,115,783
Workers compensation		360,799		360,799
Compensated absences	-	613,812	-	613,812
Net pension liability- proportionate share	-	353,312	-	353,312
Total liabilities	2,814,048	70,719,550	(971,550)	72,562,048
DEFERRED INFLOWS OF RESOURCES				
Pensions	-	2,616,336	-	2,616,336
Total deferred inflow of resources	-	2,616,336	-	2,616,336
FUND BALANCE/NET POSITION				
Total fund balance/net position	13,767,756	(22,060,158)	-	(8,292,402)
	$ 16,581,804	$ 51,275,728	$ (971,550)	$ 66,885,982

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2018

	General	Special Aid	School Lunch Fund	Debt Service	Capital Projects Fund	Governmental Funds
REVENUES						
Real property taxes	$ 12,141,836	$ -	$ -	$ -	$ -	$ 12,141,836
Other real property tax items	2,548,615	-	-	-	-	2,548,615
Nonproperty taxes	46,697	-	-	-	-	46,697
Charges for services	1,241,363	-	-	-	-	1,241,363
Use of money and property	647,696	-	15	2,617	-	650,328
Sale of property and compensation for loss	39,162	-	-	-	-	39,162
State sources	15,716,373	518,718	34,033	-	349,781	16,618,905
Sales	-	-	151,467	-	-	151,467
Miscellaneous	407,182	19	-	27,412	-	434,613
Federal sources	-	1,567,333	509,028	-	-	2,076,361
Total revenues	32,788,924	2,086,070	694,543	30,029	349,781	35,949,347
EXPENDITURES						
General support	2,677,877	-	-	122,615	-	2,800,492
Instruction	14,693,054	2,235,974	-	-	-	16,929,028
Pupil transportation	1,633,121	25,369	-	-	-	1,658,490
School food program	-	-	613,035	-	-	613,035
Employee benefits	7,194,026	-	174,618	-	-	7,368,644
Debt service						
Principal	302,059	-	-	3,020,000	-	3,322,059
Interest	82,867	-	-	477,450	-	560,317
Capital outlay	480,646	-	-	-	974,050	1,454,696
Total expenditures	27,063,650	2,261,343	787,653	3,620,065	974,050	34,706,761
Excess (deficiency) of revenues over expenditures	5,725,274	(175,273)	(93,110)	(3,590,036)	(624,269)	1,242,586
OTHER FINANCING SOURCES AND USES						
Proceeds from debt	-	-	-	-	4,565,000	4,565,000
Premium on obligations	-	-	-	655,556	-	655,556
BANs redeemed from appropriations	-	-	-	-	302,059	302,059
Interfund transfers	(3,750,050)	175,273	1,729	2,963,459	609,589	-
Total other sources (uses)	(3,750,050)	175,273	1,729	3,619,015	5,476,648	5,522,615
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	1,975,224	-	(91,381)	28,979	4,852,379	6,765,201
Fund balance - beginning of year	9,728,530	-	65,720	1,522,804	(4,314,499)	7,002,555
Fund balance (deficit) - end of year	$ 11,703,754	$ -	$ (25,661)	$ 1,551,783	$ 537,880	$ 13,767,756

