

PRATTSBURGH 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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PRATTSBURGH CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

PRATTSBURGH CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of **Prattsburgh 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 **Prattsburgh 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 **Prattsburgh 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 these 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 the **Prattsburgh Central School District** as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Report on Summarized Comparative Information

We have previously audited the **Prattsburgh Central School District** June 30, 2017 financial statements, and our report dated September 19, 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, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of District contributions – OPEB, schedule of the District's proportionate share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans on pages 3 through 9, 36 through 37, and 43 through 46 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 **Prattsburgh Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018 on our consideration of **Prattsburgh 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 **Prattsburgh Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 18, 2018**

I. Discussion and Analysis

The following is a discussion and analysis of the *Prattsburgh 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 *Prattsburgh 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 \$49,000 as compared to an increase of \$53,000 during the prior fiscal year.
- The District's total revenue decreased 4% from \$10,400,000 during the year ended June 30, 2017 to \$10,005,000 during the year ended June 30, 2018. This decrease was primarily the result of a decrease in State building aid and BOCES aid.
- The District's total expenses decreased approximately 4% from \$10,347,000 during the year ended June 30, 2017 to \$9,956,000 during the year ended June 30, 2018. This decrease was related to implementation of GASB 75, which reported less benefits expense than that reported under the previous standard GASB 45.
- The District's had capital outlays during the current year in the amount of approximately \$2,277,000, which primarily related to costs associated with the current year capital outlay project and \$3.1 million renovation project.

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 *Prattsburgh Central School District*.

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

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

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

1. Statement of Net Position

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

2. Statement of Activities

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

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

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

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

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

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

The District has two kinds of funds:

1. Governmental Funds

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

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

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

1. Governmental Funds (continued)

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

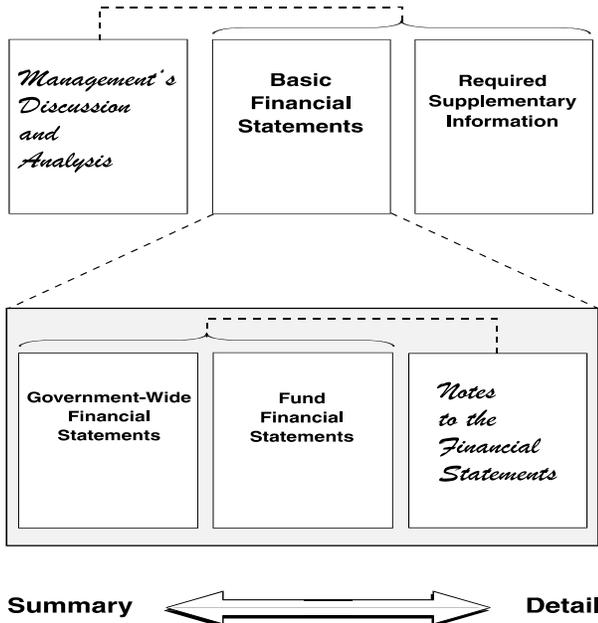
2. Fiduciary Funds

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

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

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

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



IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position deficit was approximately \$7,106,000. The components of net position include: invested in capital assets, net of related debt, of \$11,241,000; restricted net position of \$2,045,000; and unrestricted net deficit of \$20,392,000 as of June 30, 2018.

Changes in Net Position

The District's total government-wide revenue decreased by approximately 4% to \$10,005,000. Approximately 26%, 7% and 64% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 3% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

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

Changes in Net Position (continued)

The total cost of all programs and services of the District decreased 4% to \$9,956,000. The District's expenses cover a range of services, with 73% related to instruction and 14% 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 approximately 4%, while total expenses decreased 4%. The District's total net position increased approximately \$49,000 or 0% from operations during the fiscal year ended June 30, 2018.

Figure A-5 presents the major sources of revenue of the District. Revenue of the District totaled \$10,005,000 for the fiscal year ended June 30, 2018. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue, which represents approximately 26% of the District's total revenue for governmental activities, decreased approximately 2% during the year ended June 30, 2018 due to a decrease in the tax levy.
- The District's most significant revenue is state sources which represent \$6,421,000 or 64% of total governmental revenue. The District's state sources decreased approximately 6% which was primarily related to decreases in state aid and BOCES aid.
- During the year ended June 30, 2018, the District saw an increase in program revenue in the amount of \$7,000 as a result of the District moving to a community eligibility provision in the cafeteria, which resulted in an increase in free breakfasts and lunches.

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

Expenses

Figure A-8 presents the cost of each of the District's largest expenditure-types, which include; general support, instruction, transportation and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$9,956,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$190,000 or 15% which was primarily due to an increase in contractual expenses, along with employee benefits.
- The District's instruction costs decreased by approximately \$528,000 or 7% which was the result of decreases in employee benefits from implementing GASB 75, which reported less benefits expense than that reported under the previous standard GASB 45.
- Debt service of the District increased approximately \$22,000 during the year ended June 30, 2018, which primarily resulted from an increase in interest expense.
- Transportation costs of the District decreased 10% or \$101,000 during the year ended June 30, 2018 as a result of a decrease in contractual expenditures.
- The District's cost of sales (food service fund) totaled \$281,000 during the current year as compared to \$255,000 during the fiscal year ended June 30, 2017.
- The District received approximately \$722,000 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 (\$9.2 million) were financed by state aid and real property taxes.

Figure A-3 – Condensed Statement of Net Position

Prattsburgh Central School District Condensed Statement of Net Position (in thousands of dollars)			
	Governmental Activities and Total District-wide		
	2018	2017	% Change
Assets			
Current and other assets	\$ 5,447	\$ 5,009	9%
Capital assets	17,155	15,424	11%
Total assets	22,602	20,433	11%
Deferred outflows of resources			
Deferred outflows related to pension and OPEB	2,345	1,941	21%
Total assets and deferred outflows of resources	\$ 24,947	\$ 22,374	11%
Liabilities			
Other liabilities	\$ 2,685	\$ 773	248%
Long-term liabilities	26,307	11,622	126%
Total liabilities	28,992	12,395	134%
Deferred inflows of resources			
Deferred inflows related to pension and OPEB	3,061	85	3487%
Deferred inflows of resources and liabilities	32,053	12,480	157%
Net position			
Net investment in capital assets	11,241	10,482	7%
Restricted	2,045	2,004	2%
Unrestricted (deficit)	(20,392)	(2,592)	687%
Total net position (deficit)	(7,106)	9,894	-172%
Total liabilities, deferred inflows and net position	\$ 24,947	\$ 22,374	11%

Figure A-4 – Changes in Net Position

Prattsburgh Central School District 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	\$ 62	\$ 84	-27%
Operating grants and contributions	660	631	5%
General revenue			
Real property taxes	2,617	2,667	-2%
Use of money & property	27	8	223%
State sources	6,421	6,798	-6%
Federal sources	27	52	-47%
Miscellaneous	191	160	19%
Total revenue	10,005	10,400	-4%
Expenses			
General support	1,426	1,236	15%
Instruction	7,229	7,757	-7%
Transportation	831	932	-11%
Debt service - interest	189	167	13%
Cost of sales	281	255	10%
Total expenses	9,956	10,347	-4%
Change in net position	\$ 49	\$ 53	

Figure A-5 – Sources of Revenue

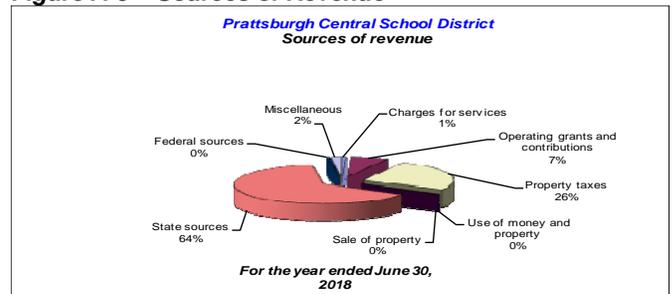


Figure A-6 - Expenses

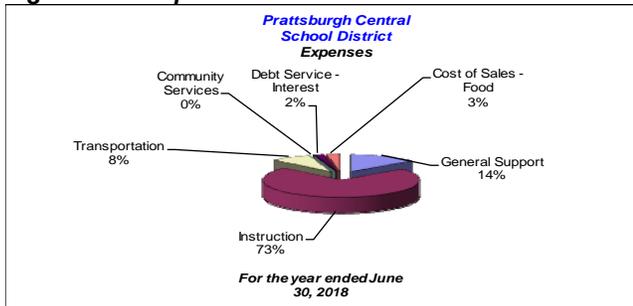


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District	
	2018	2017
Expenditures supported with general revenue (from taxes & other sources)	\$ 9,234 93%	\$ 9,632 93%
Expenditures supported with program revenue	722 7%	715 7%
Total expenditures related to governmental activities	\$ 9,956 100%	\$ 10,347 100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2018	2017	Change	2018	2017	Change
General support	\$ 1,426	\$ 1,236	\$ 190	\$ 1,426	\$ 1,236	\$ 190
Instruction	7,229	7,757	(528)	6,771	7,290	(519)
Transportation	831	932	(101)	831	932	(101)
Debt service - interest	189	167	22	189	167	22
Cost of sales - food	281	255	26	17	7	10
Total	\$ 9,956	\$ 10,347	\$ (391)	\$ 9,234	\$ 9,632	\$ (398)

