

CUBA RUSHFORD CENTRAL SCHOOL DISTRICT

AUDIT REPORTING PACKAGE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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2018 REPORTING PACKAGE

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CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

CUBA RUSHFORD CENTRAL SCHOOL DISTRICT

2018 FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis-of-a-matter

As discussed in Note 5 to the financial statements, an additional prior period adjustment related to Governmental Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, was made to reflect the benefits paid subsequent to the measurement date as a deferred outflow of resources.

Report on Summarized Comparative Information

We have previously audited the **Cuba-Rushford Central School District's** June 30, 2017 financial statements, and our report dated October 11, 2017, expressed unmodified opinions on the respective financial statements of the governmental activities each major fund and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (page 3 through 9), budgetary comparison information (page 36 through 37), schedule of changes in District's net OPEB liability and related ratios (page 44), schedule of District contributions – OPEB (page 45), schedule of the District's contributions for defined benefit pension plans (page 46) and the schedule of the District's proportionate share of the net pension asset/liability (page 47) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2018 on our consideration of **Cuba-Rushford Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Cuba-Rushford Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 8, 2018**

I. Discussion and Analysis

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

II. Financial Highlights

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

- Overall net position from operations of the District increased during the current year in the amount of \$382,000 as compared to an increase of \$781,000 during the prior fiscal year.
- The District's total revenue decreased less than 1% from \$20,733,000 for the year ended June 30, 2017 to \$20,730,000 for the year ended June 30, 2018.
- The District's total expenses increased approximately 2% from \$19,952,000 during the year ended June 30, 2017 to \$20,348,000 during the year ended June 30, 2018. This increase was primarily related to an increase in wages and BOCES expenditures.
- The District's had capital outlays during the current year in the amount of approximately \$969,000, which was primarily related to the costs associated with the District's capital project and Smart Bond Act project, along with bus purchases.

III. Overview of the Financial Statements

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

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

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

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

1. Statement of Net Position

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

2. Statement of Activities

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

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

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

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

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

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

The District has two kinds of funds:

1. Governmental Funds

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

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

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

1. Governmental Funds (continued)

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

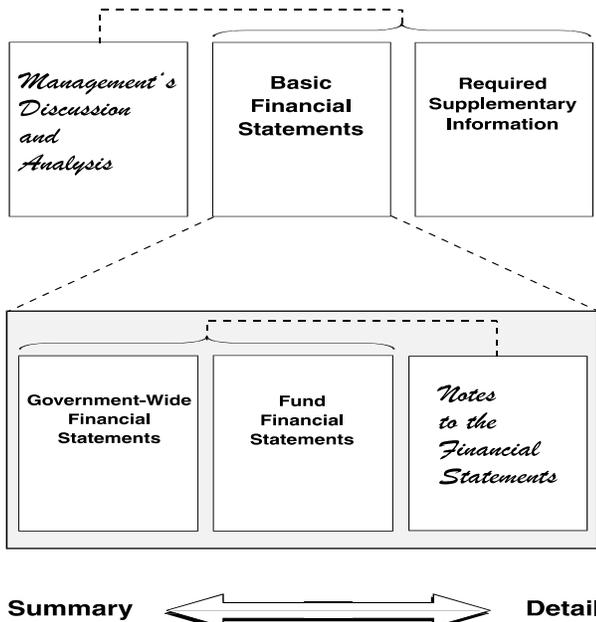
2. Fiduciary Funds

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

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

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

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



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

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 2% to \$20,348,000. The District's expenses cover a range of services, with 72% related to instruction and 18% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities decreased less than 1% while total expenses increased 2%. The District's total net position increased from operations approximately \$382,000 during the fiscal year ended June 30, 2018.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$20,730,000 for the fiscal year ended June 30, 2018. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$21,351,000. The components of net position include: net investment in capital assets, of \$15,223,000; restricted net position of \$5,552,000; and unrestricted net position of \$576,000 as of June 30, 2018.

Changes in Net Position

The District's total government-wide revenue decreased by less than 1% to \$20,730,000. Approximately 29%, 6% and 61% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 4% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

- Property tax revenue which represents approximately 29% of the District's total revenue for governmental activities increased approximately 1% during the year ended June 30, 2018.
- The District's most significant revenue is state sources which represent \$12,676,000 or 61% of total governmental revenue. The District's state sources increased 2%, primarily related to an increase in basic and aid in the current year.
- During the year ended June 30, 2018, the District saw a decrease in program revenue which mostly resulted from a decrease in operating grants and contributions which decreased \$56,000 as compared with the prior year revenue. This decrease was partially offset by an increase in charges for services which increased \$7,000 as compared with the prior year revenue. The change in operating grants and contributions was a result of the 21st Century and Teacher's Center grants not being received in the current year.

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

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, debt service and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$20,348,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support decreased by approximately \$11,000 or less than 1%.
- The District's instruction costs increased by approximately \$459,000 or 3% which was the result of an increase in wages and BOCES expenditures.
- Debt service of the District increased approximately \$14,000 during the year ended June 30, 2018, which resulted from an increase in interest expense.
- Transportation costs of the District decreased 7% or \$94,000 during the year ended June 30, 2018 primarily related to a decrease in wages and depreciation expense.
- The District's cost of sales (food service fund) totaled \$526,000 during the current year as compared to \$498,000 during the fiscal year ended June 30, 2017. This increase was a result of increased participation in the Community Eligibility Program.
- The District received approximately \$1,290,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$19.1 million) were financed by real property taxes and state aid.

Figure A-3 – Condensed Statement of Net Position

<i>Cuba-Rushford Central School District</i>			
Condensed Statement of Net Position (in thousands of dollars)			
	Governmental Activities and Total District-wide		
	2018	2017	% Change
Assets			
Current and other assets	\$ 12,470	\$ 10,798	15%
Capital assets	21,400	21,650	-1%
Total assets	33,870	32,448	4%
Deferred Outflows of Resources			
Deferred outflows - pensions and OPEB	4,922	4,850	1%
Deferred outflows of resources and assets	\$ 38,792	\$ 37,298	4%
Liabilities			
Other liabilities	\$ 3,169	\$ 1,581	100%
Long-term liabilities	12,571	14,873	-15%
Total liabilities	15,740	16,454	-4%
Deferred Inflows of Resources			
Deferred inflows - pensions and OPEB	1,701	226	654%
Deferred inflows of resources and liabilities	17,441	16,680	5%
Net Position			
Net investment in capital assets	15,223	14,019	9%
Restricted	5,552	5,691	-2%
Unrestricted	576	908	-37%
Total net position	21,351	20,618	4%
Total liabilities, deferred inflows of resources and net position	\$ 38,792	\$ 37,298	4%

Figure A-4 – Changes in Net Position

<i>Cuba-Rushford Central School District</i>			
Changes in Net Position from Operating Results (in thousands of Dollars)			
	Governmental Activities and Total District-wide		
	2018	2017	% Change
Revenue			
Program revenue			
Charges for services	\$ 94	\$ 87	8%
Operating grants and contributions	1,196	1,252	-4%
General revenue			
Real property taxes	5,942	5,864	1%
Use of money & property	245	256	-4%
Sale of property & comp for loss	(74)	69	-207%
State sources	12,676	12,439	2%
Federal sources	215	149	45%
Miscellaneous	436	617	-29%
Total revenue	20,730	20,733	0%
Expenses			
General support	3,675	3,686	0%
Instruction	14,748	14,289	3%
Transportation	1,203	1,297	-7%
Debt service - interest	196	182	8%
Cost of sales	526	498	6%
Total expenses	20,348	19,952	2%
Change in net position	\$ 382	\$ 781	