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

For the Year Ended June 30, 2018

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	$ 12,141,836	$ -	$ -	$ -	$ 12,141,836
Other real property tax items	2,548,615	-	-	-	2,548,615
Nonproperty taxes	46,697	-	-	-	46,697
Charges for services	1,241,363	-	-	-	1,241,363
Use of money and property	650,328	-	-	-	650,328
Sale of property and compensation for loss	39,162	-	-	-	39,162
State sources	16,618,905	-	-	-	16,618,905
Federal sources	2,076,361	-	-	-	2,076,361
Sales - school food programs	151,467	-	-	-	151,467
Miscellaneous	434,613	-		-	434,613
Total revenues	35,949,347	-	-	-	35,949,347
EXPENDITURES/EXPENSES					
General support	2,800,492	10,618	1,032,127	313,609	4,156,846
Instruction	16,929,028	231,039	260,415	1,672,583	19,093,065
Pupil transportation	1,658,490	-	297,217	104,536	2,060,243
School food programs	613,035	-	-	-	613,035
Employee benefits	7,368,644	-	-	71,688	7,440,332
Debt service	3,882,376	-	-	(3,068,006)	814,370
Capital outlay	1,454,696	-	(1,454,696)	-	-
Total expenditures/expenses	34,706,761	241,657	135,063	(905,590)	34,177,891
Excess (deficiency) of revenues over expenditures/expenses	1,242,586	(241,657)	(135,063)	905,590	1,771,456
OTHER SOURCES AND USES					
Proceeds from debt	4,565,000	-	-	(4,565,000)	-
BANs redeemed from appropriations	302,059	-	-	-	302,059
Premium on obligations	655,556	-	-	(655,556)	-
Total other sources (uses)	5,522,615	-	-	(5,220,556)	302,059
Net change for the year	$ 6,765,201	$ (241,657)	$ (135,063)	$ (4,314,966)	$ 2,073,515

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2018

	Agency
ASSETS	
Cash	$ 200,291
Total assets	$ 200,291
LIABILITIES	
Extraclassroom activity balances	$ 55,985
Due to other funds	456
Other liabilities	143,850
Total liabilities	$ 200,291

See notes to basic financial statements

Note 1 – Summary of certain significant accounting policies

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

A) Reporting entity:

The Solvay Union Free School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39*, Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

i) Extraclassroom Activity Funds

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

Note 1 - Summary of certain significant accounting policies (continued)

B) Joint venture:

The District is a component district in Onondaga-Cortland-Madison BOCES (OCMBOCES). There are 23 participating school districts, including Solvay, in OCMBOCES. The participation in OCMBOCES is accounted for as a joint venture by the District since it has both an ongoing financial interest and an ongoing financial responsibility to OCMBOCES. The District has an ongoing financial interest since OCMBOCES pays surpluses to the component districts on an annual basis, although the District has no equity interest in OCMBOCES. The District does not control the financial or operating policies of OCMBOCES, however, it has an ongoing financial responsibility since the continued existence of OCMBOCES depends on continued funding from the participating school districts.

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

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

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

During the year, the District was billed $2,447,519 for OCMBOCES administrative and program costs and the District's share of OCMBOCES aid amounted to $985,764.

Financial statements for the OCMBOCES are available from the OCMBOCES administrative office. As of June 30, 2017 (the most recent available audited financial statement), OCMBOCES has a total net position (deficit) of $(66,828,409).

C) Basis of presentation:

i) District-wide statements:

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

Note 1 - Summary of certain significant accounting policies (continued)

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund financial statements:

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

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

Special Aid Fund: Used to account for proceeds received from State and federal grants that are restricted for specific educational programs.

School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

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

Note 1 - Summary of certain significant accounting policies (continued)

The District reports the following fiduciary funds:

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

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

D) Measurement focus and basis of accounting:

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

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

The 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 90 days after the end of the fiscal year.

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

E) Property taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, 2017. Taxes were collected during the period September 2, 2017 to October 31, 2017.

Note 1 - Summary of certain significant accounting policies (continued)

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

F) Restricted resources:

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

G) Interfund transactions:

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

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenue activity.

H) Estimates:

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

Note 1 - Summary of certain significant accounting policies (continued)

I) Cash and investments:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies; obligations of the State and its municipalities and Districts and obligations issues by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization (if permitted by the District's policy).