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

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

Debt liabilities for the funds' projects and capital assets purchased by the funds. 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 \$57,000.
- The District's general fund unassigned fund balance equated to approximately \$1,557,000 as of June 30, 2018.
- The District established many fund balance reserves during the year ended June 30, 2018, and had a total restricted fund balance approximated \$1,426,000.
- The District's total assets increased approximately \$41,000 as of June 30, 2018 primarily as the result of an increase in cash and investments. The District's liabilities decreased approximately \$16,000, as a result of a decrease in accrued retirement systems liability. Total revenue in the District's general fund decreased \$426,000, which was primarily related to a decrease in State aid, taxes and BOCES aid. Total expenditures in the District's general fund decreased \$223,000 primarily related to a decrease in the transfer to the capital project fund.

Food Service Fund

- The District's food service fund experienced a \$17,000 decrease in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$264,000 during 2018 as compared with \$248,000 in 2017. Expenditures increased approximately \$26,000 as compared to the prior year.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$25,000 or 6% which was primarily related to a decrease in the Title IIA allocation and summer school and which was partially offset by an increase in Title I funding.

Capital Projects Fund

- The District had expenditures in the amount of \$2,277,000 in capital projects during the year ended June 30, 2018, which was primarily related to costs associated with the District's capital outlay project and \$3.1 million renovation project.

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

VI. General Fund Budgetary Highlights

Over the course of the year, the District makes many budget transfers, which is the common method utilized to manage the budget throughout the year. Actual expenditures were approximately \$708,000 below the revised budget. The most significant positive variances were in the area of transportation, instruction and employee benefits which totaled \$126,000, \$295,000 and \$266,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$86,000 above the final budgeted amount. Significant variances of revenue items consisted of local sources which were approximately \$66,000 above that budgeted.

Figure A-9 – Budget vs. Actual Comparison

Prattsburgh Central School District General Fund - Budget vs Actual Comparison (in thousands of dollars)				
	Revised Budget	Actual	Difference	%
Revenue				
Local sources	\$ 2,777	\$ 2,843	\$ 66	2%
State sources	6,414	6,421	7	0%
Federal sources	15	27	12	83%
Total revenue	\$ 9,206	\$ 9,291	\$ 86	1%
Expenditures				
General support	\$ 1,092	\$ 1,057	\$ 35	3%
Instruction	4,308	4,013	295	7%
Transportation	863	737	126	15%
Community services	1	-	1	100%
Employee benefits	2,193	1,927	266	12%
Debt service	1,386	1,394	(8)	-1%
Operating transfers	100	107	(7)	-7%
Total expenditures	\$ 9,943	\$ 9,235	\$ 708	7%

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2018, the District had invested approximately \$17,155,000 in a broad range of capital assets, including reconstruction projects, computer equipment, and other equipment. Capital additions made during the year ended June 30, 2018, totaled approximately \$2,277,000 and consisted primarily of the costs associated with the District's capital outlay project and renovation 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 \$26,307,000 in bonds, other post-employment benefits, net pension liability and retirement incentive, an increase of approximately \$14,685,000 as compared with the previous year. The decrease in bonds payable was the result of the District making regularly scheduled payments. The District had an increase in other post-employment benefits as a result of the implementation of GASB 75. Lastly, the net pension liability to the NYS Employees' Retirement System decreased during the current year, while the NYS Teachers' Retirement System was reported as a net pension liability in the prior year as compared with a net pension asset in the current year.

Figure A-10 – Capital Assets

Prattsburgh Central School District Capital Assets (net of depreciation)			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Land	\$ 79,403	\$ 79,403	0%
Buildings	22,618,593	22,518,593	0%
Construction in progress	2,528,613	351,720	619%
Equipment	2,027,733	2,027,733	0%
Accumulated depreciation	(10,098,930)	(9,553,347)	6%
Total Capital Assets, net	\$ 17,155,412	\$ 15,424,102	11%

Figure A-11 – Outstanding Long-term Debt

Prattsburgh Central School District Outstanding Long-Term Debt and Liabilities			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Bonds payable	\$ 4,570,000	\$ 5,275,000	-13%
Net pension liability - TRS & ERS	51,333	355,869	-86%
Other post-employment benefits	21,565,824	5,871,144	267%
Retirement incentive	120,000	120,000	0%
Total Long-Term Debt	\$ 26,307,157	\$ 11,622,013	126%

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:

- In May 2017, the District's voter's approved a \$3.1 million capital project. The District is in the final phases of the project.

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:

Prattsburgh Central School District
Attention: Mr. Jeffrey Black, Superintendent
One Academy Street
Prattsburgh , New York 14873

PRATTSBURGH CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
AS OF JUNE 30, 2018

Schedule 1

Page 10

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 1,706,490	\$ 2,382,092
Restricted Cash	-	2,003,891
Investments	2,103,519	-
Restricted investments	1,064,600	-
Receivables		
State and federal aid	184,054	212,269
Other receivables	848	431
Due from other governments	226,625	384,281
Due from other fiduciary funds	23,692	18,151
Inventories	7,652	8,065
Net pension asset - NYS Teachers' Retirement System	127,372	-
Capital assets, net	17,155,412	15,424,102
Total assets	<u>22,600,264</u>	<u>20,433,282</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	1,880,337	1,940,514
Deferred outflows related to OPEB	466,077	-
Total assets and deferred outflows of resources	<u>\$ 24,946,678</u>	<u>\$ 22,373,796</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 446,689	\$ 388,250
Accrued liabilities	27,903	25,402
Accrued interest	5,009	5,661
Due to other governments	100	123
Due to retirement systems	299,641	353,106
Bond anticipation notes payable	1,905,000	-
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	730,000	705,000
Portion due or payable after one year		
Bonds payable	3,840,000	4,570,000
Net pension liability - NYS Employees' Retirement System	51,333	175,075
Net pension liability - NYS Teachers' Retirement System	-	180,794
Other post-employment benefit	21,565,824	5,871,144
Retirement incentive	120,000	120,000
Total liabilities	<u>28,991,499</u>	<u>12,394,555</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	523,963	85,325
Deferred inflows related to OPEB	2,537,017	-
Total liabilities and deferred inflows of resources	<u>32,052,479</u>	<u>12,479,880</u>
Net Position		
Net investment in capital assets	11,240,954	10,481,537
Restricted	2,045,453	2,003,891
Unrestricted (deficit)	<u>(20,392,208)</u>	<u>(2,591,512)</u>
Total net position (deficit)	<u>(7,105,801)</u>	<u>9,893,916</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 24,946,678</u>	<u>\$ 22,373,796</u>

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

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

Schedule 2

Page 11

					2018	2017
	Expenses	Indirect Expenses Allocation	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs						
General support	\$ 1,333,751	\$ 92,091	\$ -	\$ -	\$ (1,425,842)	\$ (1,236,235)
Instruction	6,840,988	388,258	41,609	416,096	(6,771,541)	(7,289,031)
Pupil transportation	766,049	65,234	-	-	(831,283)	(932,214)
Debt service	188,573	-	-	-	(188,573)	(166,818)
Food service program	280,699	-	19,894	244,006	(16,799)	(7,474)
Depreciation	545,583	(545,583)	-	-	-	-
Total functions and programs	<u>\$ 9,955,643</u>	<u>\$ -</u>	<u>\$ 61,503</u>	<u>\$ 660,102</u>	<u>(9,234,038)</u>	<u>(9,631,772)</u>
General Revenues						
Real property taxes					2,616,831	2,667,106
Use of money and property					26,606	8,246
Miscellaneous					191,247	160,467
State sources					6,420,794	6,797,564
Federal sources					27,493	51,831
Total general revenues					<u>9,282,971</u>	<u>9,685,214</u>
Change in net assets					48,933	53,442
Net position - beginning of year					9,893,916	9,840,474
Prior period adjustment					<u>(17,048,650)</u>	-
Net position - end of year					<u>\$ (7,105,801)</u>	<u>\$ 9,893,916</u>