Figure A-5 – Sources of Revenue

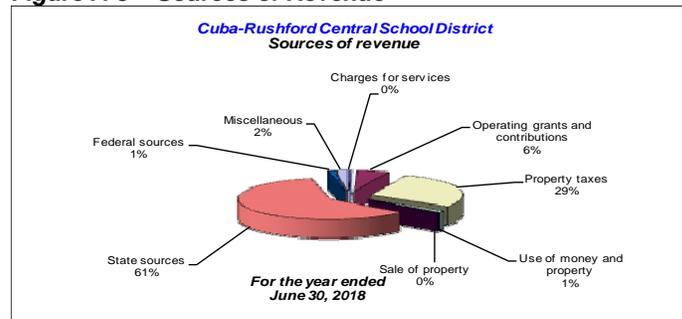


Figure A-6 – Expenses

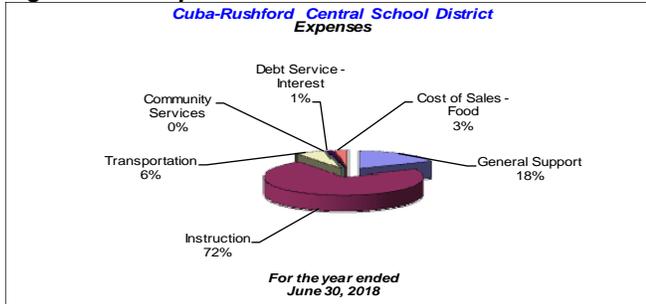


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2018		2017	
Expenditures supported with general revenue (from taxes & other sources)	\$ 19,058	94%	\$ 18,613	93%
Expenditures supported with program revenue	1,290	6%	1,339	7%
Total expenditures related to governmental activities	\$ 20,348	100%	\$ 19,952	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2018	2017	Change	2018	2017	Change
General support	\$ 3,675	\$ 3,686	\$ (11)	\$ 3,675	\$ 3,686	\$ (11)
Instruction	14,748	14,289	459	13,925	13,385	540
Transportation	1,203	1,297	(94)	1,203	1,297	(94)
Debt service - interest	196	182	14	196	182	14
Cost of sales - food	526	498	28	59	63	(4)
Total	\$ 20,348	\$ 19,952	\$ 396	\$ 19,058	\$ 18,613	\$ 445

V. Financial Analysis of the School District's Funds

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

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

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

General Fund

- The District's general fund revenue and other sources exceeded its expenditures and other uses by approximately \$127,000.
- The District's general fund unassigned fund balance equated to approximately \$2,951,000 as of June 30, 2018.
- The District maintained many fund balance reserves during the year ended June 30, 2018, and had a total restricted fund balance of approximately \$4,061,000.
- The District's total assets decreased approximately \$102,000 as of June 30, 2018 primarily due to a decrease in due from other governments. The District's liabilities decreased approximately \$229,000, related to a decrease in accounts payable and teacher retirement system liability.
- Total revenue in the District's general fund increased \$150,000, which was primarily related to an increase in basic aid, which was partially offset by a decrease in BOCES aid. Total expenditures in the District's general fund decreased \$158,000 primarily as a result of a decrease in transfers to the capital fund and debt service payments. These decreases were partially offset by an increase in BOCES expenditures.

Food Service Fund

- The District's food service fund experienced a \$9,000 decrease in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$517,000 during 2018 as compared with \$485,000 in 2017. Expenditures increased approximately \$28,000. The increase in revenue is related to an increase in state and federal aid related to the Community Eligibility Program. The increase in expenses is primarily related to an increase in food costs from increased participation.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$86,000.

Capital Projects Fund

- The District had expenditures of approximately \$535,000 in capital projects during the year ended June 30, 2018, which was primarily related to costs associated with the District's capital project and Smart Bonds Act project.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$1,810,000 below the revised budget. The most significant positive variances were in the area of general support, employee benefits and instruction which totaled \$380,000, \$597,000 and \$634,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$310,000 below the final budgeted amount. Significant variance of revenue items consisted of State sources which were approximately \$746,000 below that budgeted, whereas local sources were \$396,000, above that budgeted.

Figure A-9 – Budget vs. Actual Comparison

<i>Cuba-Rushford Central School District</i>				
General Fund - Budget vs Actual Comparison (in thousands of dollars)				
	Revised Budget	Actual	Difference	%
Revenue				
Local sources	\$ 6,270	\$ 6,666	\$ 396	6%
State sources	13,422	12,676	(746)	-6%
Federal sources	175	215	40	23%
Total revenue	\$ 19,867	\$ 19,557	\$ (310)	-2%
Expenditures				
General support	\$ 3,585	\$ 3,205	\$ 380	11%
Instruction	10,656	10,022	634	6%
Transportation	1,095	951	144	13%
Employee benefits	4,261	3,664	597	14%
Debt service	1,375	1,320	55	4%
Operating transfers	268	268	-	0%
Total expenditures	\$ 21,240	\$ 19,430	\$ 1,810	9%

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2018, the District had invested approximately \$21,400,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2018, totaled approximately \$969,000 and consisted primarily of school bus purchases and costs associated with the District's capital projects and Smart Bond Act project. More detailed information about the District's capital assets is presented in the notes of the financial statements.

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

Long-term Debt

As depicted in Figure A-11, as of June 30, 2018, the District had approximately \$12,571,000 in bonds, net pension liabilities, compensated absences and other post-employment benefits, a decrease of approximately 15% as compared with the previous year. The change in bonds payable was a result of the District making regularly scheduled principal payments on existing bonds. The increase in compensated absences resulted from an increase in accumulated sick days, while the other post-employment benefit liability decreased during the current year. With regards to the pension liability, during the current year the ERS net pension liability decreased, while TRS went from a net pension liability in the prior year of \$413,230 to a net pension asset of \$287,978 in the current year.

Figure A-10 – Capital Assets

<i>Cuba-Rushford Central School District</i>			
Capital Assets (net of depreciation)			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Land	\$ 132,268	\$ 132,268	0%
Buildings	33,388,796	33,380,308	0%
Construction in progress	912,689	378,136	141%
Equipment	6,440,931	6,217,480	4%
Accumulated depreciation	(19,475,106)	(18,458,500)	6%
Total Capital Assets, net	\$ 21,399,578	\$ 21,649,692	-1%

Figure A-11 – Outstanding Long-term Debt

<i>Cuba-Rushford Central School District</i>			
Outstanding Long-Term Debt and Liabilities			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Bonds payable	\$ 6,506,886	\$ 7,630,801	-15%
Net pension liability	199,809	982,847	-80%
Other post-employment benefits	5,081,434	5,577,224	-9%
Compensated absences	783,026	682,854	15%
Total Long-Term Debt	\$ 12,571,155	\$ 14,873,726	-15%

VIII. Factors Bearing on the District's Future

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

- Continued pressures on state aid revenues.

IX. Contacting the District's Financial Management

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

Cuba-Rushford Central School District
Attention: Ms. Diane Weatherell
Business Manager
5476 Route 305
Cuba, New York 14727

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Schedule 1

Page 10

	<u>2018</u>	<u>2017</u>
Assets		
Cash		
Unrestricted	\$ 5,611,005	\$ 4,326,284
Restricted	2,580,899	4,260,451
Receivables		
State and federal aid	843,831	547,243
Other receivables	112,566	29,753
Due from other governments	51,423	163,334
Due from other fiduciary funds	-	22,198
Inventories	11,674	18,387
Net pension asset - NYS Teachers' Retirement System	287,978	-
Cash to be used towards capital projects	2,970,476	1,430,527
Capital assets, net	21,399,578	21,649,692
Total assets	<u>33,869,430</u>	<u>32,447,869</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	4,451,144	4,445,861
Deferred outflows related to OPEB	471,012	404,215
Total assets and deferred outflows of resources	<u>\$ 38,791,586</u>	<u>\$ 37,297,945</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 388,277	\$ 702,067
Accrued liabilities	34,609	60,091
Accrued interest	10,000	10,000
Due to other governments	356	402
Due to other fiduciary funds	20,012	-
Due to retirement systems	714,056	804,833
Deferred revenue	1,609	3,549
Bond anticipation notes payable	2,000,000	-
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	735,000	1,151,733
Portion due or payable after one year		
Bonds payable	5,771,886	6,479,068
Net pension liability - NYS Employees' Retirement System	199,809	569,617
Net pension liability - NYS Teachers' Retirement System	-	413,230
Other post-employment benefits	5,081,434	5,577,224
Compensated absences	783,026	682,854
Total liabilities	<u>15,740,074</u>	<u>16,454,668</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,425,076	225,680
Deferred inflows related to OPEB	275,960	-
Total liabilities and deferred inflows of resources	<u>17,441,110</u>	<u>16,680,348</u>
Net Position		
Net investment in capital assets	15,223,087	14,018,891
Restricted	5,551,375	5,690,978
Unrestricted	576,014	907,728
Total net position	<u>21,350,476</u>	<u>20,617,597</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 38,791,586</u>	<u>\$ 37,297,945</u>

