

AVOCA CENTRAL SCHOOL DISTRICT
AUDIT REPORTING PACKAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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2019 REPORTING PACKAGE

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AVOCA CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Avoca Central School District

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of **Avoca Central School District** as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the **Avoca 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 **Avoca Central School District** as of June 30, 2019, 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 financial position of the governmental activities, each major fund and aggregate remaining fund information of the **Avoca Central School District** as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the **Avoca Central School District's** June 30, 2018 financial statements, and our report dated September 18, 2018, 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, 2018, 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 **Avoca Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules (pages 38 through 42) 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 15, 2019 on our consideration of **Avoca 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 **Avoca Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 15, 2019**

I. Discussion and Analysis

The following is a discussion and analysis of the *Avoca Central School District's* financial performance for the year ended June 30, 2019. 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 *Avoca Central School District* during the fiscal year ended June 30, 2019:

- Overall net position of the District increased during the current year in the amount of \$49,000 from operations as compared to an increase of \$372,000 during the prior fiscal year.
- The District's total revenue increased approximately 4% from \$13,429,000 for the year ended June 30, 2018 to \$13,971,000 for the year ended June 30, 2019. This increase was primarily the result of an increase in basic aid, BOCES aid and interest earned due to an increase in rates.
- The District's total expenses increased approximately 7% from \$13,057,000 during the year ended June 30, 2018 to \$13,922,000 during the year ended June 30, 2019. This increase was primarily the result of an increase in employee benefits related to actuarial determined OPEB liability.
- The District had capital outlays during the current year in the amount of \$1,444,000, which primarily related to costs associated with the capital projects and vehicle purchases.

III. Overview of the Financial Statements

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

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

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

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

1. Statement of Net Position

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

2. Statement of Activities

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

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

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

III. Overview of the Financial Statements (continued)

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

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

The District has two kinds of funds:

1. Governmental Funds

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

III. Overview of the Financial Statements (continued)

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

1. Governmental Funds (continued)

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

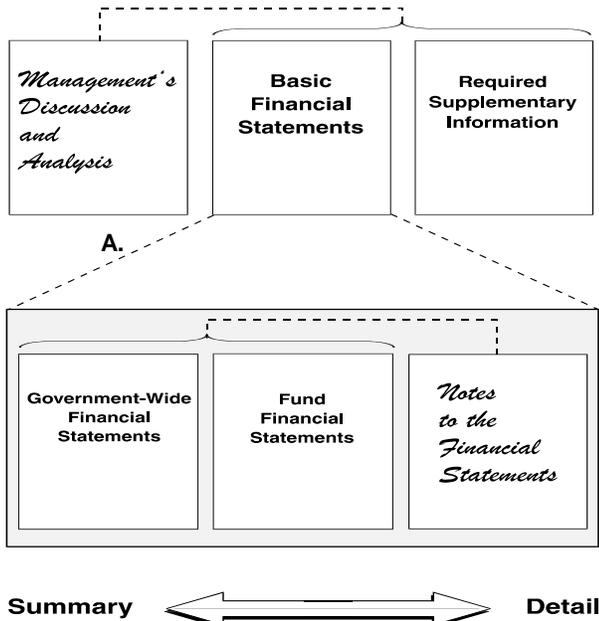
2. Fiduciary Funds

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

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

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

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



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

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 7% to \$13,922,000. The District's expenses cover a range of services, with 69% related to instruction and 17% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 4%, while total expenses increased 7%. The District's total net position increased approximately \$49,000 or 1% from operations during the fiscal year ended June 30, 2019.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$13,971,000 for the fiscal year ended June 30, 2019. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 17% of the District's total revenue for governmental activities decreased approximately 0% during the year ended June 30, 2019 as a result of no change in the tax levy.
- The District's most significant revenue is state sources which represent \$10,264,000 or 73% of total governmental revenue. The District state sources increased 4% due to an increase in basic aid.
- During the year ended June 30, 2019, the District saw a decrease in program revenue in the amount of \$1,000, which mostly resulted from a decrease in charges for services, which decreased by \$35,000 along with an increase in operating grants and contributions which increased \$34,000. These changes were the result of the District participating in the Community Eligibility Program for the cafeteria, which resulted in an increase in Federal and State subsidy and a decrease in the paid lunches and breakfasts.

IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$6,156,000. The components of net position include: net investment in capital assets, of \$14,254,000; restricted net position of \$3,319,000; and unrestricted net deficit of \$(11,417,000).