PRATTSBURGH 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	\$ 786,841	\$ 295,814	\$ 60,404	\$ -	\$ -	\$ 1,143,059	\$ 1,921,201
Restricted cash	-	-	-	3,466	559,965	563,431	2,464,782
Investments	2,103,519	-	-	-	-	2,103,519	-
Restricted Investments	277,367	-	-	587,233	200,000	1,064,600	-
Due from other funds	452,271	-	99,245	29,166	-	580,682	505,828
State and federal aid receivable	106,502	77,552	-	-	-	184,054	212,269
Other receivables	848	-	-	-	-	848	431
Due from other governments	226,625	-	-	-	-	226,625	384,281
Inventories	-	-	7,652	-	-	7,652	8,065
Total assets	<u>\$ 3,953,973</u>	<u>\$ 373,366</u>	<u>\$ 167,301</u>	<u>\$ 619,865</u>	<u>\$ 759,965</u>	<u>\$ 5,874,470</u>	<u>\$ 5,496,857</u>
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 262,158	\$ -	\$ 5,851	\$ -	\$ 178,680	\$ 446,689	\$ 388,250
Accrued liabilities	24,319	1,517	2,067	-	-	27,903	25,402
Bond anticipation notes payable	-	-	-	-	1,905,000	1,905,000	-
Due to other funds	107,650	371,849	56,748	-	20,743	556,990	487,677
Due to other governments	-	-	100	-	-	100	123
Due to Teachers' Retirement System	282,272	-	-	-	-	282,272	333,310
Due to Employees' Retirement System	17,369	-	-	-	-	17,369	19,796
Total liabilities	<u>693,768</u>	<u>373,366</u>	<u>64,766</u>	<u>-</u>	<u>2,104,423</u>	<u>3,236,323</u>	<u>1,254,558</u>
Fund Equity							
Nonspendable	-	-	7,652	-	-	7,652	8,065
Restricted	1,425,588	-	-	619,865	-	2,045,453	2,003,891
Assigned	277,367	-	94,883	-	-	372,250	1,179,452
Unassigned (Deficit)	1,557,250	-	-	-	(1,344,458)	212,792	1,050,891
Total fund equity (Deficit)	<u>3,260,205</u>	<u>-</u>	<u>102,535</u>	<u>619,865</u>	<u>(1,344,458)</u>	<u>2,638,147</u>	<u>4,242,299</u>
Total liabilities and fund equity	<u>\$ 3,953,973</u>	<u>\$ 373,366</u>	<u>\$ 167,301</u>	<u>\$ 619,865</u>	<u>\$ 759,965</u>	<u>\$ 5,874,470</u>	<u>\$ 5,496,857</u>

PRATTSBURGH 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)	(Memo only)
						Total	Total
Revenue							
Real property taxes	\$ 2,616,831	\$ -	\$ -	\$ -	\$ -	\$ 2,616,831	\$ 2,667,106
Charges for services	41,609	-	-	-	-	41,609	33,444
Use of money and property	20,561	-	90	5,955	-	26,606	8,246
Miscellaneous	164,465	-	13	26,782	-	191,260	160,482
State sources	6,420,794	107,044	28,858	-	-	6,556,696	6,963,827
Federal sources	27,493	309,052	201,454	-	-	537,999	501,789
Surplus food	-	-	13,694	-	-	13,694	14,981
Sales (school food service)	-	-	19,881	-	-	19,881	50,327
Total revenue	9,291,753	416,096	263,990	32,737	-	10,004,576	10,400,202
Expenditures							
General support	1,056,981	-	63,521	-	-	1,120,502	1,007,011
Instruction	4,012,965	416,096	-	-	-	4,429,061	4,178,641
Pupil transportation	737,269	6,894	-	-	-	744,163	839,604
Employee benefits	1,926,706	-	39,347	-	-	1,966,053	2,015,690
Debt service							
Principal	1,205,000	-	-	-	-	1,205,000	1,135,000
Interest	189,225	-	-	-	-	189,225	168,044
Capital outlay	-	-	-	-	2,276,893	2,276,893	451,720
Cost of sales	-	-	116,626	-	-	116,626	87,212
Other expenses	-	-	61,205	-	-	61,205	71,912
Total expenditures	9,128,146	422,990	280,699	-	2,276,893	12,108,728	9,954,834
Excess (deficiency) of revenue over expenditures	163,607	(6,894)	(16,709)	32,737	(2,276,893)	(2,104,152)	445,368
Other sources and uses							
BANS redeemed from appropriations	-	-	-	-	500,000	500,000	-
Operating transfers in	-	6,894	-	-	100,000	106,894	658,171
Operating transfers out	(106,894)	-	-	-	-	(106,894)	(658,171)
Total other sources (uses)	(106,894)	6,894	-	-	600,000	500,000	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	56,713	-	(16,709)	32,737	(1,676,893)	(1,604,152)	445,368
Fund equity, beginning of year	3,203,492	-	119,244	587,128	332,435	4,242,299	3,796,931
Fund equity (deficit), end of year	\$ 3,260,205	\$ -	\$ 102,535	\$ 619,865	\$ (1,344,458)	\$ 2,638,147	\$ 4,242,299

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

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	Total 6/30/2018	(Memo only) Total 6/30/2017
Assets				
Cash	\$ 8,833	\$ 99,479	\$ 108,312	\$ 145,448
Investments	31,350	-	31,350	-
Total assets	\$ 40,183	\$ 99,479	\$ 139,662	\$ 145,448
Liabilities				
Accrued liabilities	\$ -	\$ 20,381	\$ 20,381	\$ 7,698
Due to other funds	-	23,692	23,692	18,151
Student extraclassroom activity funds	-	55,406	55,406	78,755
Total liabilities	-	99,479	99,479	104,604
Net position				
Reserved for scholarships	40,183	-	40,183	40,844
Total liabilities and net position	\$ 40,183	\$ 99,479	\$ 139,662	\$ 145,448

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

Schedule 6

Page 15

	6/30/2018	(Memo only)	6/30/2017
	6/30/2018		6/30/2017
Additions			
Gifts and contributions	\$ 6,788	\$	32,500
Interest earnings	581		8
Total additions	7,369		32,508
Deductions			
Scholarships awarded	8,030		8,083
Change in net position	(661)		24,425
Net position - beginning of year	40,844		16,419
Net position - end of year	\$ 40,183	\$	40,844

**PRATTSBURGH 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 \$ 2,638,147

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	\$ 27,254,342	
Accumulated depreciation	<u>(10,098,930)</u>	17,155,412

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.	127,372
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(5,009)
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Net 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.	1,356,374
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Net 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.	(2,070,940)
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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	(4,570,000)	
Net pension liability - ERS	(51,333)	
Other post-employment benefits	(21,565,824)	
Retirement Incentives	<u>(120,000)</u>	<u>(26,307,157)</u>

Total net position - governmental activities \$ (7,105,801)

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 1,706,490	\$ -	\$ -	\$ -	\$ 1,706,490
Investments	2,103,519	-	-	-	2,103,519
Restricted investments	1,064,600	-	-	-	1,064,600
Due from other funds	580,682	-	-	(556,990)	23,692
State and federal aid receivable	184,054	-	-	-	184,054
Other receivables	848	-	-	-	848
Due from other governments	226,625	-	-	-	226,625
Inventories	7,652	-	-	-	7,652
Net pension asset - NYS Teachers' Retirement System	-	127,372	-	-	127,372
Capital assets, net	-	17,155,412	-	-	17,155,412
Total assets	5,874,470	17,282,784	-	(556,990)	22,600,264
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	1,880,337	-	-	1,880,337
Deferred outflows related to OPEB	-	466,077	-	-	466,077
Total assets and deferred outflows of resources	\$ 5,874,470	\$ 19,629,198	\$ -	\$ (556,990)	\$ 24,946,678
Liabilities and Fund Equity/Net Position (deficit)					
Liabilities					
Accounts payable	\$ 446,689	\$ -	\$ -	\$ -	\$ 446,689
Accrued liabilities	27,903	-	-	-	27,903
Accrued interest	-	-	5,009	-	5,009
Due to other funds	556,990	-	-	(556,990)	-
Due to other governments	100	-	-	-	100
Due to retirement systems	299,641	-	-	-	299,641
Bond anticipation notes payable	1,905,000	-	-	-	1,905,000
Bonds payable	-	-	4,570,000	-	4,570,000
Net pension liability - NYS Employees' Retirement System	-	-	51,333	-	51,333
Other post-employment benefits	-	-	21,565,824	-	21,565,824
Compensated absences	-	-	120,000	-	120,000
Total liabilities	3,236,323	-	26,312,166	(556,990)	28,991,499
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	523,963	-	-	523,963
Deferred inflows related to OPEB	-	2,537,017	-	-	2,537,017
Total liabilities and deferred inflows of resources	3,236,323	3,060,980	26,312,166	(556,990)	32,052,479
Fund equity/net position (deficit)	2,638,147	16,568,218	(26,312,166)	-	(7,105,801)
Total liabilities, deferred inflows of resources and fund equity/net position (deficit)	\$ 5,874,470	\$ 19,629,198	\$ -	\$ (556,990)	\$ 24,946,678