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

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

Page 11

	Expenses	Indirect Expenses Allocation	Program Revenues		2018 Net (Expense) Revenue and Changes in Net Position	2017 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
Functions/Programs						
General support	\$ 3,505,775	\$ 169,536	\$ -	\$ -	\$ (3,675,311)	\$ (3,686,074)
Instruction	14,070,400	678,190	37,249	786,018	(13,925,323)	(13,385,193)
Pupil transportation	923,187	279,508	-	-	(1,202,695)	(1,296,651)
Debt service	195,700	-	-	-	(195,700)	(181,576)
Food service program	525,905	-	56,515	410,024	(59,366)	(62,722)
Depreciation	1,127,234	(1,127,234)	-	-	-	-
Total functions and programs	<u>\$ 20,348,201</u>	<u>\$ -</u>	<u>\$ 93,764</u>	<u>\$ 1,196,042</u>	<u>(19,058,395)</u>	<u>(18,612,216)</u>
General Revenues						
Real property taxes					5,941,933	5,863,659
Use of money and property					245,302	255,978
Sale of property and compensation for gain (loss)					(74,119)	68,641
Miscellaneous					436,137	617,583
State sources					12,675,528	12,438,573
Federal sources					215,345	149,002
Total general revenues					<u>19,440,126</u>	<u>19,393,436</u>
Change in net position					381,731	781,220
Net position - beginning of year					20,617,597	24,223,273
Prior period adjustments					351,148	(4,386,896)
Net position - end of year					<u>\$ 21,350,476</u>	<u>\$ 20,617,597</u>

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

Schedule 3

Page 12

	Governmental Funds					2018	2017
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Assets							
Unrestricted cash	\$ 3,844,461	\$ 3,679	\$ 80,396	\$ -	\$ -	\$ 3,928,536	\$ 4,171,469
Restricted cash	4,060,566	-	-	202,802	2,970,476	7,233,844	5,845,793
Due from other funds	953,738	64,978	-	150,843	213,706	1,383,265	1,335,265
State and federal aid receivable	338,731	485,413	19,687	-	-	843,831	547,243
Other receivables	111,091	-	1,475	-	-	112,566	29,753
Due from other governments	51,423	-	-	-	-	51,423	163,334
Inventories	-	-	11,674	-	-	11,674	18,387
Total assets	<u>\$ 9,360,010</u>	<u>\$ 554,070</u>	<u>\$ 113,232</u>	<u>\$ 353,645</u>	<u>\$ 3,184,182</u>	<u>\$ 13,565,139</u>	<u>\$ 12,111,244</u>
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 344,051	\$ 607	\$ 5,274	\$ -	\$ 38,345	\$ 388,277	\$ 702,067
Accrued liabilities	34,171	38	400	-	-	34,609	60,091
Bond anticipation notes payable	-	-	-	-	2,000,000	2,000,000	-
Due to other funds	-	544,428	43,407	-	815,442	1,403,277	1,313,067
Deferred revenue	-	-	1,609	-	-	1,609	3,549
Due to other governments	-	-	356	-	-	356	402
Due to Teachers' Retirement System	644,667	6,319	-	-	-	650,986	739,460
Due to Employees' Retirement System	36,051	2,678	24,341	-	-	63,070	65,373
Total liabilities	<u>1,058,940</u>	<u>554,070</u>	<u>75,387</u>	<u>-</u>	<u>2,853,787</u>	<u>4,542,184</u>	<u>2,884,009</u>
Fund Equity							
Nonspendable	-	-	11,674	-	-	11,674	18,387
Restricted	4,060,566	-	-	353,645	1,137,164	5,551,375	5,690,978
Assigned	1,289,040	-	26,171	-	-	1,315,211	1,201,696
Unassigned (deficit)	2,951,464	-	-	-	(806,769)	2,144,695	2,316,174
Total fund equity	<u>8,301,070</u>	<u>-</u>	<u>37,845</u>	<u>353,645</u>	<u>330,395</u>	<u>9,022,955</u>	<u>9,227,235</u>
Total liabilities and fund equity	<u>\$ 9,360,010</u>	<u>\$ 554,070</u>	<u>\$ 113,232</u>	<u>\$ 353,645</u>	<u>\$ 3,184,182</u>	<u>\$ 13,565,139</u>	<u>\$ 12,111,244</u>

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

Schedule 4

Page 13

	Governmental Funds					2018	2017
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Revenue							
Real property taxes	\$ 5,941,933	\$ -	\$ -	\$ -	\$ -	\$ 5,941,933	\$ 5,863,659
Charges for services	37,249	-	-	-	-	37,249	24,827
Use of money and property	244,226	-	13	218	845	245,302	255,978
Sale of property compensation for loss	17,877	-	-	-	-	17,877	18,880
Miscellaneous	424,902	-	3,411	11,235	-	439,548	624,523
State sources	12,675,528	207,283	11,154	-	-	12,893,965	12,699,743
Federal sources	215,345	578,735	374,854	-	-	1,168,934	1,112,176
Surplus food	-	-	24,016	-	-	24,016	27,665
Sales (school food service)	-	-	53,104	-	-	53,104	55,438
Total revenue	19,557,060	786,018	466,552	11,453	845	20,821,928	20,682,889
Expenditures							
General support	3,205,428	-	179,146	-	-	3,384,574	3,380,752
Instruction	10,021,646	750,297	-	-	-	10,771,943	10,250,019
Pupil transportation	950,622	22,153	-	-	-	972,775	1,020,023
Employee benefits	3,664,041	31,948	98,948	-	-	3,794,937	3,781,471
Debt service							
Principal	1,151,733	-	-	-	-	1,151,733	1,470,648
Interest	167,882	-	-	-	-	167,882	196,392
Capital outlay	-	-	-	-	534,553	534,553	507,170
Cost of sales	-	-	204,479	-	-	204,479	218,094
Other expenses	-	-	43,332	-	-	43,332	8,511
Total expenditures	19,161,352	804,398	525,905	-	534,553	21,026,208	20,833,080
Excess (deficiency) of revenue over expenditures	395,708	(18,380)	(59,353)	11,453	(533,708)	(204,280)	(150,191)
Other sources and uses							
Bond proceeds	-	-	-	-	-	-	6,536,733
BANS redeemed from appropriations	-	-	-	-	-	-	1,070,648
Operating transfers in	-	18,380	50,000	-	200,000	268,380	732,960
Operating transfers out	(268,380)	-	-	-	-	(268,380)	(732,960)
Total other sources (uses)	(268,380)	18,380	50,000	-	200,000	-	7,607,381
Excess (deficiency) of revenue and other sources over expenditures and other uses	127,328	-	(9,353)	11,453	(333,708)	(204,280)	7,457,190
Fund equity, beginning of year	8,173,742	-	47,198	342,192	664,103	9,227,235	1,770,045
Fund equity, end of year	\$ 8,301,070	\$ -	\$ 37,845	\$ 353,645	\$ 330,395	\$ 9,022,955	\$ 9,227,235

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

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	06/30/18 Total	(Memo only) 06/30/17 Total
Assets				
Cash	\$ 25,812	\$ 122,413	\$ 148,225	\$ 163,027
Other receivables	-	-	-	1,150
Due from other funds	-	20,012	20,012	-
Total assets	\$ 25,812	\$ 142,425	\$ 168,237	\$ 164,177
Liabilities				
Accrued liabilities	\$ -	\$ 93,565	\$ 93,565	\$ 65,525
Due to governmental funds	-	-	-	22,198
Student extraclassroom activity funds	-	48,860	48,860	49,852
Total liabilities	-	142,425	142,425	137,575
Net Position				
Reserved for scholarships	25,812	-	25,812	26,602
Total liabilities and net position	\$ 25,812	\$ 142,425	\$ 168,237	\$ 164,177

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 6

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	06/30/18	(Memo only)	06/30/17
Additions			
Gifts and contributions	\$ 5,747	\$	9,571
Interest earnings	1,613		15
Total additions	<u>7,360</u>		<u>9,586</u>
Deductions			
Scholarships awarded	<u>8,150</u>		<u>10,946</u>
Total deductions	<u>8,150</u>		<u>10,946</u>
Change in net position	(790)		(1,360)
Net position- beginning of year	<u>26,602</u>		<u>27,962</u>
Net position - end of year	<u>\$ 25,812</u>	\$	<u>26,602</u>

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

Total fund balances - governmental funds \$ 9,022,955

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

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

Cost of the assets	\$ 40,874,684	
Accumulated depreciation	<u>(19,475,106)</u>	21,399,578

District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds pension costs are based on required contributions.		287,978
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(10,000)
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Deferred inflows/outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds pension expense is based on required contributions.		3,026,068
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Deferred inflows/outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds OPEB expense is based on required contributions.		195,052
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable	(6,506,886)	
Net pension liability - ERS	(199,809)	
Other post-employment benefits	(5,081,434)	
Compensated absences	<u>(783,026)</u>	<u>(12,571,155)</u>