Changes in Net Position

The District's total government-wide revenue increased by approximately 4%, to \$13,971,000. Approximately 17%, 6% and 73% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 4% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

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

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, debt service and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$13,922,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$304,000 or 16% as a result of increased costs in the finance and maintenance departments.
- The District's instruction costs increased by approximately \$302,000 or 3% which was the result of increases in salaries, contractual expenses and OPEB expense related to actuarial update. These increases were partially offset by decreases in depreciation expense and employee benefits related to actuarial determined TRS expense.
- Debt service of the District increased approximately \$8,000 during the year ended June 30, 2019 which related to the increase in interest expense.
- Transportation costs of the District increased 20% or \$223,000 during the year ended June 30, 2019 due to an increase in salaries and depreciation costs.
- The District's cost of sales (food service fund) totaled \$368,000 during the current year as compared to \$337,000 during the fiscal year ended June 30, 2018. This increase was the result of more participation in the cafeteria due to the enrollment in the Community Eligibility Program.
- The District received approximately \$913,000 of operating grants and charges for services from its state and federal grants and tuition which subsidized certain programs of the District.
- Most of the District's net costs (\$13 million) were financed by real property taxes and state aid.

Figure A-3 – Condensed Statement of Net Position

<i>Avoca Central School District</i>			
<i>Condensed Statement of Net Position (in thousands of dollars)</i>			
	Governmental Activities and Total District-wide		
	2019	2018	% Change
Assets			
Current and other assets	\$ 11,110	\$ 6,827	63%
Capital assets	22,153	22,129	0%
Total assets	33,263	28,956	15%
Deferred outflows of resources			
Deferred outflows related to bonds	527	675	-22%
Deferred outflows related to pensions	3,214	2,658	21%
Deferred outflows of resources and assets	\$ 37,004	\$ 32,289	15%
Liabilities			
Other liabilities	\$ 5,869	\$ 682	761%
Long-term liabilities	23,846	24,062	-1%
Total liabilities	29,715	24,744	20%
Deferred inflows of resources			
Deferred inflows related to pensions and OPEB	1,133	1,438	-21%
Deferred inflows of resources and liabilities	30,848	26,182	18%
Net position			
Net investment in capital assets	14,254	12,524	14%
Restricted	3,319	3,120	6%
Unrestricted (deficit)	(11,417)	(9,537)	20%
Total net position	6,156	6,107	1%
Total liabilities, deferred inflows of resources and net position	\$ 37,004	\$ 32,289	15%

Figure A-4 – Changes in Net Position

<i>Avoca Central School District</i>			
<i>Changes in Net Position from Operating Results (in thousands of Dollars)</i>			
	Governmental Activities and Total District-wide		
	2019	2018	% Change
Revenue			
Program revenue			
Charges for services	\$ 107	\$ 142	-24%
Operating grants and contributions	806	772	4%
General revenue			
Real property taxes	2,433	2,434	0%
Use of money & property	103	12	763%
Sale of property & comp for loss	(59)	(11)	436%
State sources	10,264	9,828	4%
Federal sources	104	64	100%
Miscellaneous	213	188	13%
Total revenue	13,971	13,429	4%
Expenses			
General support	2,190	1,886	16%
Instruction	9,687	9,385	3%
Transportation	1,330	1,107	20%
Community services	13	16	-20%
Debt service - interest	334	326	2%
Cost of sales	368	337	9%
Total expenses	13,922	13,057	7%
Change in net position	\$ 49	\$ 372	

Figure A-5 – Sources of Revenue

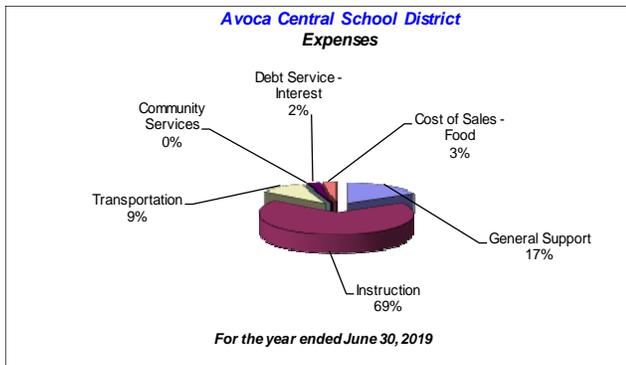
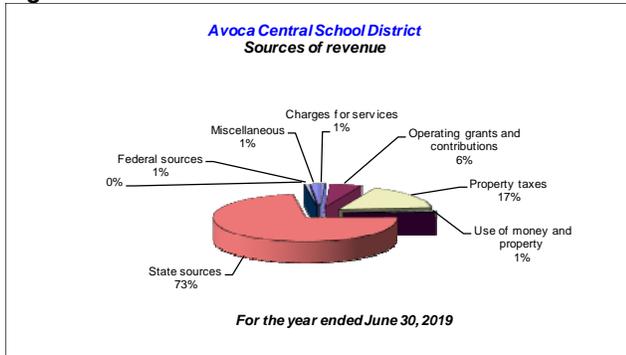