PRATTSBURGH 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 \$ (1,604,152)

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	\$ 2,276,893	
Depreciation expense	<u>(545,583)</u>	1,731,310

Repayment of bond principal, including payment towards the refunding of bonds, 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 assets. 1,205,000

Bond anticipation notes redeemed from appropriations is recorded as other sources in the governmental funds, whereas the repayment reduces short-term liabilities in the statement of net assets. (500,000)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus required the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 652

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts from changes in proportion are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans. (66,907)

District's proportionate share of actuarial calculated OPEB expense and net amortization of deferred amounts from changes in proportion are recorded in the statement of activities, whereas in the governmental funds OPEB expense is based on District's required contribution to OPEB plans. (716,970)

Change in net position of governmental activities \$ 48,933

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 2,616,831	\$ -	\$ -	\$ -	\$ 2,616,831
Charges for services	41,609	-	-	(41,609)	-
Use of money and property	26,606	-	-	-	26,606
Miscellaneous	191,260	-	-	(13)	191,247
State sources	6,556,696	-	-	(135,902)	6,420,794
Federal sources	537,999	-	-	(510,506)	27,493
Surplus food	13,694	-	-	(13,694)	-
Sales (school food service)	19,881	-	-	(19,881)	-
Total revenue	10,004,576	-	-	(721,605)	9,282,971
Expenditures					
General support	1,120,502	92,091	-	213,249	1,425,842
Instruction	4,429,061	388,258	716,970	1,237,252	6,771,541
Pupil transportation	744,163	65,234	-	21,886	831,283
Employee benefits	1,966,053	-	66,907	(2,032,960)	-
Debt service	1,394,225	-	(1,205,652)	-	188,573
Capital outlay	2,276,893	(2,276,893)	-	-	-
Cost of sales	116,626	-	-	(99,827)	16,799
Other expenses	61,205	-	-	(61,205)	-
Total expenditures	12,108,728	(1,731,310)	(421,775)	(721,605)	9,234,038
Excess (deficiency) of revenue over expenditures	(2,104,152)	1,731,310	421,775	-	48,933
Other sources and uses					
BANs redeemed from appropriations	500,000	-	(500,000)	-	-
Operating transfers in	106,894	-	-	(106,894)	-
Operating transfers out	(106,894)	-	-	106,894	-
Total other sources (uses)	500,000	-	(500,000)	-	-
Net change for year	\$ (1,604,152)	\$ 1,731,310	\$ (78,225)	\$ -	\$ 48,933

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

The accompanying financial statements of the *Prattsburgh 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 *Prattsburgh 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 *Prattsburgh Central School District* is a component of the Supervisory District of the Steuben and Allegany Counties 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 \$1,260,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$623,000 for the year ended June 30, 2018. Financial statements for the Steuben and Allegany Counties BOCES are available at the BOCES administrative offices.

C. Basis of Presentation

1. District-wide Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

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

2. Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

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 historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	50 years
Improvements	\$ 5,000	Straight-line	50 years
Furniture and equipment	\$ 2,000	Straight-line	5 years
Transportation vehicles	\$ 2,000	Straight-line	5 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. Retirement Incentive

Retirement Incentive Pay - certain of the District's employee groups have negotiated retirement incentive benefits payable based on accumulated years of service with the District. Generally the employee must have accumulated minimum years of service with the District and must be eligible for retirement under the provisions of either the teacher or employee retirement systems. The District has recorded an estimated liability in the District-wide financial statement amounting to \$120,000 to recognize the cost of the incentive benefits for those employees eligible to receive such a benefit. Payment of these benefits is dependent on many factors, therefore, the timing of future payments is not readily determinable.

The District believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for retirement incentives is calculated at rates in effect as of the financial position date and is recorded in the district-wide financial statements for those employees who are currently eligible for the benefit.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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. 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.

L. Deferred Inflows and Outflows of Resources

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Deferred Inflows and Outflows of Resources (continued)

contributions to the pension systems not included in pension expense. The second item relates to OPEB reporting in the District-wide Statement of Net Position. This represents the actuarial differences that are deferred and amortized.

M. Post-Employment Benefits

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

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:

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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

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 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. Employee Retirement Contribution Reserve

This reserve is used to accumulate funds for employee retirement system contributions. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

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. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

5. Tax Certiorari Reserve

Tax Certiorari Reserve is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amounts which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeding in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

6. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payment from the reserve. This reserve is accounted for in the General Fund.

7. Reserve for Repairs

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 hearing with the approval of two-thirds of the Board of Education. The emergency expenditure must be repaid within the next two succeeding years. This reserve is accounted for in the General Fund.

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.

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

N. Fund Equity (continued)

1. Governmental Funds (continued)

C. Committed

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

D. Assigned

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

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Reserve for encumbrances as of June 30, 2018 totaled \$24,969.

2. Appropriated Fund Equity

General Fund - The amount of \$252,398 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.

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

N. Fund Equity (continued)

2. Government-wide financial statements

A. Invested in Capital Assets, Net of Related Debt

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

B. Restricted

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

C. Unrestricted

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

3. Order of Fund Balance Spending Policy

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Budget Basis for Accounting

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 resident is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

Q. Interfund Transfers

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

R. Deferred Compensation Plan

Prattsburgh 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.

T. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

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

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

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

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

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

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

1. Long-term Revenue Differences

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

2. Capital Related Differences

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

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

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

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 and Investments

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

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

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

A. Deposits

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

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

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash and Investments (continued)

A. Deposits (continued)

Total financial institution (bank) balances at June 30, 2018 per the bank were approximately \$4,112,000. Deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$307,000	\$ 3,805,000	\$ -	\$ 4,112,000

B. Investments

Investments are stated at current market value and are categorized as either:

- (1) Insured or registered, or investments are held by the School District or by the School District's agent in the School District's name.
- (2) Uninsured and unregistered, with the investments held by the financial institutions trust department in the School District's name.
- (3) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

Fund	Description	Amount
General	U.S. Treasury Bills	\$ 2,380,886
Capital	U.S. Treasury Bills	200,000
Debt Service	U.S. Treasury Bills	587,233
Agency	U.S. Treasury Bills	31,350
		<u>\$ 3,199,469</u>

These investments are held in the School District's name. The market value of the investments as of June 30, 2018 is based on unadjusted quoted prices in active markets for identical assets and liabilities.

II. Interfund Transactions

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

	Interfund Receivable	Interfund Payable
General Fund	\$ 452,271	\$ 107,650
Food Service Fund	99,245	56,748
Special Aid Fund	-	371,849
Debt Service Fund	29,166	-
Capital Fund	-	20,743
Fiduciary Funds	-	23,692
Total	<u>\$ 580,682</u>	<u>\$ 580,682</u>
	Interfund Revenue	Interfund Expenditures
Capital Projects Fund	\$ 100,000	\$ -
Special Aid Fund	6,894	-
General Fund	-	106,894
Total	<u>\$ 106,894</u>	<u>\$ 106,894</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

II. Interfund Transactions (continued)

During the year ended June 30, 2018, the District transferred \$100,000 from the general fund to the capital project fund to pay for costs associated with the capital outlay project. The District also transferred \$6,894 from the general fund to the special aid fund towards the local share of the summer school program.

III. Receivables

Receivables at June 30, 2018 consisted of the following and management has deemed the amounts to be fully collectible.