Total net position - governmental activities \$ 21,350,476

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 11,162,380	\$ -	\$ -	\$ (2,970,476)	\$ 8,191,904
Due from other funds	1,383,265	-	-	(1,383,265)	-
State and federal aid receivable	843,831	-	-	-	843,831
Other receivables	112,566	-	-	-	112,566
Due from other governments	51,423	-	-	-	51,423
Inventories	11,674	-	-	-	11,674
Net pension asset	-	287,978	-	-	287,978
Cash to be used towards capital projects	-	-	-	2,970,476	2,970,476
Capital assets, net	-	21,399,578	-	-	21,399,578
Total assets	13,565,139	21,687,556	-	(1,383,265)	33,869,430
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	4,451,144	-	-	4,451,144
Deferred outflows related to OPEB	-	471,012	-	-	471,012
Total assets and deferred outflows of resources	\$ 13,565,139	\$ 26,609,712	\$ -	\$ (1,383,265)	\$ 38,791,586
Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position					
Liabilities					
Accounts payable	\$ 388,277	\$ -	\$ -	\$ -	\$ 388,277
Accrued liabilities	34,609	-	-	-	34,609
Accrued interest	-	-	10,000	-	10,000
Due to other funds	1,403,277	-	-	(1,383,265)	20,012
Deferred revenue	1,609	-	-	-	1,609
Due to other governments	356	-	-	-	356
Due to retirement systems	714,056	-	-	-	714,056
Bond anticipation notes payable	2,000,000	-	-	-	2,000,000
Bonds payable	-	-	6,506,886	-	6,506,886
Net pension liability	-	-	199,809	-	199,809
Other post-employment benefits	-	-	5,081,434	-	5,081,434
Compensated absences	-	-	783,026	-	783,026
Total liabilities	4,542,184	-	12,581,155	(1,383,265)	15,740,074
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	1,425,076	-	-	1,425,076
Deferred inflows related to OPEB	-	275,960	-	-	275,960
Total liabilities and deferred inflows of resources	4,542,184	1,701,036	12,581,155	(1,383,265)	17,441,110
Fund equity and net position					
Total liabilities, deferred inflows of resources and fund equity/net position	9,022,955	24,908,676	(12,581,155)	-	21,350,476
	\$ 13,565,139	\$ 26,609,712	\$ -	\$ (1,383,265)	\$ 38,791,586

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

Total net change in fund balances - governmental funds \$ (204,280)

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

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

Capital outlays	\$ 969,116	
Depreciation expense	<u>(1,127,234)</u>	(158,118)

Proceeds from the sale of assets are reported as revenue in the governmental funds, whereas in the statement of activities a gain or loss on sale is reported. (91,996)

Repayment of bond principal (including refundings), capital lease principal and bond anticipation notes principal is an expenditure the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,123,915

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans. (123,097)

District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows related to OPEB are recorded in the statement of activities, whereas in the governmental funds OPEB expense is based on District's required contribution to the OPEB plan. (64,521)

In the statement of activities, certain operating expenses - compensated absences, and special termination benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid). This year compensated absences and special termination benefits changed by this amount. (100,172)

Change in net position of governmental activities \$ 381,731

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Asset and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 5,941,933	\$ -	\$ -	\$ -	\$ 5,941,933
Charges for services	37,249	-	-	(37,249)	-
Use of money and property	245,302	-	-	-	245,302
Sale of property compensation for loss	17,877	(91,996)	-	-	(74,119)
Miscellaneous	439,548	-	-	(3,411)	436,137
State sources	12,893,965	-	-	(218,437)	12,675,528
Federal sources	1,168,934	-	-	(953,589)	215,345
Surplus food	24,016	-	-	(24,016)	-
Sales (school food service)	53,104	-	-	(53,104)	-
Total revenue	20,821,928	(91,996)	-	(1,289,806)	19,440,126
Expenditures					
General support	3,384,574	20,604	-	270,133	3,675,311
Instruction	10,771,943	644,950	164,693	2,343,737	13,925,323
Pupil transportation	972,775	27,117	-	202,803	1,202,695
Employee benefits	3,794,937	-	123,097	(3,918,034)	-
Debt service	1,319,615	-	(1,123,915)	-	195,700
Capital outlay	534,553	(534,553)	-	-	-
Cost of sales	204,479	-	-	(145,113)	59,366
Other expenses	43,332	-	-	(43,332)	-
Total expenditures	21,026,208	158,118	(836,125)	(1,289,806)	19,058,395
Excess (deficiency) of revenue over expenditures	(204,280)	(250,114)	836,125	-	381,731
Other sources and uses					
Operating transfers in	268,380	-	-	(268,380)	-
Operating transfers out	(268,380)	-	-	268,380	-
Total other sources (uses)	-	-	-	-	-
Net change for year	\$ (204,280)	\$ (250,114)	\$ 836,125	\$ -	\$ 381,731

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

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

A. Reporting Entity

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

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

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of the **Cuba-Rushford Central School District** represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are available at the District's offices.

B. Joint Venture

The **Cuba-Rushford Central School District** is one of 22 component school districts in the Cattaraugus-Allegany Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Joint Venture (continued)

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

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

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

During the year, the District was billed approximately \$4,496,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$2,160,000 for the year ended June 30, 2018. Financial statements for the Cattaraugus-Allegany BOCES are available at the BOCES administrative offices in Olean, New York.

C. Basis of Presentation

1. District-wide Statements

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

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

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

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

2. Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

Debt Service - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

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

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

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

D. Measurement Focus and Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (continued)

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

E. Cash and Cash Equivalents

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

F. Inventory

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

G. Investments

Investments are stated at current market value.

H. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2010. For assets acquired to June 30, 2010, estimated historical costs, based on appraisals conducted by independent third-party professionals was used. Donated assets are reported at estimated fair market value at the time received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (continued)

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 2,500	Straight-line	40 years
Land improvements	2,500	Straight-line	25-30 years
Furniture and equipment	2,500	Straight-line	5-20 years
Transportation vehicles	2,500	Straight-line	8 years

I. Due To/From Other Funds

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

J. Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible in the future to receive such payments are included. The District has recorded an estimated liability in the District-wide financial statement amounting to \$783,026 to recognize the cost of the incentive benefits for those employees eligible to receive such a benefit. The District believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds.

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

K. Deferred Inflows and Outflows of Resources

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

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

L. Unearned Revenue

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

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

L. Unearned Revenue (continued)

Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. Unearned revenues recorded in the governmental funds are not recorded in the District-wide statements.

M. Post-Employment Benefits

In addition to the retirement benefits described in Note 3VA, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. These benefits are provided in lieu of a lump sum payment of compensated absences. The contracts provide the option of converting accumulated sick pay to purchase health care and require various years of service and age limits. The District accrues for future compensated absences in the government-wide financial statements.

Currently 4 retired employees have elected to use accumulated sick pay to finance health insurance payments under the District's group plans. This option pays for 100% of the cost of premiums until the accumulated sick pay amount is exhausted, at which point the insurance payment becomes the responsibility of the retiree. There are also 17 other retired employees who receive individual coverage until the age of 65 as a result of early retirement incentives. The District recognizes the cost of providing health insurance annually as an expenditure in the general fund as payments are made.

N. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

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

N. Fund Equity (continued)

1. Governmental Funds (continued)

A. Nonspendable

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

1. Inventory Reserve

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

B. Restricted

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

1. Unemployment Reserve

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. 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 be either transferred to another reserve or the excess applied to the appropriations of the next fiscal year's budget. If the District elects to convert to tax basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is recorded in the General Fund.

2. Reserve for Retirement

The purpose of this reserve is to reserve funds to finance the cost of future retirement contributions. This reserve fund may be established by a majority vote of the board of education. This reserve is recorded in the General Fund.

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

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

3. Reserve for Employee Benefits

The purpose of this reserve is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of service. This reserve fund may be established by a majority vote of the board of education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

4. Insurance Reserve

This reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law. The reserve may be established by board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. This reserve is accounted for in the General Fund.

5. Debt Service Reserve

This reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These reserves are accounted for in the Debt Service Fund.

6. Capital Reserve

These reserves are used to accumulate funds to finance all or a portion of future capital projects and bus purchases for which bonds may be issued. Voter authorization is required for both the establishment of the reserves and payments from the reserves. These reserves are accounted for in the Capital Projects Fund.