J) Accounts receivable:

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

K) Inventories and prepaid items:

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventoy items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

L) Capital assets:

Capital assets acquisitions are reported at historical costs. Donated assets are reported at estimated fair market value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	$10,000	Straight Line	50 years
Furniture and equipment	5,000	Straight Line	5-10 years

Note 1 - Summary of certain significant accounting policies (continued)

M) Deferred Outflows and Inflows of Resources

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

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

N) Unearned and deferred revenues:

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

O) Vested employee benefits:

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

Note 1 - Summary of certain significant accounting policies (continued)

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. A liability of $28,200 has been included in accrued liabilities and deferred revenue in the general fund.

The District has special termination benefits related to negotiated retirement incentives eligible for certain employees. A liability of $45,000 has been included in accrued liabilities and deferred revenue in the general fund for three employees who have opted to receive such retirement incentives in accordance with the District's contract with the union.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

P) Other benefits:

District employees participate in the New York State Teacher's Retirement System or the New York State and Local Employees' Retirement System.

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

Q) Short-term debt:

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

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

Note 1 - Summary of certain significant accounting policies (continued)

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

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

R) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

S) Net Position/ Fund Balance:

Net Position Flow Assumption:

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

Order of Use of Fund Balance:

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

Note 1 - Summary of certain significant accounting policies (continued)

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

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

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

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

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

Non-spendable fund balance – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of $27,323.

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

Capital

According to Education Law §3651, fund must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund under Restricted Fund Balance. Voters approved a maximum reserve of $1,000,000 in May 2015 for a period of ten years.

Employee Benefit Accrued Liability

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

Note 1 - Summary of certain significant accounting policies (continued)

Workers' Compensation

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

Retirement Contributions

According to GML §6-r, the purpose of this fund is to accumulate moneys for the payment of retirement contributions to the New York State and Local Employees' Retirement System ("ERS"), pursuant to the Retirement and Social Security Law. 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.

Tax Certiorari Reserve

According to Education Law §3651.1-a, fund must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is primarily composed of proceedings beginning in July 2016.

Unemployment Insurance Reserve

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. Encumbrances held by the district at June 30, 2018 totaled $135,120.

Note 1 - Summary of certain significant accounting policies (continued)

Restricted fund balance includes the following:

Description		
Capital Reserve	$	1,000,000
Workers' Compensation Reserve		1,750,000
Unemployment Insurance Reserve		200,000
Reserve for Employee Benefit Accrual Liability		2,250,000
Reserve for Retirement Contributions		2,250,000
Reserve for Insurance		100,000
Reserve for Tax Certiorari		844,280
	$	8,394,280

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

Assigned – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of General fund are classified as Assigned Fund Balance in the General Fund.

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

Unassigned Fund Balance:

New York State Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the General Fund are also excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. For the year ended June 30, 2018, the balance of the District's unassigned fund in the General Fund exceeds the 4% limitation. See Supplemental Schedule #5 for more information.

T) New accounting standards

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* GASB Statement No. 81, *Split Interest Agreements,* GASB Statement No. 85, *Omnibus* and GASB Statement No. 86, *Certain Debt Extinguishment Issues.*

Note 1 - Summary of certain significant accounting policies (continued)

U) Future changes in accounting standards

GASB Statement No. 83- Certain Asset Retirement Obligations Effective for the year ending June 30, 2019.
GASB Statement No. 84- Fiduciary Activities Effective for the year ending June 30, 2018
GASB Statement No. 87- Leases Effective for the year ending June 30, 2021
GASB Statement No. 88- Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements Effective for the year ending June 30, 2019.

The District is currently studying the statement and plans on adoption if required, which will be for the June 30, 2019 financial statements.

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

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

A) Total fund balances of Governmental Funds versus Net Position of Governmental Activities:

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

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

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. This reconciliation is performed on page 18.

i) Long-term revenue differences:

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

Note 2 - Explanation of certain differences between fund statements and District-wide statements (continued)

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

iv) Pension differences:

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

v) OPEB differences

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

Note 3 – Changes in accounting principles

For the fiscal year ending June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* The implementation of the statement requires District's to report Other Post Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See Note 15 for the financial statement impact of the implementation of the statement.

