

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of *Jasper-Troupsburg 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 *Jasper-Troupsburg 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 *Jasper-Troupsburg Central School District* as of June 30, 2018, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of *Jasper-Troupsburg 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. Also, as discussed in Note 5, a prior period adjustment was necessary to adjust the capital assets and accumulated depreciation on the Statement of Net Position due to a new fixed asset appraisal. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the **Jasper-Troupsburg Central School District's** June 30, 2017 financial statements, and our report dated October 16, 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 (pages 3 through 9), budgetary comparison information (pages 36 through 37), schedule of changes in the District's net OPEB liability and related ratios (page 43), schedule of District contributions – OPEB (page 44), the schedule of the District's contributions for defined benefit pension plans (page 45), and schedule of the District's share of the net pension asset/liability (page 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 **Jasper-Troupsburg 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 October 10, 2018 on our consideration of **Jasper-Troupsburg 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 **Jasper-Troupsburg Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 10, 2018**

I. Discussion and Analysis

The following is a discussion and analysis of the *Jasper-Troupsburg 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 *Jasper-Troupsburg Central School District* during the fiscal year ended June 30, 2018:

- Overall net position from operations of the District decreased during the current year in the amount of \$529,000 as compared to a decrease of \$173,000 during the prior fiscal year.
- The District's total revenue decreased 0% from \$12,711,000 during the year ended June 30, 2017 to \$12,684,000 during the year ended June 30, 2018. This decrease was primarily the result of decreases in Title I, Title II, and IDEA funding.
- The District's total expenses increased approximately 3% from \$12,884,000 during the year ended June 30, 2017 to \$13,213,000 during the year ended June 30, 2018. This increase was primarily related to increases in salaries and materials and supplies offset by a decrease in employee benefits.
- The District's had capital outlays during the current year in the amount of approximately \$329,000, which is primarily related to various equipment purchases and architect fees related to the District's new capital 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 *Jasper-Troupsburg Central School District*.

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

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

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

1. Statement of Net Position

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

2. Statement of Activities

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

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

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

III. Overview of the Financial Statements (continued)

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

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

The District has two kinds of funds:

1. Governmental Funds

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

III. Overview of the Financial Statements (continued)

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

1. Governmental Funds (continued)

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

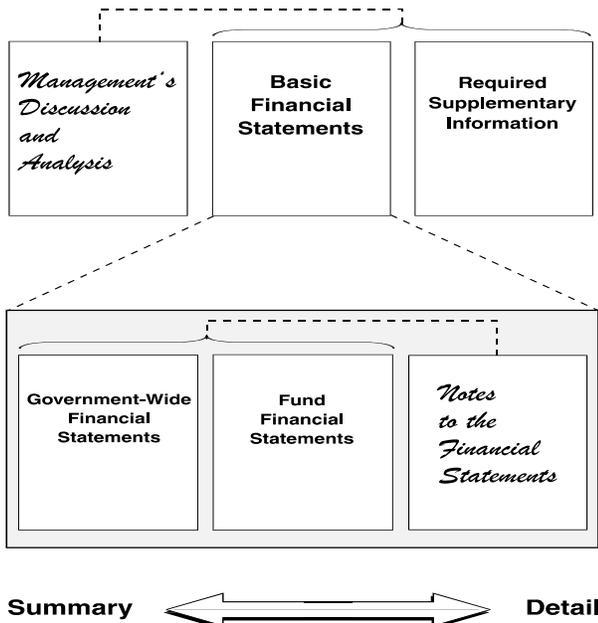
2. Fiduciary Funds

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

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

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

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



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

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 3% to \$13,213,000. The District's expenses cover a range of services, with 76% 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 0%, while total expenses increased 3%. The District's total net position from operations decreased approximately \$529,000 or 5% 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 \$12,684,000 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 23% of the District's total revenue for governmental activities, increased approximately 0% during the year ended June 30, 2018. This is due to the property tax levy remaining the same as the prior year for the ended June 30, 2018.
- The District's most significant revenue is state sources which represent \$8,302,000 or 65% of total governmental revenue. The District's state sources decreased approximately 1% which was primarily related to a decrease in state aid.
- During the year ended June 30, 2018, the District saw a decrease in program revenue which mostly resulted from a decrease in operating grants in the amount of \$69,000 related to lower IDEA and Title I grant allocations in the current year.

IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net deficit was approximately \$9,264,000. The components of net position include: net investment in capital assets, of \$12,355,000; restricted net position of \$2,186,000; and unrestricted net position was an accumulated deficit of \$23,805,000 as of June 30, 2018.

Changes in Net Position

The District's total government-wide revenue decreased 0% to \$12,684,000. Approximately 23%, 8% and 65% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 4% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

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

Expenses

Figure A-8 presents the cost of each of the District's 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 \$13,213,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$335,000 or 21% which was primarily due to increases in salaries, depreciation allocation, materials and supplies, and contractual expenses.
- The District's instruction costs increased by approximately \$115,000, which was the result of a increases in materials and supplies, depreciation allocation, and salaries offset by a decrease in employee benefits.
- Debt service of the District decreased approximately \$24,000 during the year ended June 30, 2018, which resulted from a decrease in interest expense related to the District's bonds.
- Transportation costs of the District decreased 10% or \$97,000 during the year ended June 30, 2018 as a result of decreases in salaries, contractual expenses, and depreciation allocation.
- The District's cost of sales (food service fund) totaled \$272,000 during the current year as compared to \$272,000 during the fiscal year ended June 30, 2017.
- The District received approximately \$1,070,000 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 (\$12.1 million) were financed by state aid and real property taxes.

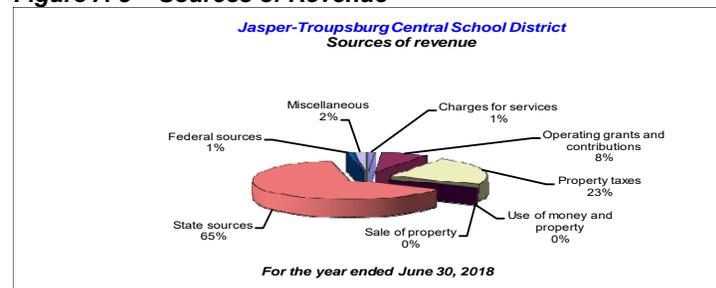
Figure A-3 – Condensed Statement of Net Position

<i>Jasper-Troupsburg Central School District</i> Condensed Statement of Net Position (in thousands of dollars)			
	Governmental Activities and Total District-wide		
	2018	2017	% Change
Assets			
Current and other assets	\$ 4,501	\$ 3,834	17%
Capital assets	15,675	19,160	-18%
Total assets	20,176	22,994	-12%
Deferred Outflows of Resources			
Deferred outflows related to pensions and OPEB	3,523	2,744	28%
Assets and deferred outflows related to pensions	\$ 23,699	\$ 25,738	-8%
Liabilities			
Other liabilities	\$ 445	\$ 619	-28%
Long-term debt outstanding	29,039	13,948	108%
Total liabilities	29,484	14,567	102%
Deferred Inflows of Resources			
Deferred inflows related to pensions and OPEB	3,479	165	2008%
Total liabilities and deferred inflows of resources	32,963	14,732	124%
Net Position			
Net investment in capital assets	12,355	14,905	-17%
Restricted	2,186	2,057	6%
Unrestricted (deficit)	(23,805)	(5,956)	300%
Total net position	(9,264)	11,006	-184%
Total liabilities, deferred inflows of resources and net position	\$ 23,699	\$ 25,738	-8%