Fund	Description	Amount
Special Aid	State and Federal Aid	\$ 77,552
Food Service	State and Federal Aid	-
Food Service	Other Receivables	-
General	State and Federal Aid	106,502
General	Due from Other Governments	226,625
General	Other Receivables	848
		<u>\$ 411,527</u>

IV. Capital Assets

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

	Beginning Balance 06/30/17	Net change	Ending Balance 06/30/18
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 79,403	\$ -	\$ 79,403
Construction-in-progress	351,720	2,176,893	2,528,613
Capital assets that are depreciated:			
Buildings and improvements	22,518,593	100,000	22,618,593
Furniture and equipment	2,027,733	-	2,027,733
Total depreciable historical cost	<u>24,546,326</u>	<u>100,000</u>	<u>24,646,326</u>
Less accumulated depreciation:			
Buildings and improvements	7,549,874	532,716	8,082,590
Furniture and equipment	2,003,473	12,867	2,016,340
Total accumulated depreciation	<u>9,553,347</u>	<u>\$ 545,583</u>	<u>10,098,930</u>
Total net book value	<u>\$15,424,102</u>		<u>\$17,155,412</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Capitals Assets (continued)

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

General support	\$ 92,091
Instruction	388,258
Pupil transportation	65,234
	<u>\$ 545,583</u>

The District had capital additions in the amount of \$2,276,893.

V. Liabilities

A. Pension Plans

1. Plan Descriptions and Benefits Provided

a. Teachers' Retirement System (ERS)

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

b. Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits.

NOTE 3 – DETAIL ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

b. Employees' Retirement System (ERS)

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. 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 by writing to the NYS 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 NYS Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

2. Contributions (continued)

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	\$ 263,000	\$ 51,000
2017	311,000	78,000
2016	345,000	94,000

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

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

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

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

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)	\$ (51,333)	\$ 127,372
District's portion of the Plan's total net pension liability	.0015905%	.016757%

For the year ended June 30, 2018, the District's recognized pension expense of \$64,321 for ERS and \$331,713 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	\$ 18,309	\$ 104,796	\$ 15,130	\$ 49,661
Changes of assumptions	34,038	1,296,032	-	-
Net difference between projected and actual earnings on pension plan investments	74,557	-	147,168	299,997
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	13,616	58,604	12,007	-
District's contributions subsequent to the measurement date	17,369	263,016	-	-
Total	\$ 157,889	\$ 1,722,448	\$ 174,305	\$ 349,658

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

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

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension 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	\$	30,620	\$	303,976
2020		10,241		354,375
2021		(38,143)		256,863
2022		(19,134)		72,400
2023		-		256,149
Thereafter		-		129,027

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
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	2.5%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

4. Actuarial Assumptions (continued)

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

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

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

Measurement date	ERS 3/31/18	Expected Rate of Return	TRS 6/30/17	Expected Rate of Return
Asset Type:				
Domestic Equity	36%	4.55%	35%	5.9%
International Equity	14%	6.35%	18%	7.4%
Private Equity	10%	7.50%	8%	9.0%
Real Estate	10%	5.55%	11%	4.3%
Absolute return strategies	2%	3.75%	-%	-%
Opportunistic portfolio	3%	5.68%	-%	-%
Real assets	3%	5.29%	-%	-%
Domestic fixed income securities	-%	-%	16%	1.6%
Global fixed income securities	-%	-%	2%	1.3%
High-yield fixed income	-%	-%	1%	3.9%
Bonds and Mortgages	17%	1.31%	8%	2.8%
Cash	1%	(.25%)	1%	.1%
Inflation-indexed bonds	4%	1.5%	-%	-%
Total:	100%		100%	

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

5. Discount Rate

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

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

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

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension asset/ (liability)	\$ (388,398)	\$ (51,333)	\$ 233,811
TRS			
Employer's proportionate share of the net pension asset/ (liability)	\$ (2,194,238)	\$ 127,372	\$ 2,071,605

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

7. Pension Plan Fiduciary Net Position

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

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 \$17,369.

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 \$282,272 (employer contribution \$263,016 and employee contributions of \$19,256).

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits

Plan Description

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

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB 75. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 15 years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

The following table summarizes the District's annual OPEB cost for 2018, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Service Cost	\$ 981,035
Interest	690,768
Differences between expected and actual experience	-
Changes in assumptions	(2,537,017)
Benefit payments	<u>(488,756)</u>
Net changes	(1,353,970)
Net OPEB liability – beginning of year (as previously stated)	5,871,144
Prior period adjustment (see note 5)	<u>17,048,650</u>
Net OPEB liability – end of year	<u>\$ 21,565,824</u>

Changes in assumptions reflect a change in the discount rate from 2.92% as of July 1, 2016 to 3.56% as of June 30, 2017. Also, health care costs were revised based off of the SOA Long Term Healthcare Cost Trend Model v2018_c. For mortality, the tables were adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2017 mortality improvement scale on a fully generational basis.

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

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

	1% Decrease (2.56%)	Current Assumption (3.56%)	1% Increase (4.56%)
Total OPEB liability	<u>\$ 25,709,240</u>	<u>\$ 21,565,824</u>	<u>\$ 18,282,532</u>

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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 (9.5%-4%)	Current Assumption (10.5%-5%)	1% Increase (11.5%-6%)
Total OPEB liability	\$ 17,780,620	\$ 21,565,824	\$ 26,557,310

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,671,803. 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	\$ -	\$ 2,537,017
Benefit Payments Subsequent to the Measurement Date	466,077	-
Total	\$ 466,077	\$ 2,537,017

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	\$ 178,107
2020	(287,970)
2021	(287,970)
2022	(287,970)
2023	(287,970)
Thereafter	(1,097,167)

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

The District may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. 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. During the year ended June 30, 2018, the District issued BAN's on July 18, 2017 in the amount of \$2,405,000 that matured on June 28, 2018 and carried interest at 2.25%. The BAN was renewed for \$1,905,000 and the District paid \$500,000 of principle on the BAN.

Description	Outstanding June 30, 2018
Bond anticipation note, issued 6/28/18 with maturity date of 6/28/19, with an interest rate of 2.75%	\$1,905,000

b. Short-Term Debt Interest

Total interest incurred on short-term debt was \$51,107 for the year ended June 30, 2018.

2. Long-Term Debt

a. Debt Limit

At June 30, 2018, the total indebtedness represents approximately 38% 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.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Changes

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

	<u>Balance June 30, 2018</u>	<u>Balance June 30, 2017</u>
2014 Serial Bonds	\$ 2,615,000	\$ 2,825,000
2008 Serial Bonds	885,000	1,040,000
2014 Serial Bonds	1,070,000	1,410,000
Other post-employment benefits	21,565,824	5,871,144
Net pension liability	51,333	355,869
Retirement incentive	120,000	120,000
	<u>\$ 26,307,157</u>	<u>\$ 11,622,013</u>

During the year, the District made principal payments on its serial bonds in the amount of \$1,205,000. The District recorded additional post-employment benefits in the amount of \$17,048,650 related to implementation of GASB 75. The District's retirement incentives did not change during the current year. The net pension liability to the NYS Employees' Retirement System pension liability decreased \$123,744, while the NYS Teachers' Retirement System was a net pension liability in the prior year, as compared with an asset in the current year.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity

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

<u>Description of Issue</u>	<u>Outstanding at June 30, 2018</u>
Serial Bonds, issued in 2014 with a maturity date of 2030, with interest rates ranging from 1.75% - 3.25%.	\$ 2,615,000
Serial Bonds, issued in 2014 with a maturity date of 2021, with an interest rate of 2.0%. Proceeds used to refund Serial Bonds-2005.	1,070,000
Serial Bonds, issued in 2008 with a maturity date of 2023, with interest rates ranging from 3.5%-4.0%.	885,000
	<u>\$ 4,570,000</u>

2. The following is a summary of maturing debt service requirements for serial bonds and retirees' health insurance:

Year	<u>Serial Bonds – 2014 Construction Bond</u>	
	<u>Principal</u>	<u>Interest</u>
	2019	\$ 215,000
2020	225,000	61,531
2021	235,000	57,031
2022	240,000	52,331
2023	245,000	47,531
2024-2028	1,320,000	140,055
2029-2030	135,000	6,582
Total	<u>\$ 2,615,000</u>	<u>\$ 430,892</u>

Year	<u>Serial Bonds – 2014 Construction Bond</u>	
	<u>Principal</u>	<u>Interest</u>
	2019	\$ 350,000
2020	355,000	14,400
2021	365,000	7,300
Total	<u>\$ 1,070,000</u>	<u>\$ 43,100</u>

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity

Year	Serial Bonds – 2008 Construction Bond	
	Principal	Interest
	2019	\$ 165,000
2020	170,000	28,800
2021	175,000	22,000
2022	185,000	15,000
2023	190,000	7,600
Total	\$ 885,000	\$ 108,388

e. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$138,118 for the year ended June 30, 2018.

3. Refunding of Long-Term Debt

In prior years, the District defeased other general obligations and other bonds by placing the proceeds of new 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. Fund Equity

The District's fund equity is comprised of various components.