Note 4 – Stewardship, compliance and accountability

Budgets

The District administration prepares a proposed budget for approval by the Board of Education which in turn is either approved or disapproved by eligible voters in the District.

The voters of the District approved the proposed appropriation budget for the General Fund on May 16, 2017. Appropriations are adopted at the program line item level.

Note 4 – Stewardship, compliance and accountability (continued)

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

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

Note 5 – Cash and cash equivalents

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

Total financial institution bank balances at year-end, per the bank, were $13,890,842. These deposits are insured or collateralized with securities held by the financial institution in the District's name.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes $10,502,760 within the governmental funds and $200,291 in the fiduciary funds.

Note 6 - Capital assets

Capital asset balances and activity were as follows:

Governmental activities:	Beginning Balance	Additions	Reclassifications/ Deletions	Ending Balance
Capital assets that are not depreciated:				
Land	$ 247,500	$ -	$ -	$ 247,500
Construction in progress	5,302,975	974,051	(5,685,388)	591,638
Total nondepreciable	5,550,475	974,051	(5,685,388)	839,138
Capital assets that are depreciated:				
Buildings and improvements	50,885,934	5,685,388	-	56,571,322
Land improvements	617,816	-	-	617,816
Machinery and equipment	3,372,635	27,104	(891,139)	2,508,600
Leased vehicles	3,925,873	453,541	(151,398)	4,228,016
Total depreciable assets	58,802,258	6,166,033	(1,042,537)	63,925,754
Less accumulated depreciation:				
Buildings and improvements	(16,462,020)	(959,428)	-	(17,421,448)
Land Improvements	(546,355)	(9,830)	-	(556,185)
Machinery and equipment	(2,671,743)	(138,842)	807,036	(2,003,549)
Licensed vehicles	(2,221,355)	(397,556)	151,398	(2,467,513)
Total accumulated depreciation	(21,901,473)	(1,505,656)	958,434	(22,448,695)
Total depreciated assets, net	$42,451,260	$ 5,634,428	$ (5,769,491)	$42,316,197

Depreciation expense was charged to governmental functions as follows:	
General support	$ 1,032,127
Instruction	176,312
Pupil transportation	297,217
	$ 1,505,656

Note 7 – Short-term debt:

Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	7/20/2017	2%	$ 4,400,000	-	4,400,000	$ -

Note 8 - Long-term obligations

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

	Beginning Balance	Issued	Redeemed	Ending Balance	One Year
Government Activities					
Bonds payable	$ 15,375,146	$ 5,220,556	$ 3,053,088	$17,542,614	$ 2,409,060
Other Obligations					
Due to TRS	1,447,807	-	176,880	1,270,927	1,270,927
Due to ERS	110,196	2,155	-	112,351	112,351
Net pension liability	989,497	-	636,185	353,312	353,312
Other postemployment benefits payable	49,423,777	4,002,497	1,609,881	51,816,393	3,700,610
Compensated absences	640,488	-	26,676	613,812	-
Total Long-term Obligations	$ 67,986,911	$ 9,225,208	$ 5,502,710	$71,709,409	$ 7,846,260

Interest paid and expensed on long-term obligations for the year approximated $560,317.

The following is a schedule of bonds outstanding at June 30, 2018:

Payable from/ Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Outstanding Amount
Refunding of 2001 Bonds	10/27/2011	$ 3,935,000	6/30/2021	2.00-3.00%	$ 1,290,000
Refunding of 2012 Bonds	8/1/2012	$ 17,695,000	6/15/2025	2.00-3.00%	7,045,000
Serial Bonds 2010	6/15/2010	$ 2,610,198	6/15/2023	3.25-4.00%	1,345,000
Serial Bonds 2014	10/17/2014	$ 540,000	10/15/2020	1.50-1.75%	225,000
Serial Bonds 2016	6/15/2016	$ 2,235,000	6/15/2030	2.00-5.00%	2,020,000
Serial Bonds 2018	6/7/2018	$ 4,565,000	6/15/2034	3.375-5.00%	4,565,000
Serial Bonds 2016-Premium	6/15/2016	$ 463,234	6/15/2030	2.00-5.00%	397,058
Serial Bonds 2018-Premium	6/7/2018	$ 655,556	6/15/2034	3.375-5.00%	655,556
					$ 17,542,614