Figure A-4 – Changes in Net Position

<i>Jasper-Troupsburg Central School District</i> Changes in Net Position from Operating Results (in thousands of Dollars)			
	Governmental Activities and Total District-wide		
	2018	2017	% Change
Revenue			
Program revenue			
Charges for services	\$ 136	\$ 146	-7%
Operating grants and contributions	934	1,003	-7%
General revenue			
Real property taxes	2,970	2,956	0%
Use of money & property	8	4	100%
Sale of property & comp for loss	-	(9)	-100%
State sources	8,302	8,425	-1%
Federal sources	69	73	-5%
Miscellaneous	265	113	135%
Total revenue	12,684	12,711	0%
Expenses			
General support	1,897	1,562	21%
Instruction	10,031	9,916	1%
Transportation	913	1,010	-10%
Debt service - interest	100	124	-19%
Cost of sales	272	272	0%
Total expenses	13,213	12,884	3%
Change in net position	\$ (529)	\$ (173)	

Figure A-5 – Sources of Revenue



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

Figure A-6 - Expense

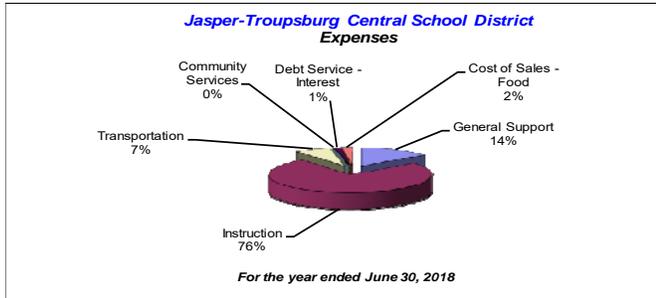


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District	
	2018	2017
Expenditures supported with general revenue (from taxes & other sources)	\$ 12,143 92%	\$ 11,735 91%
Expenditures supported with program revenue	1,070 8%	1,149 9%
Total expenditures related to governmental activities	\$ 13,213 100%	\$ 12,884 100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2018	2017	Change	2018	2017	Change
General support	\$ 1,897	\$ 1,562	\$ 335	\$ 1,897	\$ 1,562	\$ 335
Instruction	10,031	9,916	115	9,216	9,147	69
Transportation	913	1,010	(97)	900	902	(2)
Debt service - interest	100	124	(24)	100	124	(24)
Cost of sales - food	272	272	-	30	-	30
Total	\$ 13,213	\$ 12,884	\$ 329	\$ 12,143	\$ 11,735	\$ 408

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 Funds (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 \$247,000.
- The District's general fund unassigned fund balance equated to approximately \$889,000 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 was approximately \$2,130,000.
- The District's total assets decreased approximately \$457,000 as of June 30, 2018 which was primarily the result of a decrease due from other funds. The District's liabilities decreased approximately \$704,000, as a result of a decrease in amounts due to other funds.
- Total revenue in the District's general fund increased \$38,000, which was primarily related to an increase in miscellaneous revenues. Total expenditures in the District's general fund increased \$459,000 primarily as a result of an increase in maintenance costs, special education costs and interfund transfers to the capital projects fund.

Food Service Fund

- The District's food service fund experienced a \$20,000 decrease in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$252,000 during 2018 as compared with \$282,000 in 2017. Expenditures decreased approximately \$0 as compared to the prior year.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$43,000 or 5% which was primarily related to decreases in Title I, Title II, and IDEA funding.

Capital Projects Fund

- The District had expenditures in the capital projects fund in the amount of approximately \$153,000 during the year ended June 30, 2018 related to architect fees on the new capital project.

**JASPER-TROUPSBURG 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 \$1,572,000 below the revised budget. The most significant positive variances were in the area of instruction and employee benefits which totaled approximately \$438,000 and \$332,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$29,000, below the final budgeted amount. Significant variances of revenue items consisted of interfund transfers of \$300,000 offset by local sources of \$284,000.

Figure A-9 – Budget vs. Actual Comparison

<i>Jasper-Troupsburg Central School District</i>				
General Fund - Budget vs Actual Comparison (in thousands of dollars)				
	Revised Budget	Actual	Difference	%
Revenue				
Local sources	\$ 3,013	\$ 3,297	\$ 284	9%
State sources	8,334	8,302	(32)	0%
Federal sources	50	69	19	38%
Interfund transfers	300	-	(300)	n/a
Total revenue	\$ 11,697	\$ 11,668	\$ (29)	0%
Expenditures				
General support	\$ 1,614	\$ 1,353	\$ 261	16%
Instruction	5,820	5,382	438	8%
Transportation	896	655	241	27%
Employee benefits	3,164	2,832	332	10%
Debt service	589	589	-	0%
Interfund transfers	910	610	300	33%
Total expenditures	\$ 12,993	\$ 11,421	\$ 1,572	12%

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2018, the District had invested approximately \$15,675,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles, computer equipment, and other equipment. There were approximately \$329,000 capital additions during the year ended June 30, 2018 primarily related to equipment purchases and architect fees related to the new capital project. More detailed information about the District's capital assets is presented in the notes of the financial statements. In addition, the District recorded a prior period adjustment in the amount of \$2,759,514 to adjust the capital assets and accumulated depreciation on the Statement of Net Position due to a new fixed asset appraisal.

**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 \$29,040,000 in bonds, net pension liability, other post-employment benefits liabilities and retirement incentives, an increase of approximately 108% as compared with the previous year. The decrease in bonds payable was the result of making regularly scheduled principal payments. The District had an increase in other post-employment benefits as a result of the implementation of GASB 75 in the current year. With regards to the pension liability, during the current year the ERS liability decreased, while TRS went from a net pension liability in the prior year to a net pension asset in the current year.

Figure A-10 – Capital Assets

<i>Jasper-Troupsburg Central School District</i>			
Capital Assets (net of depreciation)			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Land	\$ 21,859	\$ 21,859	0%
Buildings	27,078,368	27,396,638	-1%
Construction in progress	153,301	-	n/a
Equipment	4,314,149	2,042,528	111%
Accumulated depreciation	(15,892,557)	(10,300,995)	54%
Total Capital Assets, net	\$ 15,675,120	\$ 19,160,030	-18%

Figure A-11 – Outstanding Long-term Debt

<i>Jasper-Troupsburg Central School District</i>			
Outstanding Long-Term Debt and Liabilities			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Bonds payable	\$ 3,770,000	\$ 4,255,000	-11%
Other post-employment benefits	25,146,507	9,083,416	177%
Net pension liability	123,179	609,689	-80%
Total Long-Term Debt	\$ 29,039,686	\$ 13,948,105	108%

VIII. Factors Bearing on the District's Future

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

- The District continues to be concerned about escalating fuel costs, health insurance costs, and retirement rate increases, coupled with the NYS economy.