7. Liability and Property Loss Reserve

This reserve is used to accumulate funds to pay liability claims incurred. The total amount accumulated in the reserve may not exceed 3% of the total annual budget. The reserve is accounted for in the General Fund.

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

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

8. Endowment Scholarships Reserve

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

9. Worker's Compensation Reserve

This reserve is used to accumulate funds for the purpose of paying for compensation benefits and other expenditures authorized under Article 2 of the New York State Workers' Compensation Law, and for payment of expenditures of administering this self-insurance program. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations for the next fiscal year's budget. The reserve is accounted for in the General Fund

10. Repair Reserve

This reserve is used to accumulate funds to finance future costs of major repairs to capital improvements or equipment. Voter authorization is required to fund the reserve. Expenditures from this reserve may be made only after a public hearing has been held. In an emergency, expenditures may be made from the reserve fund without a public heard with approval of two-thirds of the Board of Education. The emergency expenditures must be repaid within the next two succeeding years. This reserve is accounted for in the General Fund.

C. Committed

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

D. Assigned

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

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

N. Fund Equity (continued)

1. Governmental Funds (continued)

D. Assigned (continued)

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Reserve for encumbrances totaled \$369,020 as of June 30, 2018.

2. General Fund

The amount of \$920,020 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2019 as allowed by Section 1318 of the Real Property Tax Law.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide financial statements

A. Net Investment in Capital Assets

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

B. Restricted

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

C. Unrestricted

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity (continued)

3. Order of Fund Balance Spending Policy

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

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

O. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District had no supplemental appropriations during the year ended June 30, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Budgetary Procedures and Budgetary Accounting (continued)

2. Budget Basis for Accounting

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

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

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

P. Property Taxes

1. Calendar

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

2. Enforcement

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

Q. Interfund Transfers

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Deferred Compensation Plan

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

S. Estimates

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

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

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

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

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

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

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

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

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

1. Long-term Revenue Differences

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

2. Capital Related Differences

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

3. Long-term Debt Transaction Differences

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash

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

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

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

I. Cash (continued)

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

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

A. Deposits

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

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

Total financial institution (bank) balances at June 30, 2018 per the bank were approximately \$12,270,000. Deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>
\$ 1,000,000	\$ 11,270,000	\$ -	\$ 12,270,000

II. Interfund Transactions

Interfund balances as of June 30, 2018 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 953,738	\$ -
School Lunch Fund	-	43,407
Special Aid Fund	64,978	544,428
Debt Service Fund	150,843	-
Capital Fund	213,706	815,442
Fiduciary Funds	20,012	-
Total	<u>\$ 1,403,277</u>	<u>\$ 1,403,277</u>

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

II. Interfund Transactions (continued)

Interfund transactions for the year ended June 30, 2018 are as follows:

	<u>Interfund Revenue</u>	<u>Interfund Expenditures</u>
General Fund	\$ -	\$ 268,380
Capital Projects Fund	200,000	-
School Lunch Fund	50,000	-
Special Aid Fund	18,380	-
Total	<u>\$ 268,380</u>	<u>\$ 268,380</u>

During the year ended June 30, 2018, the District transferred \$200,000 from the general fund to the capital projects fund which went to fund the transportation reserve. A transfer of \$18,380 was made from the general fund to the special aid fund to pay for the local share of grants. Lastly, the District transferred \$50,000 from the general fund to the school lunch fund to subsidize operating losses experienced in the current year.

III. Receivables

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Aid	State and Federal Aid	\$ 485,413
General	State and Federal Aid	338,731
Food Service	State and Federal Aid	19,687
General	Due from Other Governments	51,423
General	Other Receivables	111,091
Food Service	Other Receivables	1,475
		<u>\$ 1,007,820</u>

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

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

IV. Capital Assets

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

	Beginning Balance 06/30/17	Net Additions (Disposals)	Ending Balance 06/30/18
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 132,268	\$ -	\$ 132,268
Construction-in-progress	378,136	534,553	912,689
Capital assets that are depreciated:			
Buildings and improvements	33,380,308	8,488	33,388,796
Furniture and equipment	<u>6,217,480</u>	<u>223,451</u>	<u>6,440,931</u>
Total depreciable historical cost	<u>39,597,788</u>	<u>231,939</u>	<u>39,829,727</u>
Less accumulated depreciation:			
Buildings and improvements	13,941,118	798,222	14,739,340
Furniture and equipment	<u>4,517,382</u>	<u>218,384</u>	<u>4,735,766</u>
Total accumulated depreciation	<u>18,458,500</u>	<u>\$ 1,016,606</u>	<u>19,475,106</u>
Total net book value	<u>\$21,649,692</u>		<u>\$21,399,578</u>

Depreciation expense was charged to governmental functions as follows:

	\$ 169,536
General support	
Instruction	678,190
Pupil transportation	279,508
	<u>\$ 1,127,234</u>

During the fiscal year ended June 30, 2018 the District had capital additions in the amount of \$969,116.

V. Liabilities

A. Pension Plans

1. Plan Descriptions and Benefits Provided

a. Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York.

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

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

a. Teachers' Retirement System (TRS) (continued)

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

b. Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL).

Once a public employer elects to participate in the System, the election is irrevocable. The New York State 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.

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

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

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

The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

2. Contributions

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

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

Year	TRS	ERS
2018	\$ 608,000	\$ 261,000
2017	704,000	246,000
2016	789,000	282,000

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

V. Liabilities (continued)

A. Pension Plans (continued)

2. Contributions (continued)

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

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

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

Measurement date	ERS 3/31/2018	TRS 6/30/2017
Net pension asset (liability)	\$ (199,809)	\$ 287,978
District's portion of the Plan's total net Pension asset (liability)	.0061909%	.037887%

For the year ended June 30, 2018, the District's recognized pension expense of \$249,888 for ERS and \$740,507 for TRS. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 71,265	\$ 236,935	\$ 58,891	\$ 112,279
Changes of assumptions	132,490	2,930,227	-	-
Net difference between projected and actual earnings on pension plan investments	290,207	-	572,839	678,270
Changes in proportion and differences between the District's contributions and proportionate share of contributions	31,837	87,051	2,797	-
District's contributions subsequent to the measurement date	63,070	608,062	-	-
Total	\$ 588,869	\$ 3,862,275	\$ 634,527	\$ 790,549

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

V. Liabilities (continued)

A. Pension Plans (continued)

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

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

	ERS	TRS
Year ended:		
2019	\$ 114,172	\$ 691,201
2020	42,164	791,745
2021	(139,570)	571,277
2022	(62,424)	154,221
2023	-	569,663
Thereafter	-	293,619

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/18	6/30/17
Actuarial valuation date	4/1/17	6/30/16
Interest rate	7%	7.25%
Salary scale	3.8% average 4/1/10 – 3/31/15	1.90% - 4.72% 7/1/09 – 6/30/14
	System's	System's
Decrement tables	Experience	Experience
Inflation rate	2.5%	2.5%

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

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

V. Liabilities (continued)

A. Pension Plans (continued)

4. Actuarial Assumptions (continued)

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

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

	ERS 3/31/18	Expected Rate of Return	TRS 6/30/17	Expected Rate of Return
Asset Type:				
Domestic Equity	36%	4.55%	35%	5.9%
International Equity	14%	6.35%	18%	7.4%
Private Equity	10%	7.50%	8%	9.0%
Real Estate	10%	5.55%	11%	4.3%
Absolute return strategies	2%	3.75%	-	-
Opportunistic portfolio	3%	5.68%	-	-
Real assets	3%	5.29%	-	-
Domestic fixed income securities	-	-	16%	1.6%
Global fixed income securities	-	-	2%	1.3%
High-yield fixed income	-	-	1%	3.9%
Bonds and Mortgages	17%	1.31%	8%	2.8%
Cash	1%	(.25%)	1%	.1%
Inflation-indexed bonds	4%	1.25%	-	-
Total:	<u>100%</u>		<u>100%</u>	

5. Discount Rate

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

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

V. Liabilities (continued)

A. Pension Plans (continued)

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

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

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (1,511,809)	\$ (199,809)	\$ 910,090
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (4,961,000)	\$ 287,978	\$ 4,683,735

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

V. Liabilities (continued)

A. Pension Plans (continued)

7. Pension Plan Fiduciary Net Position

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

Measurement date	(Dollars in Thousands)	
	ERS 3/31/18	TRS 6/30/17
Employers' total pension liability	\$ 183,400,590	\$ 114,708,261
Plan net position	\$ 180,173,145	\$ 115,468,360
Employers' net pension asset (liability)	\$ (3,227,445)	\$ 760,099
Ratio of plan net position to be Employers' total pension asset (liability)	98.24%	100.66%

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$63,070.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$650,986 (employer contribution \$608,062 and employee contributions of \$42,924).