Note 8 - Long-term obligations (continued)

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

	Principal	Interest	Total
Fiscal year ended June 30,			
2019	$ 2,409,060	$ 694,887	$ 3,103,947
2020	2,559,060	562,469	3,121,529
2021	2,524,060	473,725	2,997,785
2022	2,149,060	380,875	2,529,935
2022-2027	4,795,302	1,118,281	5,913,583
2027-2032	2,879,126	396,906	3,276,032
2032-2034	226,946	8,563	235,509
Totals	$ 17,542,614	$ 3,635,706	$ 21,178,320

Note 9 – Interfund balances and activity

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	$ 885,842	$ 86,137	$ -	$ 3,750,050
Special Aid Fund	-	663,689	175,273	-
School Lunch Fund	-	221,697	1,729	-
Debt Service Fund	27	-	3,496,400	-
Capital Projects Fund	86,137	27	76,648	-
Total government activities	972,006	971,550	3,750,050	3,750,050
Fiduciary Agency Fund	-	456	-	-
	$ 972,006	$ 972,006	$ 3,750,050	$ 3,750,050

The District typically transfers from the General Fund to the Capital Fund to help fund capital renovations and additions. The district also transfers from the General Fund to the Special Aid fund the local portion of the Special Education Summer School Program. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Note 10– Pension plans

General Information

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

Note 10– Pension plans (continued)

Provisions and Administration

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

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

Funding policies:

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

Note 10– Pension plans (continued)

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, was:

	NYSTRS	NYSERS
2017-2018	$ 1,147,753	$ 390,621
2016-2017	1,320,050	384,544
2015-2016	1,590,279	408,204

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The District exercised that option.

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

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

	ERS	TRS
Actuarial valuation date	4/1/2017	6/30/2017
Net pension asset/ (liability)	$ (353,312)	$ 540,249
District's portion of the Plan's total net pension asset/ (liability)	0.0109471%	0.071076%

Note 10– Pension plans (continued)

For the year ended June 30, 2018, the District's recognized pension expense (credit) of $1,378,880 for TRS and $441,181 for ERS. 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 outflow of resources		Deferred inflow of resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 126,015	$ 444,492	$ 104,134	$ 210,637
Changes of assumption	234,275	5,497,139	-	-
Net difference between projected and actual earnings on pension plan investments	513,158	-	1,012,923	1,272,443
Changes in proportion and differences between the District's contributions and proportionate share of contributions	36,911	117,652	3,209	12,990
District's contribution subsequent to the measurement date	-	1,147,753	-	-
Total	$ 910,359	$7,207,036	$ 1,120,266	$ 1,496,070

District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	ERS	TRS
2018	$ 89,678	$ 145,650
2019	68,266	1,475,004
2020	(253,182)	1,061,403
2021	(114,669)	279,001
2022	-	1,058,375
Thereafter	-	543,779
	$ (209,907)	$ 4,563,212

Note 10– Pension plans (continued)

Actuarial Assumptions

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2017
Interest rate	7%	7.25%
Salary scale	3.80% - 4.50%	1.90%-4.72%
Decrement tables	April 1, 2010-March 31, 2015 System's Experience	July 1, 2009-June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale AA. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. 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, 2015. For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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 on the next page:

Note 10– Pension plans (continued)