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:

Jasper-Troupsburg Central School District
Administration Office
3769 State Route 417
Jasper, New York

JASPER-TROUPSBURG 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		
Unrestricted	\$ 802,278	\$ 869,859
Restricted	2,185,494	2,057,446
Receivables		
State and federal aid	357,623	487,013
Other receivables	360	3,427
Due from other governments	370,160	390,006
Inventories	20,117	26,081
Net pension asset - NYS Teachers' Retirement System	164,411	-
Cash to be used for capital assets	600,059	-
Capital assets, net	15,675,120	19,160,030
Total assets	<u>20,175,622</u>	<u>22,993,862</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	2,694,311	2,743,874
Deferred outflows related to OPEB	828,693	-
Total deferred outflows of resources	<u>3,523,004</u>	<u>2,743,874</u>
Total assets and deferred outflows of resources	<u>\$ 23,698,626</u>	<u>\$ 25,737,736</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 4,915	\$ 56,535
Accrued liabilities	20,535	17,836
Accrued interest	6,000	10,000
Due to other governments	212	196
Due to retirement systems	395,913	466,065
Unearned revenue	-	668
Due to fiduciary funds	16,230	67,941
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	495,000	485,000
Portion due or payable after one year		
Bonds payable	3,275,000	3,770,000
Net pension liability - NYS Teachers' Retirement System	-	238,999
Net pension liability - NYS Employees' Retirement System	123,179	370,690
Other post-employment benefit	25,146,507	9,083,416
Total liabilities	<u>29,483,491</u>	<u>14,567,346</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	867,829	164,925
Deferred inflows related to OPEB	2,611,262	-
Total deferred inflows of resources	<u>3,479,091</u>	<u>164,925</u>
Total liabilities and deferred inflows of resources	<u>32,962,582</u>	<u>14,732,271</u>
Net Position		
Net investment in capital assets	12,355,464	14,905,030
Restricted	2,185,494	2,057,446
Unrestricted (deficit)	<u>(23,804,914)</u>	<u>(5,957,011)</u>
Total net position (deficit)	<u>(9,263,956)</u>	<u>11,005,465</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 23,698,626</u>	<u>\$ 25,737,736</u>

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

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

Page 11

	Expenses	Indirect Expenses Allocation	Program Revenues		2018 Net (Expense) Revenue and Changes in Net Position	2017 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
Functions/Programs						
General support	\$ 1,685,830	\$ 211,025	\$ -	\$ -	\$ (1,896,855)	\$ (1,562,086)
Instruction	9,279,786	751,812	54,074	761,608	(9,215,916)	(9,146,331)
Pupil transportation	820,934	91,697	-	12,162	(900,469)	(900,892)
Debt service	100,149	-	-	-	(100,149)	(124,013)
Food service program	272,327	-	82,092	160,038	(30,197)	(475)
Depreciation	1,054,534	(1,054,534)	-	-	-	-
Total functions and programs	\$ 13,213,560	\$ -	\$ 136,166	\$ 933,808	(12,143,586)	(11,733,797)
General Revenues						
Real property taxes					2,969,891	2,955,858
Use of money and property					8,230	3,584
Sale of property and compensation for loss					-	(9,044)
Miscellaneous					265,459	111,794
State sources					8,302,244	8,425,184
Federal sources					68,642	73,306
Total general revenues					11,614,466	11,560,682
Change in net position					(529,120)	(173,115)
Net position - beginning of year					11,005,465	11,178,580
Prior period adjustments					(19,740,301)	-
Net position - end of year					\$ (9,263,956)	\$ 11,005,465

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

Schedule 3

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	Governmental Funds					2018	2017
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Assets							
Unrestricted cash	\$ 620,739	\$ 116,194	\$ 65,404	\$ -	\$ -	\$ 802,337	\$ 869,859
Restricted cash	2,130,198	-	-	55,237	600,059	2,785,494	2,057,446
Due from other funds	729,461	14,218	-	59	3,645	747,383	1,507,283
State and federal aid receivable	90,443	267,180	-	-	-	357,623	487,013
Other receivables	360	-	-	-	-	360	3,427
Due from other governments	370,160	-	-	-	-	370,160	390,006
Inventories	-	-	20,117	-	-	20,117	26,081
Total assets	<u>\$ 3,941,361</u>	<u>\$ 397,592</u>	<u>\$ 85,521</u>	<u>\$ 55,296</u>	<u>\$ 603,704</u>	<u>\$ 5,083,474</u>	<u>\$ 5,341,115</u>
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 4,915	\$ -	\$ -	\$ -	\$ -	\$ 4,915	\$ 56,535
Accrued liabilities	20,535	-	-	-	-	20,535	17,836
Due to other funds	65,524	397,592	147,137	-	153,360	763,613	1,575,224
Unearned revenue	-	-	-	-	-	-	668
Due to other governments	-	-	212	-	-	212	196
Due to Teachers' Retirement System	353,418	-	-	-	-	353,418	425,219
Due to Employees' Retirement System	42,495	-	-	-	-	42,495	40,846
Total liabilities	<u>486,887</u>	<u>397,592</u>	<u>147,349</u>	<u>-</u>	<u>153,360</u>	<u>1,185,188</u>	<u>2,116,524</u>
Fund Equity							
Nonspendable	-	-	20,117	-	-	20,117	26,081
Restricted	2,130,198	-	-	55,296	-	2,185,494	2,057,446
Assigned	435,143	-	-	-	450,344	885,487	699,023
Unassigned (deficit)	889,133	-	(81,945)	-	-	807,188	442,041
Total fund equity (deficit)	<u>3,454,474</u>	<u>-</u>	<u>(61,828)</u>	<u>55,296</u>	<u>450,344</u>	<u>3,898,286</u>	<u>3,224,591</u>
Total liabilities and fund equity	<u>\$ 3,941,361</u>	<u>\$ 397,592</u>	<u>\$ 85,521</u>	<u>\$ 55,296</u>	<u>\$ 603,704</u>	<u>\$ 5,083,474</u>	<u>\$ 5,341,115</u>

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

Schedule 4

Page 13

	Governmental Funds					2018	2017
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Revenue							
Real property taxes	\$ 2,969,891	\$ -	\$ -	\$ -	\$ -	\$ 2,969,891	\$ 2,955,858
Charges for services	54,074	-	-	-	-	54,074	60,532
Use of money and property	8,065	-	103	165	-	8,333	3,675
Miscellaneous	265,459	-	3,024	-	-	268,483	115,042
State sources	8,302,244	168,458	22,282	-	-	8,492,984	8,615,228
Federal sources	68,642	605,312	121,226	-	-	795,180	863,132
Surplus food	-	-	16,530	-	-	16,530	23,572
Sales (school food service)	-	-	78,965	-	-	78,965	82,510
Total revenue	11,668,375	773,770	242,130	165	-	12,684,440	12,719,549
Expenditures							
General support	1,353,450	-	100,971	-	-	1,454,421	1,299,358
Instruction	5,382,132	761,608	-	-	-	6,143,740	5,893,767
Pupil transportation	654,730	12,162	-	-	-	666,892	1,200,058
Employee benefits	2,831,886	-	49,096	-	-	2,880,982	2,882,578
Debt service							
Principal	485,000	-	-	-	-	485,000	795,000
Interest	104,149	-	-	-	-	104,149	119,013
Capital outlay	-	-	-	-	153,301	153,301	-
Cost of sales	-	-	87,206	-	-	87,206	94,605
Other expenses	-	-	35,054	-	-	35,054	33,326
Total expenditures	10,811,347	773,770	272,327	-	153,301	12,010,745	12,317,705
Excess (deficiency) of revenue over expenditures	857,028	-	(30,197)	165	(153,301)	673,695	401,844
Other sources and uses							
Proceeds from the issuance of bonds	-	-	-	-	-	-	280,000
Operating transfers in	-	-	10,000	-	600,000	610,000	60,000
Operating transfers out	(610,000)	-	-	-	-	(610,000)	(60,000)
Total other sources (uses)	(610,000)	-	10,000	-	600,000	-	280,000
Excess (deficiency) of revenue and other sources over expenditures and other uses	247,028	-	(20,197)	165	446,699	673,695	681,844
Fund equity (deficit), beginning of year	3,207,446	-	(41,631)	55,131	3,645	3,224,591	2,542,747
Fund equity (deficit), end of year	\$ 3,454,474	\$ -	\$ (61,828)	\$ 55,296	\$ 450,344	\$ 3,898,286	\$ 3,224,591