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

V. Liabilities (continued)

B. Other Post-Employment Benefits

Plan Description

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

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2018 the plan had total active employees of 166 and retirees of 49.

Total OPEB Liability

The District's total OPEB liability of \$5,081,434 was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation	1.3% per year
Salary increases	Based on NYSERS and NYSTRS valuation as of June 30, 2015
Discount rate	3.56%
Healthcare cost trend rates	2018 – 8.5% reduced to an ultimate rate of 5.0% after 2025.
Retirees' share of benefit-related costs	Varies based on employment contract

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

Mortality rates were based on the RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015.

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

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

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Changes in the Total OPEB Liability

Service cost	\$	280,383
Interest		165,952
Differences between expected and actual experience		(315,383)
Changes in assumptions		(275,594)
Benefit payments		(351,148)
Net changes		(495,790)
Net OPEB liability – beginning of year		5,577,224
Net OPEB liability – end of year	\$	5,081,434

Changes in assumptions reflect a change in the discount rate from 2.92% in 2017 to 3.56% in 2018; health insurance trend rate from 9.0% through 5.0% in 2017 to 8.5% through 5.0% in 2018.

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

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

	1% Decrease (2.56%)	Current Assumption (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 5,519,858	\$ 5,081,434	\$ 4,684,786

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

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

	1% Decrease (initial rate of 7.5% decreasing by .5% annually until reaching 4%)	Current Assumption (initial rate of 8.5% decreasing by .5% annually until reaching 5%)	1% Increase (initial rate of 9.5% decreasing by .5% annually until reaching 6%)
Total OPEB liability	\$ 4,537,001	\$ 5,081,434	\$ 5,725,809

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

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense in the amount of \$412,884. 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 experience	\$ -	\$ 275,960
Benefit payments subsequent to measurement date	348,363	-
Changes in assumptions	122,649	-
	<u>\$ 471,012</u>	<u>\$ 275,960</u>

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

Year ended:	
2019	\$ 314,912
2020	(33,451)
2021	(33,451)
2022	(33,451)
2023	(33,451)
Thereafter	13,944

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

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

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

V. Liabilities (continued)

C. Indebtedness (continued)

1. Short-Term Debt (continued)

a. Bond Anticipation Notes (continued)

On June 28, 2018, bond anticipation notes in the amount of \$2,000,000 were issued with an interest rate of 2.75% and mature on June 28, 2019.

b. Short-Term Debt Interest

The District had no interest on short-term debt for the year ended June 30, 2018.

2. Long-Term Debt

a. Debt Limit

At June 30, 2018, the total indebtedness represents approximately 16% of its debt limit.

b. Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of capital assets.

c. Changes

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

	Balance June 30, 2018	Balance June 30, 2017	Amounts Due Within One Year
Serial Bonds	\$ 6,506,886	\$ 7,630,801	\$ 735,000
Compensated Absences	783,026	682,854	-
Net Pension Liability - ERS	199,809	569,617	-
Net Pension Liability - TRS	-	413,230	-
Other post-Employment Benefits	5,081,434	5,577,224	-
	<u>\$ 12,571,155</u>	<u>\$ 14,873,726</u>	<u>\$ 735,000</u>

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

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Changes (continued)

During the year, the District made principal payments of \$1,151,733 on its existing serial bonds. Net premium from the 2017 bond refunding was recognized in the amount of \$37,419 while premiums from existing bonds were amortized in the amount of \$9,601. The net pension liability to the New York State Employees' Retirement System decreased \$369,808 during the current year, while the New York state Teachers' Retirement System went from having a net pension liability of \$413,230 in the prior year to a net pension asset of \$287,978 in the current year. The net change in compensated absences was an increase of \$100,172 whereas the change in other post-employment benefits was a decrease of \$495,790.

d. Maturity

1. The following is a summary of maturity of serial bonds indebtedness on June 30, 2018.

<u>Description of Issue</u>	<u>Outstanding June 30, 2018</u>
<u>Serial Bonds:</u>	
Building Construction and Reconstruction Bonds, issued December 2014 with maturity date of March 2020; bonds carry interest at 1.75% - 2.00%. Refunded previous 2005 Serial Bonds.	\$ 710,000
Plus: unamortized bond refunding costs	9,467
<u>Serial Bonds:</u>	
Building Construction and Reconstruction Bonds, issued June 2017 with maturity date of June 2032; bonds carry interest at 2.00% - 3.00%.	5,750,000
Plus: unamortized bond premiums	37,419
	<u>\$ 6,506,886</u>

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

<u>Year</u>	<u>Serial Bonds - 2014</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 360,000	\$ 14,200
2020	350,000	7,000
Total	<u>\$ 710,000</u>	<u>\$ 21,200</u>

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

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity (continued)

<u>Year</u>	<u>Serial Bonds - 2017</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 375,000	\$ 133,550
2020	385,000	126,050
2021	390,000	118,350
2022	400,000	110,550
2023	405,000	102,550
2024-2028	2,160,000	386,550
2029-2032	1,635,000	110,450
Total	<u>\$ 5,750,000</u>	<u>\$ 1,088,050</u>

e. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$167,882 for the year ended June 30, 2018 related to serial bonds.

3. Premiums, Debt Issuance Costs and Amortization

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

4. Refunding of long-term debt

In prior years, the District defeased other general obligations and other bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements.

VI. Fund Equity

A. District-wide Net Position

Net position of the District include restricted net position of \$5,551,375 which represent restricted amounts in the general, capital projects and debt service funds.

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

VI. Fund Equity (continued)

B. Unassigned Fund Balance

Included in unassigned fund balance in the general fund as of June 30, 2018, is a reserve for tax reduction in the amount of \$11,930.

C. Classification

The District's fund equity is comprised of various components as presented below:

<u>Category/Fund</u>	<u>Description</u>	<u>Balance June 30, 2018</u>
Nonspendable:		
Food Service	Inventory	\$ 11,674
Restricted:		
General	Reserve for employee benefits	\$ 1,936,438
	Reserve for property loss	15,014
	Insurance reserve	25,024
	Reserve for retirement system credits	1,386,695
	Repair reserve	200,189
	Unemployment reserve	254,573
	Reserve for workers' Compensation	242,633
		<u>\$ 4,060,566</u>
Debt Service	Reserve for debt service	\$ 353,645
Trust and Agency	Reserve for endowment scholarships	\$ 25,812
Capital Projects	Capital and transportation reserves	\$ 1,137,164
Assigned:		
General	Reserve for encumbrances	\$ 369,020
	Appropriated fund equity	920,020
		<u>\$ 1,289,040</u>
School Lunch	Appropriated fund equity	\$ 26,171

D. Deficit Fund Balance

Capital Projects Fund

The District's capital project fund had an accumulated deficit in the amount of \$806,769 as of June 30, 2018. It is not uncommon for school districts to have deficit balances in the capital project funds as a result of short-term debt being recorded as a liability until they are converted to long-term debt (serial bonds) or redeemed at which time such proceeds are recorded as other financing sources revenue.

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

VII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

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

2. Risk Sharing Pools

For its employee health and accident coverage, *Cuba-Rushford Central School District* is a participant in the Cattaraugus-Allegany Regional Medical Plan, a public entity risk pool operated for the benefit of 23 individual governmental units located within Allegany and Cattaraugus Counties. The School District pays monthly premiums to the Plan for this health coverage.

The Plan is authorized to assess supplemental premiums to the participating districts. The Plan provides coverage for its members up to \$100,000 per insured event. The Cattaraugus-Allegany Regional Medical Plan obtains independent coverage for insured events in excess of this amount.

The *Cuba-Rushford Central School District* also participates in a risk sharing pool, Cattaraugus-Allegany BOCES, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

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

VII. Commitments and Contingencies (continued)

B. Federal and State Grants

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

C. Contingencies

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

VIII. Tax Abatements

The Allegany County Industrial Development Agency entered into a property tax abatement program (Payment in Lieu of Taxes – PILOT) with a Corporation in the *Cuba-Rushford Central School District's* tax jurisdiction for the purpose of economic development. The term of the PILOT is 20 years with the agreement expiring on January 1, 2026. Payments under the agreement will amount to 100% of the assessed land value and 35% of all improvements, gradually increasing to 100% after ten years. At this time, the District is unable to quantify the amount of taxes that have been abated under this program.