Category/Fund	Description	Balance June 30, 2018
Nonspendable:		
Food Service	Inventory	\$ 7,652
Restricted:		
General	Reserve for employee benefits	\$ 76,075
	Reserve for retirement system contributions	154,952
	Unemployment reserve	54,190
	Capital reserve	655,175
	Repair reserve	448,205
	Tax certiorari reserve	36,991
		<u>\$ 1,425,588</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity (continued)

A. Fund Equity (continued)

The District's fund equity is comprised of various components.

Debt Service	Reserve for debt service	\$ 619,865
Private Purpose Trusts	Reserve for endowment scholarships	\$ 40,183
Assigned:		
General	Reserve for encumbrances	\$ 24,969
	Appropriated fund equity	252,398
		<u>\$ 277,367</u>
Food Service	Assigned fund equity	\$ 94,883

B. Assigned – Appropriated Fund Balance

General Fund – The amount of \$252,398 has been designated as the amount estimated to be appropriated to reduce taxes for the year ended June 30, 2019 as allowed by Section 1318 of the Real Property Tax Law.

C. District-wide Net Position

Net position of the District includes restricted net position of \$2,045,453 which represent restricted amounts in the general and debt service funds as presented above.

D. Deficit Fund Balances

The District's capital project fund has an accumulated deficit in the amount of \$1,344,458 as of June 30, 2018. It is not uncommon for school districts to have deficit fund balances in the capital project funds as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or are 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 *Prattsburgh 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.

1. Risk Sharing Pools

The District participates in the Steuben-Allegany Area Schools Self-Insured Workers' Compensation Plan, a risk-sharing pool, to insure Worker's Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risk related to workers' compensation.

The *Prattsburgh Central School District* has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees.

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 litigation. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the District's financial position.

NOTE 4 - CAPITAL PROJECTS

On May 17, 2016, the voters of the District authorized a new capital project in the amount of \$3,102,000. The project includes general reconstruction to its school buildings. Total expenditures incurred during the years ended June 30, 2018 and June 30, 2017 were \$2,175,943 and \$352,671, respectively.

During the fiscal year ended June 30, 2018, the District also had costs associated with its current year capital outlay project in the amount of \$100,000 and \$950 of costs associated with the prior year capital outlay project.

NOTE 5 – PRIOR PERIOD ADJUSTMENTS

For the fiscal year ended June 30, 2018 the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45 Districts were required to amortize the OPEB liability over a period of years. The District has recorded a prior period adjustment in the amount of \$17,048,659 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 September 18, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PRATTSBURGH CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
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	\$ 2,656,960	\$ 2,606,960	\$ 2,606,960	\$ -
Real property tax items	4,000	4,000	9,871	5,871
Charges for services	23,500	23,500	41,609	18,109
Use of money and property	6,500	23,000	20,561	(2,439)
Miscellaneous	120,000	120,000	164,465	44,465
State Sources:				
Basic formula	5,795,828	5,883,837	5,890,011	6,174
BOCES	549,985	495,184	476,032	(19,152)
Textbooks	34,459	34,751	20,796	(13,955)
All other aid	-	-	33,955	33,955
Federal Sources:				
Medicaid reimbursement	15,000	15,000	27,493	12,493
Total revenue	9,206,232	9,206,232	9,291,753	85,521
Other Sources				
Operating transfer in	-	-	-	-
Total revenue and other sources	9,206,232	9,206,232	<u>\$ 9,291,753</u>	<u>\$ 85,521</u>
Appropriated fund equity and carryover encumbrances	525,289	735,838		
Total revenue, other sources and appropriated fund equity	<u>\$ 9,731,521</u>	<u>\$ 9,942,070</u>		

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 7,767	\$ 7,592	\$ 6,716	\$ -	\$ 876
Central administration	123,854	122,524	121,490	-	1,034
Finance	138,632	159,464	158,983	-	481
Staff	14,500	9,500	4,510	-	4,990
Central services	609,937	593,004	566,660	-	26,344
Special items	201,491	199,938	198,622	-	1,316
Instructional:					
Instruction, administration and improvement	158,552	158,002	157,848	-	154
Teaching - regular school	2,576,188	2,544,760	2,444,673	-	100,087
Programs for children with handicapping conditions	799,446	737,000	596,240	-	140,760
Occupational education	358,232	360,969	353,898	-	7,071
Instructional media	98,525	169,345	137,296	24,969	7,080
Pupil services	325,048	337,762	323,010	-	14,752
Pupil Transportation	861,789	862,749	737,269	-	125,480
Community services	1,000	1,000	-	-	1,000
Employee Benefits	2,192,641	2,192,641	1,926,706	-	265,935
Debt Service:					
Debt service principal	952,000	1,205,000	1,205,000	-	-
Debt service interest	211,919	180,820	189,225	-	(8,405)
Total expenditures	<u>9,631,521</u>	<u>9,842,070</u>	<u>9,128,146</u>	<u>24,969</u>	<u>688,955</u>
Other Uses:					
Transfer to other funds	100,000	100,000	106,894	-	(6,894)
Total other uses	<u>100,000</u>	<u>100,000</u>	<u>106,894</u>	<u>-</u>	<u>(6,894)</u>
Total expenditures and other uses	<u>\$ 9,731,521</u>	<u>\$ 9,942,070</u>	<u>9,235,040</u>	<u>\$ 24,969</u>	<u>\$ 682,061</u>
Excess of revenue and other sources over expenditures and other uses			<u>\$ 56,713</u>		

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

Schedule SS1A

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	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 6,962	\$ 28,858	\$ 21,896
Federal sources	197,809	201,454	3,645
Sales	41,902	19,881	(22,021)
Miscellaneous	32,142	13	(32,129)
Surplus food	18,000	13,694	(4,306)
Use of money and property	-	90	90
Total revenue	<u>296,815</u>	<u>263,990</u>	<u>(32,825)</u>
Expenditures			
General support	63,521	63,521	-
Employee benefits	47,908	39,347	8,561
Cost of sales	123,941	116,626	7,315
Other expenses	53,945	61,205	(7,260)
Total expenditures	<u>289,315</u>	<u>280,699</u>	<u>8,616</u>
Excess (deficiency) of revenue over expenditures	<u>7,500</u>	<u>(16,709)</u>	<u>(24,209)</u>
Other sources (uses)			
Transfer to general fund	(7,500)	-	7,500
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>(16,709)</u>	<u>\$ (16,709)</u>
Fund equity, beginning of year		<u>119,244</u>	
Fund equity, end of year		<u>\$ 102,535</u>	

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 9,731,521
Additions:	
Prior year encumbrances	210,549
Original Budget	9,942,070
Budget Revisions: Other	13,047
Final budget	<u>\$ 9,955,117</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	\$ 9,921,361
Maximum allowed (4% of 2018-19 budget)	\$ 396,854

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	277,367
Unassigned fund balance	1,557,250
Total unrestricted fund balance	<u>1,834,617</u>
Less:	
Appropriated fund balance	252,398
Encumbrances included in committed and assigned fund balance	24,969
Total adjustments	<u>277,367</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 1,557,250</u>
Actual percentage	<u>15.7%</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.

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

Schedule SS3

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Project Title	Original Appropriation	Revised Appropriation	Expenditures		Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2018	
			Prior Years	Current Year		Proceeds of Obligations	State Sources	Local Sources	Total		
Renovation project	\$ 3,102,000	\$ 3,102,000	\$ 362,539	\$ 2,175,943	\$ 2,538,482	\$ 563,518	\$ 2,405,000	\$ -	\$ 694,000	\$ 3,099,000	\$ 560,518
Upgrade	3,944,535	4,034,707	4,034,709	-	4,034,709	(2)	3,450,000	-	584,732	4,034,732	23
Capital Outlay -17-18	100,000	100,000	-	100,000	100,000	-	-	-	100,000	100,000	-
Capital Outlay -16-17	100,000	100,000	99,049	950	99,999	(1)	-	-	100,000	100,000	1
	<u>\$ 7,246,535</u>	<u>\$ 7,336,707</u>	<u>\$ 4,496,297</u>	<u>\$ 2,276,893</u>	<u>\$ 6,773,190</u>	<u>\$ 563,515</u>	<u>\$ 5,855,000</u>	<u>\$ -</u>	<u>\$ 1,478,732</u>	<u>\$ 7,333,732</u>	<u>560,542</u>
							Less: Bond anticipation notes outstanding				<u>(1,905,000)</u>
							Unassigned fund equity (deficit) as of June 30, 2018				<u>\$ (1,344,458)</u>

PRATTSBURGH 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	\$ 9,642	\$ 9,642	\$ 9,642
Universal Pre-kindergarten	0409-18-7488	2018	104,296	104,296	104,296
Food service fund - BOCES aid	N/A	2018	N/A	22,950	22,950
School summer school lunch program	N/A	2018	N/A	506	506
School breakfast programs	N/A	2018	N/A	2,397	2,397
School lunch programs	N/A	2018	N/A	3,005	3,005
			<u>\$ 113,938</u>	<u>\$ 142,796</u>	<u>\$ 142,796</u>

* Revenue includes interfund transfer of \$6,894 from the general fund which represents local share of expenditures.