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF JUNE 30, 2018

Schedule 5

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	Private Purpose Trusts	Agency Funds	Total 6/30/2018	(Memo only) Total 6/30/2017
Assets				
Cash	\$ 12,957	\$ 162,646	\$ 175,603	\$ 99,611
Due from other funds	-	16,385	16,385	125,470
Total assets	\$ 12,957	\$ 179,031	\$ 191,988	\$ 225,081
Liabilities				
Accrued liabilities	\$ -	\$ 122,726	\$ 122,726	\$ 102,779
Due to other funds	-	155	155	57,529
Student extraclassroom activity funds	-	56,150	56,150	49,905
Total liabilities	-	179,031	179,031	210,213
Net Position				
Reserved for scholarships	12,957	-	12,957	14,868
Total liabilities and net position	\$ 12,957	\$ 179,031	\$ 191,988	\$ 225,081

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 6

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	6/30/2018	(Memo only) 6/30/2017
Additions		
Interest earnings	\$ 14	\$ 16
Total additions	14	16
Deductions		
Scholarships awarded	1,925	2,248
Total deductions	1,925	2,248
Change in net position	(1,911)	(2,232)
Net position - beginning of year	14,868	17,100
Net position - end of year	<u>\$ 12,957</u>	<u>\$ 14,868</u>

JASPER-TROUPSBURG 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 \$ 3,898,286

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	\$ 31,567,677	
Accumulated depreciation	<u>(15,892,557)</u>	15,675,120

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. 164,411

Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due. (6,000)

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. 1,826,482

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. (1,782,569)

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	(3,770,000)	
Net pension liability	(123,179)	
Other post-employment benefits	<u>(25,146,507)</u>	<u>(29,039,686)</u>

Total net position - governmental activities \$ (9,263,956)

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liabilities and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 3,587,831	\$ -	\$ -	\$ -	\$ 3,587,831
Due from other funds	747,383	-	-	(747,383)	-
State and federal aid receivable	357,623	-	-	-	357,623
Other receivables	360	-	-	-	360
Due from other governments	370,160	-	-	-	370,160
Inventories	20,117	-	-	-	20,117
Net pension liability	-	164,411	-	-	164,411
Cash to be used for capital assets	-	15,675,120	-	-	15,675,120
Total assets	5,083,474	15,839,531	-	(747,383)	20,175,622
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	2,694,311	-	-	2,694,311
Deferred outflows related to OPEB	-	828,693	-	-	828,693
Total assets and deferred outflows related to pensions	\$ 5,083,474	\$ 19,362,535	\$ -	\$ (747,383)	\$ 23,698,626
Liabilities, Deferred Inflows of Resources, and Fund Equity/Net Position (Deficit)					
Liabilities					
Accounts payable	\$ 4,915	\$ -	\$ -	\$ -	\$ 4,915
Accrued liabilities	20,535	-	-	-	20,535
Accrued interest	-	-	6,000	-	6,000
Due to other funds	763,613	-	-	(747,383)	16,230
Due to other governments	212	-	-	-	212
Due to retirement systems	395,913	-	-	-	395,913
Bonds payable	-	-	3,770,000	-	3,770,000
Net pension liability	-	-	123,179	-	123,179
Other post-employment benefits	-	-	25,146,507	-	25,146,507
Total liabilities	1,185,188	-	29,045,686	(747,383)	29,483,491
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	-	867,829	-	867,829
Deferred inflows related to OPEB	-	2,611,262	-	-	2,611,262
Total liabilities and deferred inflows of resources	1,185,188	2,611,262	29,913,515	(747,383)	32,962,582
Fund equity and net position (deficit)					
	3,898,286	16,751,273	(29,913,515)	-	(9,263,956)
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 5,083,474	\$ 19,362,535	\$ -	\$ (747,383)	\$ 23,698,626

JASPER-TROUPSBURG 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	\$	673,695
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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:</p>		
Capital outlays	\$	329,138
Depreciation expense		<u>(1,054,534)</u> (725,396)
<p>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 position.</p>		
		485,000
<p>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.</p>		
		4,000
<p>District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds pension expense is based on the District's required contribution to pension plans.</p>		
		(101,546)
<p>District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows related to OPEB are recorded in the statement of activities, whereas in the governmental funds OPEB expense is based on District's required contribution to the OPEB plan.</p>		
		<u>(864,873)</u>
Change in net position of governmental activities	\$	<u>(529,120)</u>

	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	\$ 2,969,891	\$ -	\$ -	\$ -	\$ 2,969,891
Charges for services	54,074	-	-	(54,074)	-
Use of money and property	8,333	-	-	(103)	8,230
Miscellaneous	268,483	-	-	(3,024)	265,459
State sources	8,492,984	-	-	(190,740)	8,302,244
Federal sources	795,180	-	-	(726,538)	68,642
Surplus food	16,530	-	-	(16,530)	-
Sales (school food service)	78,965	-	-	(78,965)	-
Total revenue	<u>12,684,440</u>	<u>-</u>	<u>-</u>	<u>(1,069,974)</u>	<u>11,614,466</u>
Expenditures					
General support	1,454,421	161,595	-	280,839	1,896,855
Instruction	6,143,740	739,246	-	2,332,930	9,215,916
Pupil transportation	666,892	(22,144)	-	255,721	900,469
Employee benefits	2,880,982	-	966,419	(3,847,401)	-
Debt service	589,149	-	(489,000)	-	100,149
Capital outlay	153,301	(153,301)	-	-	-
Cost of sales	87,206	-	-	(57,009)	30,197
Other expenses	35,054	-	-	(35,054)	-
Total expenditures	<u>12,010,745</u>	<u>725,396</u>	<u>477,419</u>	<u>(1,069,974)</u>	<u>12,143,586</u>
Excess (deficiency) of revenue over expenditures	<u>673,695</u>	<u>(725,396)</u>	<u>(477,419)</u>	<u>-</u>	<u>(529,120)</u>
Other sources and uses					
Operating transfers in	610,000	-	-	(610,000)	-
Operating transfers out	(610,000)	-	-	610,000	-
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change for year	<u>\$ 673,695</u>	<u>\$ (725,396)</u>	<u>\$ (477,419)</u>	<u>\$ -</u>	<u>\$ (529,120)</u>

JASPER-TROUPSBURG 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 *Jasper-Troupsburg 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 *Jasper-Troupsburg 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 *Jasper-Troupsburg Central School District* is one of 22 component school districts in the Greater Southern Tier Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

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

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

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

During the year, the District was billed approximately \$1,781,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to approximately \$791,000 for the year ended June 30, 2018. Financial statements for the Greater Southern Tier 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.

JASPER-TROUPSBURG 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 (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.

Fiduciary Fund Types - This fund is used to account for fiduciary activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

Fiduciary Fund Types (continued)- 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.

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.

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Cash and Cash Equivalents

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

F. Inventory

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

G. Investments

Investments are stated at current market value.

H. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2009. For assets acquired to June 30, 2009, estimated historical cost, based on an appraisal conducted by independent third-party professional was used. Donated assets are reported at estimated fair market value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land			
Improvements	\$ 1,000	Straight-line	20 years
Buildings and improvements	1,000	Straight-line	30-40 years
Furniture and equipment	1,000	Straight-line	5-20 years
Vehicles	1,000	Straight-line	8 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Due To/From Other Funds

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

J. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time. Sick leave and vacation eligibility and accumulation is specified in negotiated labor contracts, and in individual labor contracts. On an annual basis, prior to year end, employees that have accumulated more than 200 days of compensated absences are reimbursed for the number of days that exceed 200 days at standard rates dictated by the labor contracts. Upon retirement unused compensated absences are forfeited. As payments have been made prior to year end, no liability is included in the fund or District-wide statements as of June 30, 2018.

K. Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date and OPEB subsequent to measurement date. Lastly, the third item related to OPEB reporting in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Deferred Inflows and Outflows of Resources (continued)

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. 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 liability (TRS and ERS Systems) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

L. Unearned Revenue

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. Unearned revenues recorded in the governmental funds are not recorded in the District-wide statements.

M. Post-Employment Benefits

In addition to the retirement benefits described in Note 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 the District's employees may become eligible for these benefits if they reach normal retirement age while working of the District. Health care plans are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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 applied to the appropriations of the next fiscal year's budget. If the District elects to convert to tax basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is recorded in the General Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

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. Reserve for Debt Service

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.

5. Reserve for Endowment Scholarships

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.

6. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

7. Workers' Compensation Reserve

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

8. Capital Reserve

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

9. Repair Reserve

This reserve is use 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 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.

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. Reserve for Encumbrances

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. The District had approximately \$28,460 in the reserve for encumbrances as of June 30, 2018.

2. Appropriated Fund Balance

General Fund - The amount of \$406,683 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.

3. Capital Project Assigned Fund Balance

Capital Fund – The amount of \$603,645 has been designated for use on current capital projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

E. Unassigned

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

2. Government-wide financial statements

A. Net Investment in Capital Assets

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

B. Restricted

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

C. Unrestricted

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

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.

JASPER-TROUPSBURG 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 (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

Jasper-Troupsburg 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.

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

1. Long-term Revenue Differences

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

2. Capital Related Differences

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

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

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

3. Long-term Debt Transaction Differences

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash

The *Jasper-Troupsburg 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

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash (continued)

A. Deposits (continued)

Total financial institution (bank) balances at June 30, 2018 per the bank were approximately \$4,006,000. Deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 429,000	\$ 3,577,000	\$ -	\$ 4,006,000

II. Interfund Transactions

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

	Interfund Receivable	Interfund Payable
General Fund	\$ 729,461	\$ 65,524
Food Service Fund	-	147,137
Special Aid Fund	14,218	397,592
Capital Projects Fund	3,645	153,360
Debt Service Fund	59	-
Fiduciary Funds	16,385	155
Total	\$ 763,768	\$ 763,768

	Interfund Revenue	Interfund Expenditures
General Fund	\$ -	\$ 610,000
Capital Fund	600,000	-
School Lunch Fund	10,000	-
Total	\$ 610,000	\$ 610,000

During the year ended June 30, 2018, the District transferred \$10,000 from the general fund to the school lunch fund to subsidize operations. In addition, the District transferred \$600,000 from the general fund to the capital fund to pay for future expenditures relating to the 2018 capital project.

III. Receivables

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

Fund	Description	Amount
Special Aid	State and Federal Aid	\$ 267,180
General	State and Federal Aid	90,443
General	Other Receivables	360
General	Due from Other Governments	370,160
		<u>\$ 728,143</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Capital Assets

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

	Beginning Balance 06/30/17	Net change	Ending Balance 06/30/18
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 21,859	\$ -	\$ 21,859
Construction in Process	-	153,301	153,301
Capital assets that are depreciated:			
Buildings and improvements	27,396,638	0	27,078,368
Furniture, equipment, and vehicles	2,042,528	(318,270)	4,314,149
Total depreciable historical cost	29,439,166	\$ 1,953,351	31,392,517
Less accumulated depreciation:			
Buildings and improvements	9,216,398	\$ 0	13,055,756
Furniture, equipment, and vehicles	1,084,597	3,839,358	2,836,801
Total accumulated depreciation	10,300,995	\$ 1,752,204	15,892,557
Total net book value	\$19,160,030		\$15,675,120

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

General support	\$ 211,025
Instruction	751,812
Pupil transportation	91,697
	<u>\$ 1,054,534</u>

The District had capital additions in the amount of \$329,138 in the current year. Also, during the current year, the District had a capital asset appraisal which resulted in adjustments to capital asset and accumulated depreciation balances. This adjustment resulted in a decrease of \$2,759,514 to the beginning net position of the District.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities

A. Pension Plans

1. Plan Descriptions and Benefits Provided

a. Teachers' Retirement System (TRS)

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

b. Employees' Retirement System (ERS)

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

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

The 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 obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

2. Contributions

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

JASPER-TROUPSBURG 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. Funding Policies (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	\$ 331,000	\$ 163,000
2017	402,000	173,000
2016	457,000	241,000

The School District contributions made to the Systems were equal to 100% of the contributions required for each year.

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 and no liability accrued related to the retirement incentive liabilities as of and for the year ended June 30, 2017.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

4. 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)	\$ (123,179)	\$ 164,411
District's portion of the Plan's total net pension liability	.0038166%	.021630%

For the year ended June 30, 2018, the District recognized pension expense of \$151,703 for ERS and \$445,616 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	\$ 43,934	\$ 135,270	\$ 36,305	\$ 64,102
Changes of assumptions	81,678	1,672,915	-	-
Net difference between projected and actual earnings on pension plan investments	178,907	-	353,145	387,236
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	36,035	172,362	27,041	-
District's contributions subsequent to the measurement date	42,495	330,715	-	-
Total	\$ 383,049	\$ 2,311,262	\$ 416,491	\$ 451,338

JASPER-TROUPSBURG 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)

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

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

	ERS		TRS	
Year ended:				
2019	\$	71,650	\$	401,029
2020		26,243		474,869
2021		(91,001)		349,000
2022		(40,334)		110,896
2023		-		348,078
Thereafter		-		176,052

5. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension 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	3.80% average 4/1/10 – 3/31/15	1.90% - 4.72% 7/1/09 – 6/30/14
	System's Experience	System's Experience
Decrement tables		
Inflation rate	2.5%	2.5%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

5. 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 members' mortality rates are based on plan members' experience.

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

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

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

JASPER-TROUPSBURG 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)

6. 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).

7. 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)	\$ (932,003)	\$ (123,179)	\$ 561,054
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
TRS			
Employer's proportionate share of the net pension asset/ (liability)	\$ (2,832,316)	\$ 164,411	\$ 2,674,021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

8. Pension Plan Fiduciary Net Position

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

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

9. 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 \$42,495.

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 \$353,418 (employer contributions \$330,715 and employee contributions of \$22,703).

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits

Plan Description

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

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2018 the plan had total active employees of 78 and retirees of 69.

Total OPEB Liability

The District's total OPEB liability of \$25,146,507 was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Other Inputs

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

Inflation	2.25% per year
Salary increases	2.5% per year
Discount rate	3.56% as of June 30, 2018 and 2.92% as of July 1, 2017
Healthcare cost trend rates	2018 – 7.250% reduced to an ultimate rate of 3.886% after 2075.
Retirees' share of benefit-related costs	District pays 75% of medical and 100% of Part B but no more than 100% of the medical premium

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

Mortality rates were based on the RP-2014 Total Dataset Mortality Table fully generational using Scale MP-2017.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Changes in the Total OPEB Liability

Service cost	\$	895,542
Interest		798,024
Differences between expected and actual experience		-
Changes in assumptions		(2,611,262)
Benefit payments		(739,704)
Net changes		(1,657,400)
Net OPEB liability – beginning of year (as previously stated)		9,083,416
Prior period adjustment (see note 5)		17,720,491
Net OPEB liability – end of year	\$	<u>25,146,507</u>

Changes in assumptions reflect a change in the discount rate from 2.92% in 2017 to 3.56% in 2018.