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2019		2018	
Expenditures supported with general revenue (from taxes & other sources)	\$ 13,009	93%	\$ 12,143	93%
Expenditures supported with program revenue	913	7%	914	7%
Total expenditures related to governmental activities	\$ 13,922	100%	\$ 13,057	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2019	2018	Change	2019	2018	Change
General support	\$ 2,190	\$ 1,886	\$ 304	\$ 2,190	\$ 1,886	\$ 304
Instruction	9,687	9,385	302	9,152	8,825	327
Transportation	1,330	1,107	223	1,330	1,107	223
Community services	13	16	(3)	13	16	(3)
Debt service - interest	334	326	8	334	326	8
Cost of sales - food	368	337	31	(10)	(17)	7
Total	\$ 13,922	\$ 13,057	\$ 865	\$ 13,009	\$ 12,143	\$ 866

V. Financial Analysis of the School District's Funds

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

General Fund

- The District's general fund expenditures exceeded its revenues by approximately \$71,000.
- The District's general fund unassigned fund balance equated to approximately \$1,880,000 as of June 30, 2019.
- The District has many fund balance reserves during the year ended June 30, 2019, and had a total restricted fund balance of approximately \$2,678,000.
- The District's total assets increased approximately \$39,000 as of June 30, 2019, primarily due to an increase in cash. The District's liabilities increased approximately \$110,000, primarily from an increase in due to TRS.
- Total revenue in the District's general fund increased \$592,000, which was primarily related to an increase in state aid, BOCES Aid and interest earned due to higher interest rates.
- Total expenditures in the District's general fund decreased \$550,000 which was primarily related to a decrease in transfers to the capital projects fund, which was partially offset by increases in finance, maintenance, instruction, and transportation costs.

Food Service Fund

- The District's food service fund experienced a \$27,000 decrease in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$378,000 during 2019 as compared with \$354,000 in 2018. Expenditures in the food service fund increased approximately \$58,000. These increases resulted from the District's enrollment in the Community Eligibility Program.

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

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$59,000 which resulted from costs and reimbursement related to a student attending the School for the Deaf in the prior year.

Capital Projects Fund

- The District had expenditures in the amount of approximately \$1,347,000 in capital projects during the year ended June 30, 2019, which was primarily related to costs associated with the construction project, capital outlay project and vehicle purchases.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes budget transfers. Actual expenditures were approximately \$206,000, below, the revised budget. The most significant positive variances was in the area of instruction and employee benefits which totaled \$53,000, and \$88,000, respectively, below that which were budgeted. On the other hand, resources available for appropriations were approximately \$348,000 above the final budgeted amount. Significant variance of revenue items consisted of local sources and federal sources which was approximately \$248,000 and \$79,000, above the revised budget.

Figure A-9 – Budget vs. Actual Comparison

<i>Avoca Central School District</i>					
<i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i>					
	Revised				
	Budget	Actual	Difference	%	
Revenue					
Local sources	\$ 2,555	\$ 2,803	\$ 248	10%	
State sources	10,243	10,264	21	0%	
Federal sources	25	104	79	316%	
Total revenue	\$ 12,823	\$ 13,171	\$ 348	3%	
Expenditures					
General support	\$ 1,630	\$ 1,603	\$ 27	2%	
Instruction	5,902	5,849	53	1%	
Transportation	691	658	33	5%	
Community Services	18	13	5	29%	
Employee benefits	2,647	2,559	88	3%	
Debt service	2,301	2,301	-	0%	
Operating transfers	259	259	-	0%	
Total expenditures	\$ 13,448	\$ 13,242	\$ 206	2%	

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2019, the District had invested approximately \$22,153,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2019, totaled approximately \$1,444,000 and consisted primarily of capital project costs and vehicle purchases. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2019, the District had approximately \$23,846,000 in bonds, other post-employment benefits, net pension liabilities and compensated absences, a decrease of approximately 1% as compared with the previous year. The decrease in bonds payable was the result of the District making regularly scheduled principal payments. Other post-employment benefits increased during the year related to a calculation performed by the third-party actuary, in addition during the current year the ERS liability increased.

Figure A-10 – Capital Assets

<i>Avoca Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2019	2018	Change
Land	\$ 75,792	\$ 75,792	0%
Cost basis	43,888,195	42,865,464	2%
Accumulated depreciation	(21,810,843)	(20,812,209)	5%
Total Capital Assets, net	\$ 22,153,144	\$ 22,129,047	0%

Figure A-11 – Outstanding Long-term Debt

<i>Avoca Central School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2019	2018	Change
Bonds payable	\$ 7,492,282	\$ 9,604,770	-22%
Net pension liabilities - ERS	227,462	99,032	130%
Other post-employment benefits	15,835,907	14,065,051	13%
Compensated absences	290,211	293,598	-1%
Total Long-Term Debt	\$ 23,845,862	\$ 24,062,451	-1%

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 uncertain as to the level of Federal and State aid.