PRATTSBURGH CENTRAL SCHOOL DISTRICT
NOTES TO 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 *Prattsburgh 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 *Prattsburgh 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 \$13,694 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.

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

Schedule SS4C

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
Passed through NYS					
Department of Education:					
Title I	84.010A	0021-18-2900	\$ 176,063	\$ 176,063	\$ 176,063
Title II, Part A	84.367A	0147-18-2900	24,890	24,890	24,890
Title VI - Part B - Rural Schools	84.358B	0006-17-2900	-	12,608	12,608
IDEA Part B, Section 611 *	84.027A	0032-18-0865	91,068	91,068	91,068
IDEA Part B, Section 619 *	84.173A	0033-18-0865	4,423	4,423	4,423
US Department of Agriculture:					
Passed through NYS					
Department of Education:					
National School Breakfast Program **	10.553	N/A	N/A	51,354	51,354
National School Lunch Program **	10.555	N/A	N/A	131,196	131,196
Summer Food Program **	10.559	N/A	N/A	12,444	12,444
Snack Program **	10.555	N/A	N/A	6,460	6,460
Passed through NYS					
Office of General Services:					
National School Lunch Program ** Noncash assistance (commodities)	10.555	N/A	N/A	13,694	13,694
Total expenditures and revenue				\$ 524,200	\$ 524,200

* Constitutes a cluster of Federal programs named Special Education Cluster with revenue and expenditures of \$ 95,491

** Constitutes a cluster of Federal programs named Child Nutrition Cluster with revenue and expenditures of 215,148

Note: Total expenditures of Federal Awards did not exceed \$750,000 and therefore a single audit was not required during the 2017-18 fiscal year in accordance with the Uniform Guidance.

PRATTSBURGH CENTRAL SCHOOL DISTRICT
SCHEDULE OF CAPITAL ASSETS NET OF RELATED DEBT
AS OF JUNE 30, 2018

Schedule SS5

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Capital Assets	\$ 17,155,412
Less:	
Serial bonds	(4,570,000)
Bond anticipation notes	(1,905,000)
Plus:	
Equity in capital project to be used towards capital	<u>560,542</u>
Investment in capital assets, net of related debt	<u>\$ 11,240,954</u>

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

Schedule SS6

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As of the measurement date of July 1,	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 981,035
Interest	690,768
Differences between expected and actual experience	-
Changes in assumptions	(2,537,017)
Benefit payments	<u>(488,765)</u>
Net change in total OPEB liability	(1,353,979)
Total OPEB liability - beginning	5,871,144
Prior period adjustment	17,048,659
Total OPEB liability - ending	<u><u>\$ 21,565,824</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 488,765
Net investment income	-
Benefit payments	<u>(488,765)</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<u><u>\$ -</u></u>
District's net OPEB liability	<u><u>\$ 21,565,824</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered-employee payroll	\$ 1,299,714
District's net OPEB liability as a percentage of covered-employee payroll	1659%
Notes to Schedule:	
Benefit Changes: None	
Changes in assumptions: Discount rate changes - 2.92% to 3.56% effective July 1, 2017	
Salary scale changes from 3.0% to 3.25%	

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

Schedule SS7

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For the year ended June 30,	<u>2018</u>
Actuarially determined contributions	\$ 488,765
Contributions in relation to the actuarially determined contribution	<u>(488,765)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 1,299,714
Contributions as a percentage of District's covered-employee payroll	37.61%

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.56% as of June 30, 2017 and 2.92% as of July 1, 2016
Inflation	2.37% per year
Healthcare cost trend rates	2018 - 6.2%. Rates expected to decrease each year thereafter with an ultimate rate of 4.23% after 2070.
Salary increases	3% per year
Mortality	RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2017 For instructional, business administrator and principals retired before 2005 to current, the percentage relating to benefits varies from 3% to 7%. For non-instructional employees, hired full-time before 2001 to current, the percentage relating to benefits varies from 7% to 11.5%.
Retiree Cost Sharing Participants	139 Active and 3 Retirees

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

Schedule SS8

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New York State Teachers' Retirement System

For the year ended June 30,	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 263,017	\$ 311,221	\$ 345,395	\$ 466,951	\$ 430,805	\$ 329,494
Contributions in relation to the contractually required contribution	(263,017)	(311,221)	(345,395)	(466,951)	(430,805)	(329,494)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,683,847	\$ 2,655,469	\$ 2,604,789	\$ 2,663,725	\$ 2,651,108	\$ 2,782,889
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	\$ 51,331	\$ 77,921	\$ 94,087	\$ 91,268	\$ 108,063	\$ 91,896
Contributions in relation to the contractually required contribution	(51,331)	(77,921)	(94,087)	(91,268)	(108,063)	(91,896)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 466,927	\$ 541,029	\$ 516,051	\$ 500,893	\$ 511,473	\$ 506,494
Contributions as a percentage of District's covered-employee payroll	10.99%	14.40%	18.23%	18.22%	21.13%	18.14%

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

Schedule SS9

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

As of the measurement date of June 30,	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset (liability)	n/a	0.016757%	0.016880%	0.017733%	0.017947%	0.018999%
District's proportionate share of the net pension asset (liability)	n/a	\$ 127,372	\$ (180,794)	\$ 1,841,884	\$ 1,999,226	\$ 125,059
District's covered-employee payroll	n/a	\$ 2,655,469	\$ 2,604,789	\$ 2,663,725	\$ 2,651,108	\$ 2,782,889
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 Liability

As of the measurement date of March 31,	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset (liability)	0.0015905%	0.0018633%	0.0018397%	0.0018401%	n/a	n/a
District's proportionate share of the net pension asset (liability)	\$ (51,333)	\$ (175,075)	\$ (295,276)	\$ (62,163)	\$ (83,152)	n/a
District's covered-employee payroll	\$ 466,927	\$ 541,029	\$ 516,051	\$ 500,893	\$ 511,473	n/a
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	-10.99%	-32.36%	-57.22%	-12.41%	-16.26%	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

See accompanying independent auditor's report.

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

**To the President and
Members of the Board of Education
Prattsburgh Central School District
Prattsburgh , 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 *Prattsburgh Central School District* as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise *Prattsburgh Central School District's* basic financial statements and have issued our report thereon dated September 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered *Prattsburgh 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 *Prattsburgh Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Prattsburgh Central School District* internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. There can be no assurance that deficiencies, significant deficiencies and material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2018-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Prattsburgh 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.

Prattsburgh Central School District's Responses to Findings

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

Purpose of this Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 18, 2018**

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

Page 49

I. SUMMARY OF AUDIT RESULTS

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

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

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 adjustment and footnotes were related to recording retirement accruals, capitals project funds and converting to the full accruals method for government-wide financial statement purposes. In addition, a draft of the financial statements was prepared by the auditors.

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

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

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

B. COMPLIANCE AND OTHER MATTERS

2018-002 Unassigned Fund Balance

Year ended June 30, 2018

Conditions and criteria: **Prattsburgh Central School District's** undesignated fund balance as of June 30, 2018 amounted to \$1,557,250. This amount constitutes approximately 15.7% of the 2018-2019 school budget.

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

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

School District's Response: **Prattsburgh Central School District** realizes its unassigned fund balance as of June 30, 2018 was in excess of the NYS mandated 4% level. The District has and will continue to review its options with regards to reservation and designation of fund balance.