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

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

	1% Decrease (2.56%)	Current Assumption (3.56%)	1% Increase (4.56%)
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Total OPEB liability	\$ 29,907,420	\$ 25,146,507	\$ 21,486,070
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Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease (6.250%-2.886%)	Current Assumption (7.250%-3.886%)	1% Increase (8.250%-4.886%)
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Total OPEB liability	\$ 20,672,205	\$ 25,146,507	\$ 31,070,343
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JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,693,566. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	2,611,262
Benefits paid subsequent to measurement period	828,693	-
Total	\$ 828,693	\$ 2,611,262

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	\$ 410,891
2020	(417,802)
2021	(417,802)
2022	(417,802)
2023	(417,802)
Thereafter	(522,252)

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds is recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the financial statements when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. The District did not issue or have any bond anticipation notes outstanding as of or during the year ended June 30, 2018.

b. Short-Term Debt Interest

The District did not have any short-term interest for the year ended June 30, 2018.

2. Long-Term Debt

a. Debt Limit

At June 30, 2018, the total indebtedness represents approximately 19% of its debt limit.

b. Serial Bonds

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

**JASPER-TROUPSBURG 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:

	Balance June 30, 2018	Balance June 30, 2017
2012 serial bonds	3,465,000	3,865,000
2014 serial bonds	75,000	110,000
2016 serial bonds	230,000	280,000
Net pension liabilities -		
TRS	-	238,999
ERS	123,179	370,690
Other post-employment benefits	25,146,507	9,083,416
	<u>\$ 29,039,686</u>	<u>\$ 13,948,105</u>

During the year, the District made principal payments on its serial bonds in the amount of \$485,000. The net change in other post-employment benefits was an increase of \$16,063,091 during the fiscal year ended June 30, 2018 due to the District implementing GASB 75. The net pension liability – ERS decreased \$247,511 during the current year, while the pension asset related to TRS was \$164,411, as compared to a net pension liability in the prior year of \$238,999.

d. Maturity

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

Description of Issue	Outstanding at June 30, 2018
Serial Bonds, issued in 2014 with a maturity date of 2020, with interest rates ranging from 1.875%-2.000%. Proceeds used to finance bus purchases.	\$ 75,000
Serial Bonds, issued in 2012 with a maturity date of 2028, with interest rates ranging from 2.00%-3.00%. Proceeds used to finance District's capital project.	3,465,000
Serial Bonds, issued in 2016 with a maturity date of 2022, with interest rates ranging from 1.875%-2.000%. Proceeds used to finance bus purchases.	230,000
	<u>\$ 3,770,000</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity (continued)

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

Year	Serial Bonds – 2012 Construction Bonds	
	Principal	Interest
	2019	\$ 405,000
2020	415,000	79,550
2021	425,000	71,250
2022	430,000	61,688
2023	445,000	51,475
2024-28	1,345,000	86,550
Total	<u>\$ 3,465,000</u>	<u>\$ 438,163</u>

Year	Serial Bonds – 2014 Bus Bond	
	Principal	Interest
	2019	\$ 35,000
2020	40,000	800
Total	<u>\$ 75,000</u>	<u>\$ 2,300</u>

Year	Serial Bonds – 2016 Bus Bond	
	Principal	Interest
	2019	\$ 55,000
2020	55,000	2,950
2021	60,000	1,800
2022	60,000	600
Total	<u>\$ 230,000</u>	<u>\$ 9,366</u>

e. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$104,149 for the year ended June 30, 2018.

JASPER-TROUBSBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity

A. Fund Equity

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

<u>Category/Fund</u>	<u>Description</u>	<u>Balance June 30, 2018</u>
Nonspendable:		
Food Service	Inventory reserve	\$ 20,117
Restricted:		
General	Reserve for employee benefits	\$ 89,920
	Retirement contribution reserve	225,212
	Workers' compensation reserve	175,106
	Tax certiorari reserve	15,265
	Repair reserve	300,625
	Unemployment reserve	145,801
	Capital reserve	1,178,269
		<u>\$ 2,130,198</u>
Debt Service	Reserve for debt service	\$ 55,296
Trust and Agency	Reserve for endowment scholarships	\$ 12,957
Assigned:		
General	Appropriated fund balance	\$ 406,683
	Reserve for encumbrances	28,460
		<u>\$ 435,143</u>
Capital	Assigned Fund Balance	\$ 450,344

B. Deficit Fund Balances

The District had an accumulated deficit in the amount of \$61,828 in the food service fund resulting from net losses from operations in the current and prior fiscal years. Management is evaluating its options with respect to alleviating this deficit.

C. Assigned – Appropriated Fund Balance

General Fund - The amount of \$406,683 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2019 as allowed by Section 1318 of the Real Property Tax Law.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity (continued)

D. District-wide Net Position

Net position of the District include restricted net position of \$2,185,494 which represent restricted amounts in the general and debt service funds.

VII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

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

2. Risk Sharing Pools

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

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

The *Jasper-Troupsburg 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.

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Commitments and Contingencies (continued)

C. Compensated Absences

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

D. Contingencies

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

NOTE 4 - CAPITAL PROJECTS

In 2018, the District's voters approved a capital project for construction, reconstruction, and equipping of school buildings and facilities at an estimated maximum aggregate cost of \$3,720,000. The District had expenditures of \$153,301 recorded in the capital projects fund during the year ended June 30, 2018 related to the new capital project.

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45 Districts were required to amortize the OPEB liability over a period of years. The District has recorded a prior period adjustment in the amount of \$17,720,491 related to the change in the OPEB liability balance as well as an adjustment in the amount of \$739,704 related to deferred outflows of resources. The total impact on the District's net position (deficit) was a reduction in the amount of \$16,980,787 as a result of this change in accounting principle.

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT (Continued)

During the fiscal year ended June 30, 2018, the District had a new independent appraisal on fixed assets resulting in a prior period adjustment. The effect of this prior period adjustment was a net decrease to beginning district-wide net position in the amount of \$2,759,514.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 10, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 2,701,729	\$ 2,701,729	\$ 2,794,599	\$ 92,870
Real property tax items	187,072	187,072	175,292	(11,780)
Charges for services	22,800	22,800	54,074	31,274
Use of money and property	1,000	1,000	8,065	7,065
Miscellaneous	100,000	100,000	265,459	165,459
State Sources:				
Basic formula	7,519,296	7,519,296	7,465,766	(53,530)
BOCES	768,849	768,849	772,539	3,690
Textbooks	25,863	25,863	24,698	(1,165)
All other aid	20,362	20,362	39,241	18,879
Federal Sources:				
Medicaid reimbursement	50,000	50,000	68,642	18,642
Total revenue	11,396,971	11,396,971	11,668,375	271,404
Other Sources				
Operating transfer in	300,000	300,000	-	(300,000)
Total revenue and other sources	11,696,971	11,696,971	\$ 11,668,375	\$ (28,596)
Prior year carryover encumbrances	-	219,462		
Appropriated fund equity	475,916	475,916		
Supplemental appropriations	-	600,000		
Total revenue, other sources and appropriated fund equity	\$ 12,172,887	\$ 12,992,349		