	ERS	TRS
Measurement date	3/31/2018	6/30/2017
Asset Type		
Domestic equity	36%	35%
International equty	14%	18%
Real estate	10%	11%
Private equities	10%	8%
Domestic fixed income securities	0%	16%
Global fixed income securities	0%	2%
Mortgages	17%	8%
Short-term	0%	1%
High-yield fixed income securities	0%	1%
Opportunistic portfolio	3%	0%
Cash	1%	0%
Inflation-indexed bonds	4%	0%
Absolute return strategies	2%	0%
Real assets	3%	0%
	100%	100%

Discount Rate

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

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

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

ERS	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the net pension asset (liability)	$ (2,673,257)	$ (353,312)	$ 1,609,268

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset (liability)	$ (9,306,891)	$ 540,249	$ 8,786,740

Note 10– Pension plans (continued)

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to $1,270,927.

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 covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $112,351 of employer contributions. Employee contributions are remitted monthly

Note 11 – Postemployment (health insurance) benefits

A. General information about the plan and benefits

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

Benefits Provided- The District provides medical, Medicare Part B and dental benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

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

Retirees and Survivors	164
Active employees	235
	399

B. Total OPEB Liability

The District's total OPEB liability of $51,816,393 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

Note 11 – Postemployment (health insurance) benefits/ Prior period adjustment (continued)

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

Inflation	2.60%
Salary Increases	3.00%
Discount Rate	3.00%
Healthcare Cost Trend Rates	6.5% for 2018, decreasing .5% per year to an ultimate rate of 4.5% for 2022 and later years
Retirees' Share of Benefit-Related Costs	60% of projected health insurance premiums

The Discount rate was based on Bond Buyer Weekly 20-Bond GO Index

Mortality rates were based on RPH-2014 Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in June 30, 2018 valuation were based on the results of an actuarial experience study for the period of July 1, 2017- June 30, 2018.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	$ 49,423,777
Changes for the Year	
Service cost	2,138,005
Interest	1,522,883
Changes of benefit terms	-
Differences between expected and actual experience	341,609
Changes in assumptions or other inputs	-
Benefit payments	(1,609,881)
Net Changes	2,392,616
Balance at June 30, 2018	$ 51,816,393

Changes in assumptions and other inputs reflect a change in the discount rate from 2.85% in 2017 to 3.00% in 2018.

Note 11 – Postemployment (health insurance) benefits/ Prior period adjustment (continued)

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 (2.00%) or 1 percentage point higher (3.00%) than the current discount rate.

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$ 62,004,542	$ 51,816,393	$ 43,853,785

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$ 43,439,828	$ 51,816,393	$ 64,378,710

D. 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 negative OPEB expense of $3,700,610. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experienc	$ 341,609	$ -
	$ 341,609	$ -

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 June 30,	Amount
2019	$ 39,722
2020	39,722
2021	39,722
2022	39,722
2023	39,722
Thereafter	103,277
	$ 301,887

Note 12 – Risk management

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

Workers' Compensation:

The District incurs costs related to the Onondaga-Cortland-Madison BOCES Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdrawal must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of thirty-one districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment.

However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance to limit its exposure for claims paid. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2018, the District incurred premiums or contribution expenditures totaling $253,124.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2018. The District's outstanding case reserves at June 30, 2018 approximated $360,800.

Note 13 – Commitments and contingent liabilities

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

Note 14 – Subsequent events

Management has evaluated subsequent events through September 17, 2018, which is the date the financial statements were available to be issued.

Note 15 – Restatement of Net Position

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* which replaces GASB Statement No. 45. The implementation of Statement No. 75 resulted in the reporting of a liability, deferred outflow of resources and deferred inflow of resources related to the District's participation in the OPEB plan. The District also recognized a change in accounting estimate with regard to the calculation of GASB Statement No. 68, which resulted in a restatement of the net position. The District's net position has been restated as follows:

Net position, beginning of the year, as previously stated	$ 19,339,388
June 30, 2017 OPEB liability under GASB 45	18,398,423
June 30, 2017 OPEB liability under GASB 75	(49,423,777)
GASB 68 prior period adjustment	1,320,050
Net position, beginning of the year, as restated	$(10,365,916)