I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Year ended June 30, 2017

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

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

B. COMPLIANCE AND OTHER MATTERS

2017-002 Unassigned Fund Balance

Year Ended June 30, 2017

Summary of Prior Year Finding: *Prattsburgh Central School District's* unassigned fund balance as of June 30, 2017 amounted to approximately \$2,036,000. This amount constitutes approximately 12.5% of the 2017-2018 school budget. The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

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

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

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2018 of the District's financial statements and have issued our report thereon dated September 18, 2018. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

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

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 18, 2018**

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

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Revenue and other sources					
Property taxes	\$ 2,617	\$ 2,667	\$ 2,662	\$ 2,647	\$ 2,649
State aid	6,421	6,798	6,446	6,401	5,953
All other	254	253	251	240	247
	<u>9,292</u>	<u>9,718</u>	<u>9,359</u>	<u>9,288</u>	<u>8,849</u>
Expenditures and other uses					
General support	1,057	948	945	944	890
Instruction	4,013	3,745	3,880	3,649	3,784
Transportation	737	825	756	748	760
Community services	-	-	-	-	4
Benefits	1,927	1,979	2,168	2,174	2,067
Debt	1,394	1,303	1,308	1,298	946
Transfers	107	658	270	100	385
	<u>9,235</u>	<u>9,458</u>	<u>9,327</u>	<u>8,913</u>	<u>8,836</u>
Excess (deficiency) of revenue over expenditures	57	260	32	375	13
Fund equity					
Beginning of year	3,204	2,944	2,841	2,466	2,453
Prior period adjustment	-	-	71	-	-
End of year	<u>\$ 3,261</u>	<u>\$ 3,204</u>	<u>\$ 2,944</u>	<u>\$ 2,841</u>	<u>\$ 2,466</u>
Analysis of fund equity					
Restricted					
Reserve for repairs	\$ 448	\$ 445	\$ 445	\$ 448	\$ 447
Reserve for capital	655	651	650	236	215
Reserve for retirement system	155	154	154	154	154
Reserve for employee benefits	76	76	76	87	87
Reserve for tax certiorari	37	37	37	37	37
Reserve for unemployment insurance	54	54	67	67	67
Assigned					
Reserve for encumbrances	25	211	29	1,288	1,072
Next year's budget	252	525	356	150	-
Unassigned	1,559	1,051	1,130	374	387
	<u>\$ 3,261</u>	<u>\$ 3,204</u>	<u>\$ 2,944</u>	<u>\$ 2,841</u>	<u>\$ 2,466</u>

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

Page 3

Fund Balance Reserves

As of June 30, 2018, the District has certain fund balance reserves. The New York State Comptroller's Office in its audits of school districts has increased its scrutiny of fund balance reserves established by districts. We commend the District for developing a reserve plan during the current year and recommend that this document continue to be evaluated, modified when appropriate, and reviewed with the Board at least annually. In addition, we recommend that the District consider developing a worksheet that documents the approval, funding and use of each reserve. This worksheet could be carried forward to future years and provide important historical data of all reserves of the District.

The District will be required to communicate information about its fund balance reserves to its taxpayers which includes the types of reserves, level of reserves and plan for use of reserve in the upcoming year. The District should begin to plan for this new level of reporting.

District's response: The District plans on continually reviewing and updating its reserve plan and will develop a worksheet to document the timing of the funding and use of reserves.

Bank Reconciliations

During our testing, we noted that although bank reconciliations are prepared by the District personnel on a monthly basis, District personnel are not signing off and dating the bank reconciliations to signify the timing of their preparation and review. The process of documenting the timing of the preparation and independent review of the bank reconciliations is a key control measure to assure that the bank reconciliations are being prepared in a timely manner. We recommend that the District implement a process in which the preparation and review process is documented in order to assure that the reconciliations are being prepared in a timely fashion.

District response: The individuals responsible for preparing and reviewing the bank reconciliations will sign and initial the bank reconciliation.

Flex Spending Account

Currently, the District maintains a bank account that houses a flexible benefits plan through a third-party administrator. We recommend that the balance of this bank account and corresponding general ledger account be reconciled with balances from its third-party administrator on a monthly basis. At the end of each plan year, the District should determine the amount that was not utilized by plan participants and transfer the balance to the general fund.

District response: The District will review the above recommendation and determine if the flex benefits accounts can be reconciled with its general ledger.

Purchase Orders and Purchase Requisitions

During the audit, we noticed instances whereby purchases were made during 2017-18 without the documentation of prior authorization from management. The District should attempt to have all purchase orders signed and authorized prior to the expenditure of goods or services take place.

District response: The District will continue to monitor and impose its purchasing policies to ensure proper purchasing procedures are followed.

Reporting of Financial Documents on the District Website

The District will now be required to include on its website the following documents: external financial statement audit; management letter; corrective action plan; statement comptroller audit; final annual budget; and multi-year financial plan adopted by the Board of Education. The District should familiarize itself with the new website reporting requirements and begin to upload data as it becomes available.

District response: The District is aware of the new reporting requirements and will report such information when it becomes available.

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

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School Funding Transparency Reporting

In 2018, New York State passed a law requiring New York Schools to annually report a detailed statement of total funding allocation for each school in the District. A School Funding Transparency Form was created by New York State to capture this information. Beginning in 2020, the District will be required to submit this form annually to the Division of the Budget and State Education Department. Because this is a new reporting model, we recommend that the District continue to review any new guidance issued by New York State and seek opportunities to attend future educational seminars if they arise.

District Response: The District is aware of the new reporting requirements and will attend educational seminars as they arise.

PRATTSBURGH CENTRAL SCHOOL DISTRICT

***EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT***

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**PRATTSBURGH CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND**

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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The records of the Extraclassroom funds of the **Prattsburgh Central School District** were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

Qualified Opinion

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the basis for qualified opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Prattsburgh Central School District** for the year ended June 30, 2018 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 18, 2018**

PRATTSBURGH CENTRAL SCHOOL DISTRICT
ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND
STATEMENTS OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
JULY 1, 2017 THROUGH JUNE 30, 2018

	Balances July 1, 2017	Total Receipts 2017-18	Total Receipts & Balances	Total Payments 2017-18	Balances June 30, 2018
Class of 2017	\$ 565	\$ -	\$ 565	\$ -	\$ 565
Class of 2018	10,000	14,780	24,780	21,676	3,104
Class of 2019	6,741	2,436	9,177	705	8,472
Class of 2020	3,850	709	4,559	403	4,156
Class of 2021	3,276	3,004	6,280	1,428	4,852
Class of 2022	1,094	3,120	4,214	1,947	2,267
Class of 2023	-	5,618	5,618	3,838	1,780
Yearbook Club	5,041	7,672	12,713	8,388	4,325
FFA	9,768	11,156	20,924	12,211	8,713
Varsity Club	6,028	8,991	15,019	9,942	5,077
Music Club	19,259	24,224	43,483	42,305	1,178
Viking Press	483	-	483	483	-
Drama Club	3,426	2,251	5,677	1,325	4,352
Student Council	8,647	9,385	18,032	11,785	6,247
Sales Tax	577	2,415	2,992	2,674	318
Total activity fund	\$ 78,755	\$ 95,761	\$ 174,516	\$ 119,110	\$ 55,406

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transaction of the Extraclassroom Activity Fund are not considered part of the reporting entity of *Prattsburgh Central School District*. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$55,406 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

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



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

Ladies and Gentlemen:

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

Point of Sale Records

We noted several instances where the receipt of cash lacked point of sale records. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. Due to the lack of point of sale records, cash receipts are not adequate to permit the application of the necessary auditing procedures to indicate whether receipts were recorded. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer or teacher advisor, and be verified or reviewed by the central treasurer.

District's response: The Central Treasurer will work with the advisors of the extra classroom activities to inform them of the importance of including this information with their cash receipts and to help them to understand what is needed.

Additional Comments

Also included in this letter is a summary of additional comments, which we desire to bring to the Board and management's attention involving various matters.

Comptroller Audits

The New York State Comptroller's Office has increased its scrutiny over student activity clubs as evidenced by recent audits. Areas of emphasis of these audits include cash receipts and disbursements, as well as recordkeeping and internal controls. The District should consider creating a faculty auditor position who is responsible for providing oversight of the student activity clubs. The District could also extend the responsibilities of the clams audit to provide this oversight. Finally, the District should also consider formal training opportunities for the advisors and central treasurers.

District response: The district will appoint to this position and will continue to do so at its' annual reorganization meeting. The district treasurer will receive records from the central treasurer on a monthly basis for review or procedures.

Deposits

During the audit of the extraclassroom fund, we noted that cash receipts are not always turned into the central treasurer on a timely basis. We recommend the advisors bring cash receipts to the central treasurer at least weekly.

District's response: The District has communicated the importance of deposits being made timely. We expect an improvement in the deposit timelines in the 2018-19 school year.

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 18, 2018**



September 18, 2018

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

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Prattsburgh Central School District are described in Note 1 to the financial statements. During the year the district implemented a new accounting policy for the new standard GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which caused a prior period adjustment to the year ended 2017. For further information related to this accounting change please see note 5 of the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

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

Very truly yours,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.