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 20,197	\$ 21,447	\$ 11,231	\$ -	\$ 10,216
Central administration	151,949	157,262	156,533	-	729
Finance	126,638	134,550	127,764	-	6,786
Staff	39,934	45,771	39,699	-	6,072
Central services	769,496	1,014,213	785,657	28,460	200,096
Special items	242,638	240,922	232,566	-	8,356
Instructional:					
Instruction, administration and improvement	265,549	343,875	331,528	-	12,347
Teaching - regular school	3,220,752	3,205,024	3,159,351	-	45,673
Programs for children with handicapping conditions	1,628,756	1,333,890	1,104,355	-	229,535
Occupational education	82,694	82,694	75,789	-	6,905
Instructional media	353,652	292,659	253,625	-	39,034
Pupil services	452,379	561,549	457,484	-	104,065
Pupil Transportation	720,675	895,640	654,730	-	240,910
Employee Benefits	3,198,429	3,163,703	2,831,886	-	331,817
Debt Service:					
Debt service principal	485,000	485,000	485,000	-	-
Debt service interest	104,149	104,150	104,149	-	1
Total expenditures	11,862,887	12,082,349	10,811,347	28,460	1,242,542
Other Uses:					
Transfer to other funds	310,000	910,000	610,000	-	300,000
Total other uses	310,000	910,000	610,000	-	300,000
Total expenditures and other uses	\$ 12,172,887	\$ 12,992,349	11,421,347	\$ 28,460	\$ 1,542,542
Excess of revenue and other sources over expenditures and other uses			\$ 247,028		

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

Schedule SS1A

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	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 23,901	\$ 22,282	\$ (1,619)
Federal sources	147,039	121,226	(25,813)
Sales	69,348	78,965	9,617
Miscellaneous	12,788	3,024	(9,764)
Surplus food	25,000	16,530	(8,470)
Use of money and property	-	103	103
Total revenue	<u>278,076</u>	<u>242,130</u>	<u>(35,946)</u>
Expenditures			
General support	100,005	100,971	(966)
Employee benefits	49,231	49,096	135
Cost of sales	103,235	87,206	16,029
Other expenses	35,605	35,054	551
Total expenditures	<u>288,076</u>	<u>272,327</u>	<u>15,749</u>
Excess (deficiency) of revenue over expenditures	<u>(10,000)</u>	<u>(30,197)</u>	<u>(20,197)</u>
Other sources (uses)			
Transfer from general fund	10,000	10,000	-
Excess (deficiency) of revenue and other sources over expenditures	<u>\$ -</u>	<u>(20,197)</u>	<u>\$ (20,197)</u>
Fund equity (deficit), beginning of year		<u>(41,631)</u>	
Fund equity (deficit), end of year		<u>\$ (61,828)</u>	

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

Schedule SS2

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CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 12,172,887
Additions:	
Prior year encumbrances	<u>219,462</u>
Final budget	<u><u>\$ 12,392,349</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	\$ 11,963,051
Maximum allowed (4% of 2018-19 budget)	\$ 478,522

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

Unrestricted fund balance:

Committed fund balance	\$ -
Assigned fund balance	435,143
Unassigned fund balance	<u>889,133</u>
Total unrestricted fund balance	<u>1,324,276</u>

Less:

Appropriated fund balance	406,683
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>28,460</u>
Total adjustments	<u>435,143</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 889,133</u></u>
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Actual percentage	<u><u>7.4%</u></u>
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* 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.

JASPER-TROUPSBURG 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 (Deficit) June 30, 2018
			Prior Years	Current Year	Interfund Transfers	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Vehicles 16-17	\$ -	\$ -	\$ 326,355	\$ -	\$ -	\$ 326,355	\$ (326,355)	\$ 280,000	\$ -	\$ 50,000	\$ 330,000	\$ 3,645
2018 Capital Project	3,720,000	3,720,000	-	153,301	-	153,301	3,566,699	-	-	600,000	600,000	446,699
Total	\$ 3,720,000	\$ 3,720,000	\$ 326,355	\$ 153,301	\$ -	\$ 479,656	\$ 3,240,344	\$ 280,000	\$ -	\$ 650,000	\$ 930,000	\$ 450,344

See accompanying independent auditor's report.

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

Schedule SS4A

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Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school	N/A	2018	N/A	\$ 52,492	\$ 52,492
Universal Pre-kindergarten	0409-18-7300	2018	\$ 115,966	115,966	115,966
School lunch/breakfast BOCES Aid	N/A	2018	N/A	17,966	17,966
School breakfast programs	N/A	2018	N/A	1,010	1,010
School lunch programs	N/A	2018	N/A	3,306	3,306
				<u>\$ 190,740</u>	<u>\$ 190,740</u>

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

Schedule SS4B

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Jasper-Troubsburg 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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 **Jasper-Troubsburg Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2018, the District reported in the Schedule of Federal Awards \$16,530 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.

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

Schedule SS4C

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
Passed through NYS					
Department of Education:					
Title I	84.010A	0021-18-2905	\$ 464,721	\$ 417,904	\$ 417,904
Title I	84.010A	0021-17-2905	3,954	3,954	3,954
Title II, Part A	84.367A	0147-18-2905	49,509	15,472	15,472
Title II, Part A	84.367A	0147-17-2905	16,275	16,275	16,275
Title VI - Part B - Rural Schools	84.358B	0006-18-2905	9,941	9,941	9,941
IDEA Part B, Public Law 94-142*	84.027A	0032-18-0866	119,800	119,800	119,800
IDEA Pre-school Public Law 99-457*	84.173A	0033-18-0866	1,966	1,966	1,966
Total U.S. Department of Education			666,166	585,312	585,312
US Department of Agriculture:					
Passed through NYS					
Department of Education:					
National School Breakfast Program **	10.553	N/A	N/A	20,264	20,264
National School Lunch Program **	10.555	N/A	N/A	100,962	100,962
CN Equipment Assistance Grant	10.579	0005-18-0024	20,000	20,000	20,000
Passed through NYS					
Office of General Services:					
National School Lunch Program **					
Noncash assistance (commodities)	10.555	N/A	N/A	16,530	16,530
Total U.S. Department of Agriculture				157,756	157,756
Total expenditures and revenue				\$ 743,068	\$ 743,068

* Constitutes a cluster of Federal programs named Special Education Cluster with revenue and expenditures of \$ 121,766

** Constitutes a cluster of Federal programs named Child Nutrition Cluster with revenue and expenditures of \$ 137,756

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

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS5

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Capital Assets	\$	15,675,120
Less:		
Serial bonds		(3,770,000)
Plus:		
Assets less related liabilities in capital project funds		<u>450,344</u>
Net investment in capital assets	\$	<u><u>12,355,464</u></u>

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

As of the measurement date of July 1,	2017
Total OPEB Liability	
Service cost	\$ 895,542
Interest	798,024
Differences between expected and actual experience	-
Changes in assumptions	(2,611,262)
Benefit payments	(739,704)
Net change in total OPEB liability	(1,657,400)
Total OPEB liability - beginning, as previously stated	9,083,416
Prior period adjustment (Note 5)	17,720,491
Total OPEB liability - ending	\$ 25,146,507
 Plan fiduciary net position	
Contributions - employer	\$ 739,704
Net investment income	-
Benefit payments	(739,704)
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	\$ -
 District's net OPEB liability	\$ 25,146,507
 Plan fiduciary net position as a percentage of total OPEB liability	0.00%
 Covered-employee payroll	\$ 4,482,324
 District's net OPEB liability as a percentage of covered-employee payroll	561.01%