NOTE 4 – CAPITAL PROJECTS

On December 7, 2010, *Cuba-Rushford Central School District* held a public hearing at which time the voters of the District approved a \$10,900,000 renovation project. The proposed budget of this capital project included expenditures for architectural and improvement costs. The District had expenditures related to the capital project in the amounts of \$57,061 during the year ended June 30, 2018 and accumulated expenditures of approximately \$9,200,000 have been incurred related to the capital project through June 30, 2018.

NOTE 4 – CAPITAL PROJECTS (CONTINUED)

On December 15, 2016, *Cuba-Rushford Central School District* held a public hearing at which time the voters of the District approved a \$14,000,000 renovation project. The proposed budget of this capital project included expenditures for architectural and improvement costs. The District had expenditures related to the capital project in the amounts of \$429,889 during the year ended June 30, 2018 and accumulated expenditures of approximately \$808,000 have been incurred related to the capital project through June 30, 2018.

Lastly, the District had expenditures of \$47,603 related to a Smart School Building Act project.

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENTS

For the fiscal year ended June 30, 2018, the District recorded a prior period adjustment in the amount of \$351,148 as an addition to the District's net position as a result of a change in accounting principle that occurred in the year ended June 30, 2017. The prior period adjustment made in 2018 adjusted the deferred outflow related to the OPEB liability to the amount that should have been recorded at June 30, 2017.

For the fiscal year ended June 30, 2017 the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement required District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position. The District has recorded a prior period adjustment in the amount of \$4,386,896 as a reduction in the District's net position as a result of this change in accounting principle.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 8, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 5,900,659	\$ 5,900,659	\$ 5,899,694	\$ (965)
Real property tax items	23,500	23,500	42,239	18,739
Charges for services	17,300	17,300	37,249	19,949
Use of money and property	263,400	263,400	244,226	(19,174)
Sale of property and compensation for loss	2,500	2,500	17,877	15,377
Miscellaneous	63,000	63,000	424,902	361,902
State Sources:				
Basic formula	11,720,482	11,720,482	11,069,149	(651,333)
BOCES	1,619,458	1,619,458	1,561,682	(57,776)
Textbooks	49,707	49,707	22,695	(27,012)
All other aid	32,109	32,109	22,002	(10,107)
Federal Sources:				
Medicaid reimbursement	125,000	125,000	211,745	86,745
E-rate	50,000	50,000	3,600	(46,400)
Total revenue and other sources	19,867,115	19,867,115	\$ 19,557,060	\$ (310,055)
Appropriated reserves	199,975	199,975		
Appropriated fund equity	1,016,392	1,172,885		
Total revenue, other sources and appropriated fund equity	\$ 21,083,482	\$ 21,239,975		

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 10,189	\$ 13,272	\$ 6,536	\$ -	\$ 6,736
Central administration	186,200	198,243	192,110	2,963	3,170
Finance	371,644	373,992	360,582	2,756	10,654
Staff	337,293	344,226	329,518	249	14,459
Central services	1,911,878	2,331,938	1,993,293	195,609	143,036
Special items	336,285	323,389	323,389	-	-
Instructional:					
Instruction, administration and improvement	638,758	687,225	682,493	525	4,207
Teaching - regular school Programs for children with handicapping conditions	4,940,355	4,609,686	4,324,782	91,352	193,552
Teaching - special schools	2,635,390	2,382,062	2,144,289	6,752	231,021
Occupational education	42,807	14,807	12,155	-	2,652
Instructional media	611,746	612,451	607,821	-	4,630
Pupil services	987,912	1,478,013	1,397,770	16,505	63,738
	816,157	871,912	852,336	1,946	17,630
Pupil Transportation	1,200,170	1,094,115	950,622	49,569	93,924
Employee Benefits	4,531,649	4,261,215	3,664,041	794	596,380
Debt Service:					
Debt service principal	1,151,733	1,151,733	1,151,733	-	-
Debt service interest	223,316	223,316	167,882	-	55,434
Total expenditures	20,933,482	20,971,595	19,161,352	369,020	1,441,223
Other Uses:					
Transfer to other funds	150,000	268,380	268,380	-	-
Total other uses	150,000	268,380	268,380	-	-
Total expenditures and other uses	\$ 21,083,482	\$ 21,239,975	19,429,732	\$ 369,020	\$ 1,441,223
Excess of revenue and other sources over expenditures and other uses			\$ 127,328		

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL – FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS1A

Page 37

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 14,000	\$ 11,154	\$ (2,846)
Federal sources	374,854	374,854	-
Sales	58,232	53,104	(5,128)
Miscellaneous	5,000	3,411	(1,589)
Surplus food	16,194	24,016	7,822
Use of money and property	15	13	(2)
Total revenue	<u>468,295</u>	<u>466,552</u>	<u>(1,743)</u>
Expenditures			
General support	179,148	179,146	2
Employee benefits	98,948	98,948	-
Cost of sales	192,272	204,479	(12,207)
Other expenses	47,927	43,332	4,595
Total expenditures	<u>518,295</u>	<u>525,905</u>	<u>(7,610)</u>
Deficiency of revenue over expenditures	(50,000)	(59,353)	(9,353)
Other sources			
Transfer from general fund	50,000	50,000	-
Deficiency of revenue and other sources over expenditures and other uses	<u>\$ -</u>	(9,353)	<u>\$ (9,353)</u>
Fund equity, beginning of year		<u>47,198</u>	
Fund equity, end of year		<u>\$ 37,845</u>	

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS2

Page 38

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 21,083,482
Additions:	
Prior year encumbrances	<u>156,493</u>
Original Budget	21,239,975
Budget Revisions:	<u>-</u>
Final budget	<u><u>\$ 21,239,975</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	\$ 21,776,044
Maximum allowed (4% of 2018-19 budget)	\$ 871,042

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	1,289,040
Unassigned fund balance	<u>2,951,464</u>
Total unrestricted fund balance	<u>4,240,504</u>
Less:	
Appropriated fund balance	920,020
Insurance recovery reserve	-
Tax reduction reserve	11,930
Encumbrances included in committed and assigned fund balance	<u>369,020</u>
Total adjustments	<u>1,300,970</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,939,534</u></u>
Actual percentage	<u><u>13.5%</u></u>

* Per Office of State Comptroller's "Fund Balance Reporting and Governmental Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of the General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

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

Schedule SS4A

Page 40

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school *	N/A	2018	\$ 73,519	\$ 91,899	\$ 91,899
Universal Pre-kindergarten	0409-18-7136	2018	133,764	133,764	133,764
School breakfast programs	N/A	2018	N/A	6,900	6,900
School lunch programs	N/A	2018	N/A	4,254	4,254
				<u>\$ 236,817</u>	<u>\$ 236,817</u>

* Included in revenue is an interfund transfer from the general fund for the local share of the grant in the amount \$18,380.

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

Schedule SS4B

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Cuba-Rushford Central School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Non-monetary Federal Program

The accompanying **Cuba-Rushford Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2018, the District reported in the Schedule of Federal Awards \$24,016 of donated commodities at fair market value received and disbursed.