SOLVAY UNION FREE SCHOOL DISTRICT
Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended June 30, 2018

	2018
Measurement Date	July 1, 2017
Total OPEB Liability	$ 51,816,393
Service Cost	2,138,005
Interest	1,522,883
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	341,609
Changes in assumptions or other inputs	-
Benefit payments	(1,609,881)
Net change in total OPEB liability	2,392,616
Total OPEB liability- beginning	49,423,777
Total OPEB liability- ending	$ 51,816,393
Covered payroll	$ 13,958,034
Total OPEB liability as a percentage of covered payroll	371%

Note:
The District has net assets accumulated in a trust that meets certain criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB liabilities. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you go basis.

See paragraph on required supplementary information included in the auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Required Supplementary Information - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For the year ended June 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual
REVENUES					
Local sources					
Real property taxes	$ 12,040,000	$ 12,040,000	$ 12,141,836		$ 101,836
Other tax items	2,656,100	2,656,100	2,548,615		(107,485)
Nonproperty taxes	45,000	45,000	46,697		1,697
Charges for services	1,047,500	1,047,500	1,241,363		193,863
Use of money and property	572,500	572,500	647,696		75,196
Sale of property and compensation					-
for loss	1,000	1,000	39,162		38,162
Miscellaneous	150,500	154,500	407,182		252,682
Total local sources	16,512,600	16,516,600	17,072,551		555,951
State sources	15,744,900	15,769,900	15,657,165		(112,735)
Appropriated Fund Balance	1,150,000	1,150,000	-		(1,150,000)
Medicaid	20,000	20,000	59,208		39,208
Total revenues	33,427,500	33,456,500	32,788,924		(667,576)
EXPENDITURES					
General support					
Board of education	19,150	19,150	16,321	31	2,798
Central administration	357,220	359,720	360,431	-	(711)
Finance	416,100	433,100	376,413	19,150	37,537
Staff	105,510	107,866	80,020	3,967	23,879
Central services	1,767,990	1,843,813	1,588,478	46,945	208,390
Special items	263,705	263,705	256,214	-	7,491
Total general support	2,929,675	3,027,354	2,677,877	70,093	279,384
Instruction					
Instruction, administration and improvement	1,304,510	1,295,760	1,148,722	5,047	141,991
Teaching - regular school	8,337,925	8,388,166	7,998,452	15,837	373,877
Programs for students with disabilities	3,159,015	3,186,217	2,871,693	-	314,524
Occupational education	162,125	162,125	161,922	-	203
Teaching - special schools	94,865	70,365	69,876	-	489
Instructional media	974,150	1,001,634	955,627	9,563	36,444
Pupil services	1,568,205	1,600,340	1,486,762	17,725	95,853
Total instruction	15,600,795	15,704,607	14,693,054	48,172	963,381
Pupil transportation	2,132,030	2,169,777	2,113,767	16,855	39,155
Employee benefits	8,623,065	8,523,065	7,194,026	-	1,329,039
Debt service	545,535	545,535	384,926	-	160,609
Total expenditures	29,831,100	29,970,338	27,063,650	135,120	2,771,568
OTHER FINANCING USES					
Transfer to other funds	3,596,400	3,696,400	3,750,050	-	(53,650)
Total expenditures and other uses	$ 33,427,500	$ 33,666,738	$ 30,813,700	$ 135,120	$ 2,717,918
Net change in fund balance			1,975,224		
Fund balance - beginning			9,728,530		
Fund balance - ending			$ 11,703,754		

See paragraph on required supplementary information included in the auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
For the year ended June 30, 2018

Teachers' Retirement System

	2018	2017	2016	2015
Contractually required contribution	$ 1,147,753	$ 1,320,050	$ 1,590,279	$ 2,020,534
Contributions in relation to the contractually required contribution	1,147,753	1,320,050	1,590,279	2,020,534
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 11,711,765	$ 11,263,225	$ 11,171,750	$ 11,141,477
Contributions as a percentage of covered payroll	10%	12%	14%	18%