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate changes - 4.00% to 2.92% effective July 1, 2016
and 3.56% effective June 30, 2017

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2018

For the year ended June 30,	<u>2018</u>
Actuarially determined contributions	\$ 739,704
Contributions in relation to the actuarially determined contribution	<u>(739,704)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 4,482,324
Contributions as a percentage of District's covered-employee payroll	16.50%

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.56% as of June 30, 2018 and 2.92% as of July 1, 2017
Inflation	2.25% per year
Healthcare cost trend rates	2017 - 7.5%. Rates expected to decrease each year thereafter with an ultimate rate of 3.886% after 2075.
Salary increases	2.5% per year
Mortality	RP-2014 Total Dataset Mortality Table fully generational using Scale MP-2017
Retiree Cost Sharing	District pays 75% of medical and 100% of Part B but no more than 100% of the medical premium
Participants	78 Active and 69 Retirees

JASPER-TROUPSBURG 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	\$ 330,715	\$ 401,724	\$ 456,590	\$ 648,552	\$ 606,006	\$ 447,090
Contributions in relation to the contractually required contribution	(330,715)	(401,724)	(456,590)	(648,552)	(606,006)	(447,090)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,374,643	\$ 3,427,679	\$ 3,443,363	\$ 3,699,669	\$ 3,729,268	\$ 3,776,098
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	\$ 163,383	\$ 172,690	\$ 240,772	\$ 204,436	\$ 273,287	\$ 223,915
Contributions in relation to the contractually required contribution	(163,383)	(172,690)	(240,772)	(204,436)	(273,287)	(223,915)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,107,681	\$ 1,101,037	\$ 1,210,997	\$ 1,138,379	\$ 1,355,415	\$ 1,305,488
Contributions as a percentage of District's covered-employee payroll	14.75%	15.68%	19.88%	17.96%	20.16%	17.15%

JASPER-TROUPSBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE
NET PENSION ASSET/LIABILITY – 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	0.021630%	0.022315%	0.024629%	0.025246%	0.025779%
District's proportionate share of the net pension asset/(liability)	n/a	\$ 164,411	\$ (238,999)	\$ 2,558,208	\$ 2,812,278	\$ 169,692
District's covered-employee payroll	n/a	\$ 3,427,679	\$ 3,443,363	\$ 3,699,669	\$ 3,729,268	\$ 3,776,098
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 (liability)	0.0038166%	0.0039451%	0.0044687%	0.0045020%	n/a	n/a
District's proportionate share of the net pension (liability)	\$ (123,179)	\$ (370,690)	\$ (749,334)	\$ (152,089)	\$ (203,439)	n/a
District's covered-employee payroll	\$ 1,107,681	\$ 1,101,037	\$ 1,210,997	\$ 1,138,379	\$ 1,355,415	n/a
District's proportionate share of the net pension (liability) as a percentage of its covered employee payroll	-11.12%	-33.67%	-61.88%	-13.36%	-15.01%	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

n/a - information is not available



BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Certified Public Accountants • Business Advisors

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
Jasper-Troupsburg Central School District
Jasper, 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 *Jasper-Troupsburg Central School District* as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise *Jasper-Troupsburg Central School District's* basic financial statements and have issued our report thereon dated October 10, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified two deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies in the District's internal control described in the accompanying schedule of findings and questioned costs as items II.A.2018-001 and II.A.2018-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Jasper-Troupsburg 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 are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2018-003.

Jasper-Troupsburg Central School District's Responses to Findings

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

Purpose of this Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 10, 2018**

**JASPER-TROUPSBURG 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 **Jasper-Troupsburg Central School District**.
2. Two material weaknesses 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". These material weaknesses are described in the accompanying schedule of findings and questioned costs as items II.A.2018-001 and II.A.2018-002.
3. There was one instance of noncompliance material to the financial statements of **Jasper-Troupsburg 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.2018-003.
4. A single audit in accordance with Uniform Guidance was not required during the fiscal year ended June 30, 2018 as the District's expenditures of Federal Award were below \$750,000.

**JASPER-TROUPSBURG 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 adjustments and footnotes were related to recording retirement accruals, recording BOCES revenue and receivables, and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District.

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

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.

2018-002 Capital Assets

Year ended June 30, 2018

Condition and Criteria: Under the governmental financial reporting model of GASB No. 34, capital assets of the District are recorded in the government-wide financial statements at historical cost and depreciated over the assets estimated useful life. The District obtained an appraisal of its capital assets for financial statement purposes in the current year; however, the appraisal did not include the historical cost of the most recent capital project or the District's vehicles. These were added to the financial statements during the audit process.

Cause and Effect: Without detailed records of capital assets, the potential risk exists of the capital assets being materially misstated.

Auditor's Recommendation: The District should review and reconcile the appraisal of its capital assets to its internal schedule of capital assets. In addition, annual updates of the appraisal should be performed to account for additions, disposals, and annual depreciation expense. The District should also work with the appraisal company to get the historical values of the capital project and the vehicles added to the appraisal.

School District's Response: The District will look to develop a system whereby capital assets balances are maintained and updated throughout the year.

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

II. FINANCIAL STATEMENTS AUDIT – FINDINGS (continued)

B. COMPLIANCE AND OTHER MATTERS

2018-003 Unassigned Fund Balance

Year ended June 30, 2018

Conditions and criteria: **Jasper-Troupsburg Central School District's** unassigned fund balance as of June 30, 2018 amounted to approximately \$889,133. This amount constitutes 7.4% of the 2018-2019 school budget.

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: **Jasper-Troupsburg 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.

District's Response: As a result of the audit, **Jasper-Troupsburg Central School District** realizes its unassigned fund balance as of June 30, 2018 is in excess of the NYS mandated 4% level. The District will 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.

2017-002 Capital Assets

Year ended June 30, 2017

Summary of Prior Year Finding: Under the governmental financial reporting model of GASB No. 34, capital assets of the District are to be reported in the government-wide financial statements at historical cost. The District presently does not maintain a schedule of capital assets acquisition, historical cost, depreciation, or disposal. Without detailed records of capital assets, the District has been required to report capital assets based upon updates of amounts reported in previous year's financial statements.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2018 as finding 2018-002. In the current year, the District received a new appraisal of its fixed assets; however, this report did not include the cost of a capital project or the District's vehicles.

B. COMPLIANCE AND OTHER MATTERS

2017-003 Unassigned Fund Balance

Year Ended June 30, 2017

Summary of Prior Year Finding: *Jasper-Troupsburg Central School District's* unassigned fund balance as of June 30, 2017 amounted to approximately \$510,000. This amount constitutes approximately 4.3% 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 2018-003.

2017-004 Emergency Purchases/Budget Transfers

Year Ended June 30, 2017

Summary of Prior Year Finding: During the year ended June 30, 2017, after receiving Board approval, the District purchased four buses and a maintenance vehicle that were not approved by the voters either within the 16-17 budget or through a supplemental proposition. It was communicated that the vehicles were necessary due to the condition of vehicles that were replaced, however, the District did not obtain New York State approval prior to the purchases which is required for emergency purchases of transportation equipment. The District did not comply with New York State regulations with regards to emergency purchases which is requires written communication and approval prior to purchase. As a result of not receiving such approval, the District did not comply with NYS Commissioner's Regulations with regards to budget transfers which preclude schools from transferring budgetary amounts from ordinary contingent budget codes to non-contingent budget codes.

Current Status: This finding is not being reported upon during the year ended June 30, 2018.

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

A. COMPLIANCE

Year Ended June 30, 2017

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

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2017

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