Note 3 - Indirect Cost Rate

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

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

Schedule SS4C

Page 41

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
<i>Passed through NYS</i>					
<i>Department of Education:</i>					
Title I	84.010A	0021-18-0125	\$ 279,478	\$ 278,393	\$ 278,393
Title II, Part A	84.367A	0147-18-0125	86,189	15,987	15,987
Title II, Part A	84.367A	0147-17-0125	22,915	22,614	22,614
Title V	84.298A	0006-18-0125	14,500	3,085	3,085
Title VI - Part B - Rural Schools	84.358B	0006-18-9999	15,447	15,447	15,447
IDEA Part B, Section 611 *	84.027A	0032-18-0044	232,200	231,905	231,905
IDEA Part B, Section 619 *	84.173A	0033-18-0044	11,304	11,304	11,304
Total U.S. Department of Education			662,033	578,735	578,735
US Department of Agriculture:					
<i>Passed through NYS</i>					
<i>Department of Education:</i>					
National School Breakfast Program **	10.553	N/A	N/A	92,171	92,171
National School Lunch Program **	10.555	N/A	N/A	282,683	282,683
<i>Passed through NYS</i>					
<i>Office of General Services</i>					
National School Lunch Program **					
Non-Cash Assistance (commodities)	10.555	N/A	N/A	24,016	24,016
Total U.S. Department of Agriculture				398,870	398,870
Total expenditures and revenue				\$ 977,605	\$ 977,605

* Constitutes a cluster of Federal programs named Special Education Cluster with revenue and expenditures of \$ 243,209

** Constitutes a cluster of Federal programs named Child Nutrition Cluster with revenue and expenditures of \$ 398,870

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2018

Schedule SS5

Page 42

Capital Assets	\$ 21,399,578
Less:	
Serial bonds	(6,506,886)
Bond anticipation notes	(2,000,000)
Plus:	
Assets net of related payables in capital projects fund	<u>2,330,395</u>
Net investment in capital assets	<u><u>\$ 15,223,087</u></u>

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Schedule SS6

Page 43

As of the measurement date of 7/1	2017	2016
Total OPEB Liability		
Service cost	\$ 280,383	\$ 227,664
Interest	165,952	192,093
Differences between expected and actual experience	(315,383)	-
Changes in assumptions	(275,594)	444,636
Benefit payments	(351,148)	(322,154)
Net change in total OPEB liability	(495,790)	542,239
Total OPEB liability - beginning	5,577,224	648,089
Prior period adjustment (see notes)	-	4,386,896
Total OPEB liability - ending	\$ 5,081,434	\$ 5,577,224
 Plan fiduciary net position		
Contributions - employer	\$ 351,148	\$ 322,154
Net investment income	-	-
Benefit payments	(351,148)	(322,154)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	\$ -	\$ -
 District's net OPEB liability	\$ 5,081,434	\$ 5,577,224
 Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
 Covered-employee payroll	\$ 7,263,896	\$ 7,170,677
 District's net OPEB liability as a percentage of covered-employee payroll	69.95%	77.78%

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate from 2.92% to 3.56%

Salary scale reflects the most recent NYSTRS and NYSERS tables

Health care trend from 9.0% through 5.0% to 8.5% through 5.0%

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Schedule SS7

Page 44

For the year ended June 30,	2018	2017
Actuarially determined contributions	\$ 351,148	\$ 322,154
Contributions in relation to the actuarially determined contribution	(351,148)	(322,154)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 7,263,896	\$ 7,170,677
Contributions as a percentage of District's covered-employee payroll	4.83%	4.49%

Notes to Schedule

Valuation date: 07/01/16 actuarially rolled forward to 07/01/17

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.56% as of July 1, 2017 and 2.92% as of July 1, 2016
Inflation	1.3% per year
Healthcare cost trend rates	An initial rate of 8.5% in 2018 and decreasing 0.5% each year thereafter with an ultimate rate of 5.0% after 2025.
Salary increases	Based on NYSERS and NYSTRS valuation as of June 30, 2015 RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015
Mortality	Scale MP-2015
Retiree Cost Sharing	Varies based on employment contract

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

Schedule SS8

Page 45

New York State Teachers' Retirement System

For the year ended June 30,	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 608,062	\$ 703,647	\$ 789,447	\$ 1,030,148	\$ 952,608	\$ 709,574
Contributions in relation to the contractually required contribution	(608,062)	(703,647)	(789,447)	(1,030,148)	(952,608)	(709,574)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,204,714	\$ 6,003,814	\$ 5,953,597	\$ 5,876,486	\$ 5,862,203	\$ 5,993,024
Contributions as a percentage of District's covered-employee payroll	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

New York State Local Employees' Retirement System

For the year ended March 31,	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 261,491	\$ 245,876	\$ 282,297	\$ 283,169	\$ 266,367	\$ 349,213
Contributions in relation to the contractually required contribution	(261,491)	(245,876)	(282,297)	(283,169)	(266,367)	(349,213)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,750,241	\$ 1,632,563	\$ 1,570,155	\$ 1,559,237	\$ 1,574,001	\$ 1,922,078
Contributions as a percentage of District's covered-employee payroll	14.94%	15.06%	17.98%	18.16%	16.92%	18.17%

CUBA-RUSHFORD CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY) – NYSTRS AND DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2018

Schedule SS9

Page 46

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

As of the measurement date of June 30,	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset (liability)	n/a	0.037887%	0.038582%	0.039121%	0.039686%	0.040919%
District's proportionate share of the net pension asset (liability)	n/a	\$ 287,978	\$ (413,230)	\$ 4,063,413	\$ 4,420,743	\$ 269,348
District's covered-employee payroll	n/a	\$ 6,003,814	\$ 5,953,597	\$ 5,876,486	\$ 5,862,203	\$ 5,993,024
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	n/a	4.80%	6.94%	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension asset (liability)	n/a	100.66%	99.01%	110.46%	111.48%	100.70%

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

As of the measurement date of March 31,	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset (liability)	0.0061909	0.00606222%	0.0061023%	0.0059209%	n/a	n/a
District's proportionate share of the net pension asset (liability)	\$ (199,809)	\$ (569,617)	\$ (979,442)	\$ (200,023)	\$ (267,558)	n/a
District's covered-employee payroll	\$ 1,750,241	\$ 1,632,563	\$ 1,570,155	\$ 1,559,237	\$ 1,574,001	\$ 1,922,078
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	11.42%	34.89%	62.38%	12.83%	17.00%	n/a
Plan fiduciary net position as a percentage of the total pension asset (liability)	98.24%	94.70%	90.70%	97.90%	n/a	n/a

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

**To the President and
Members of the Board of Education
Cuba-Rushford Central School District
Cuba, New York**

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of *Cuba-Rushford Central School District* as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise *Cuba-Rushford Central School District's* basic financial statements and have issued our report thereon dated October 8, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item II.A.2018-001 to be a significant deficiency.

Compliance and Other Matters

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

Cuba-Rushford Central School District's Responses to Findings

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

Purpose of this Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 8, 2018**

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

**To the President and
Members of the Board of Education
Cuba-Rushford Central School District
Cuba, New York**

Report on Compliance for Each Major Federal Program

We have audited the compliance of *Cuba-Rushford Central School District* with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. *Cuba-Rushford Central School District's* major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (continued)

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

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

Purpose of this Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 8, 2018**

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> </u> x	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> x	<u> </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> x	<u> </u> yes	<u> </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> </u> x	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> </u> x	<u> </u> none reported

Type of auditor's opinion issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a)

<u> </u> yes	<u> </u> x	<u> </u> no
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Unmodified

Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 977,605</u>
Identification of Major Programs Tested:		
U.S. Department of Education - IDEA, Part B Section 611 *	84.027A	\$ 231,905
U.S. Department of Education - IDEA, Part B Section 619 *	84.173A	11,304
U.S. Department of Agriculture - National School Lunch Program **	10.555	282,683
U.S. Department of Agriculture - National School Breakfast Program **	10.553	92,171
U.S. Department of Agriculture - National School Lunch Program - Non-Cash Assistance **	10.555	<u>24,016</u>
Total major programs tested		<u>\$ 642,079</u>
% of Federal programs tested		<u>66%</u>

* Constitutes a cluster of Federal programs
** Constitutes a cluster of Federal programs

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low risk?	<u> </u> yes	<u> </u> x	<u> </u> no
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II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Year ended June 30, 2018

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

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

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

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

B. COMPLIANCE AND OTHER MATTERS

2018-002 Unassigned Fund Balance

Year ended June 30, 2018

Conditions and criteria: **Cuba-Rushford Central School District's** unassigned fund balance, less tax reduction reserve, as of June 30, 2018 amounted to approximately \$2,940,000. This amount constitutes approximately 13.5% of the 2018-2019 school budget.

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

Auditors' Recommendation: **Cuba-Rushford Central School District** should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation of fund balance.

District's Response: The District will continue to closely monitor its fund balance in the future and will review all options with regards to reservation of fund balance.

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2018

No findings related to compliance are being reported upon during the fiscal year ended June 30, 2018.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2018

No findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2018.

I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

**2017-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements
Year ended June 30, 2017**

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

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

B. COMPLIANCE AND OTHER MATTERS

**2017-002 Unassigned Fund Balance
Year Ended June 30, 2017**

Summary of Prior Year Finding: The District's unassigned fund balance as of June 30, 2017 amounted to approximately \$2,776,000. This amount constituted approximately 13% of the 2017-2018 school budget. The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

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

II. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year Ended June 30, 2017

There were no findings related to compliance during the year ended June 30, 2017.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2017

There were no findings related to internal control over compliance during the year ended June 30, 2017.