Employees' Retirement System

	2018	2017	2016	2015
Contractually required contribution	$ 390,621	$ 384,544	$ 408,204	$ 458,711
Contributions in relation to the contractually required contribution	390,621	384,544	408,204	458,711
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 2,246,269	$ 1,996,348	$ 1,999,102	$ 2,029,375
Contributions as a percentage of covered payroll	17%	19%	20%	23%

See paragraph on required supplementary information included in the auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Liability
For the year ended June 30, 2018

Teachers' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.071076%	0.072398%	0.073029%	0.073284%
District's proportionate share of the net pension asset (liability)	$ 540,249	$ 544,637	$ 9,066,710	$ 10,086,430
District's covered payroll	$ 11,711,765	$ 11,263,225	$ 11,171,750	$ 11,141,477
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll pension liability	5%	5%	81%	91%

Employees' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.0109471%	0.0106021%	0.0106021%	0.9426400%
District's proportionate share of the net pension asset (liability)	$ (353,312)	$ (989,497)	$ (1,701,662)	$ (318,447)
District's covered payroll	$ 2,246,269	$ 1,996,348	$ 1,999,102	$ 2,029,375
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll pension liability	16%	50%	85%	16%

See paragraph on required supplementary information included in the auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit
For the year ended June 30, 2018

CHANGE FROM ADOPTED TO REVISED BUDGET

Adopted budget		$ 33,427,500
Add prior year's encumbrances		210,238
Original budget		33,637,738
Budget revision:		29,000
Revised budget		$ 33,666,738

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget maximum allowed (4% of 2018-19 budget)		33,350,000
General fund fund balance subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	1,535,120	
Unassigned fund balance	1,774,354	
Total unrestricted fund balance	3,309,474	
Less:		
Appropriated fund balance	1,400,000	
Encumbrances included in committed and assigned fund balance	135,120	
Total adjustments	1,535,120	
General fund fund balance subject to Section 1318 of Real Property Tax Law		$ 1,774,354
Actual percentage		5.32%

*Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund 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.

See paragraph on other information included in auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures - Capital Projects Fund
For the year ended June 30, 2018

			Expenditures					Methods of Financing				Fund
	Original Budget	Revised Budget	Prior Years	Current Year	Transfers	Total	Unexpended Balance	Proceeds of Obligations	State Sources	Local Sources	Total	Balance 06/30/2018
PROJECT TITLE												
2016 Construction Project	$ 6,600,000	$ 6,600,000	$ 5,302,975	$ 382,413	$ (532,941)	$ 5,152,447	$ 1,447,553	$ 4,867,059	-	$ 1,000,000	$ 5,867,059	$ 714,612
Smart Schools Bond Act	322,700	322,700	327,581	338,256	-	665,837	(343,137)	-	665,837	$ -	665,837	-
2018 Capital Project (voter approved 11/28/17)	28,200,000	28,200,000	-	179,734	-	179,734	28,020,266	-	-	$ -	-	(179,734)
Capital Outlay 17/18	100,000	100,000	-	73,647	-	73,647	26,353	-	-	76,649	76,649	3,002
Total projects	$ 35,222,700	$ 35,222,700	$ 5,630,556	$ 974,050	$ (532,941)	$ 6,071,665	$ 29,151,035	$ 4,867,059	$ 665,837	$ 1,076,649	$ 6,609,545	$ 537,880

See paragraph on other information included in auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Investment in Capital Assets, Net of Related Debt
For the Year Ended June 30, 2018

Capital assets, net		$ 42,316,197
Deduct:		
Short-term portion of bonds payable	2,409,060	
Long-term portion of bonds payable	15,133,554	
		17,542,614
Net investment in capital assets		$ 24,773,583

See paragraph on other information included in the auditor's report.