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:

Avoca Central School District
17-29 Oliver Street
District Administrative Offices
Attention: Mr. Matthew Pflieger
School Business Administrator
Avoca, New York 14809

AVOCA CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Schedule 1

Page 10

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents		
Unrestricted	\$ 2,563,009	\$ 2,790,749
Restricted	3,318,675	3,120,253
Receivables		
State and federal aid	396,121	367,806
Other receivables	39,083	8,162
Due from other governments	551,785	338,661
Due from other fiduciary funds	34,575	14,225
Inventories	14,863	9,767
Net pension asset - NYS Teachers' Retirement System	416,979	177,636
Cash to be used towards capital projects	3,774,951	-
Capital assets, net	<u>22,153,144</u>	<u>22,129,047</u>
Total assets	33,263,185	28,956,306
Deferred Outflows of Resources		
Deferred outflows related to bond refunding	526,533	675,076
Deferred outflows related to pensions	2,397,210	2,658,034
Deferred outflows related to OPEB	816,841	-
Total assets and deferred outflows of resources	<u>\$ 37,003,769</u>	<u>\$ 32,289,416</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 366,393	\$ 245,168
Accrued liabilities	14,739	-
Accrued interest	13,000	16,000
Due to other governments	1,533	1,413
Due to retirement systems	473,470	419,151
Bond anticipation notes payable	5,000,000	-
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	1,225,000	1,915,000
Portion due or payable after one year		
Bonds payable	6,267,282	7,689,770
Net pension liability - NYS Employees' Retirement System	227,462	99,032
Other post-employment benefits	15,835,907	14,065,051
Compensated absences	290,211	293,598
Total liabilities	<u>29,714,997</u>	<u>24,744,183</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	606,146	818,681
Deferred inflows related to OPEB	526,481	619,638
Total liabilities and deferred inflows of resources	<u>30,847,624</u>	<u>26,182,502</u>
Net Position		
Net investment in capital assets	14,253,787	12,524,277
Restricted	3,318,675	3,120,253
Unrestricted (deficit)	<u>(11,416,317)</u>	<u>(9,537,616)</u>
Total net position	<u>6,156,145</u>	<u>6,106,914</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 37,003,769</u>	<u>\$ 32,289,416</u>

AVOCA CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 2

Page 11

	Expenses	Indirect Expenses Allocation	Program Revenues		2019 Net (Expense) Revenue and Changes in Net Position	2018 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
Functions/Programs						
General support	\$ 1,996,736	\$ 193,444	\$ -	\$ -	\$ (2,190,180)	\$ (1,886,290)
Instruction	8,940,285	747,199	73,426	462,152	(9,151,906)	(8,824,550)
Pupil transportation	929,835	400,353	-	-	(1,330,188)	(1,106,677)
Community services	12,776	-	-	-	(12,776)	(16,206)
Debt service	333,618	-	-	-	(333,618)	(326,260)
Food service program	367,860	-	33,957	343,756	9,853	16,631
Depreciation	1,340,996	(1,340,996)	-	-	-	-
Total functions and programs	<u>\$ 13,922,106</u>	<u>\$ -</u>	<u>\$ 107,383</u>	<u>\$ 805,908</u>	<u>(13,008,815)</u>	<u>(12,143,352)</u>
General Revenues						
Real property taxes					2,433,020	2,434,342
Use of money and property					102,836	11,910
Sale of property and compensation for loss					(59,171)	(11,031)
Miscellaneous					213,066	187,309
State sources					10,264,209	9,828,173
Federal sources					104,086	64,448
Total general revenues					<u>13,058,046</u>	<u>12,515,151</u>
Change in net position					49,231	371,799
Net position - beginning of year					6,106,914	16,745,596
Prior period adjustments					-	(11,010,481)
Net position - end of year					<u>\$ 6,156,145</u>	<u>\$ 6,106,914</u>

AVOCA CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019

Schedule 3

Page 12

	Governmental Funds					2019	2018
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Assets							
Unrestricted cash and cash equivalents	\$ 2,894,676	\$ 470	\$ 7,390	\$ -	\$ -	\$ 2,902,536	\$ 2,410,688
Restricted cash and cash equivalents	2,677,590	-	-	301,558	3,774,951	6,754,099	3,500,314
Due from other funds	141,447	319,492	-	339,527	1,024,901	1,825,367	1,879,597
State and federal aid receivable	150,561	223,258	22,302	-	-	396,121	367,806
Other receivables	35,663	-	3,420	-	-	39,083	8,162
Due from other governments	511,441	-	40,344	-	-	551,785	338,661
Inventories	-	-	14,863	-	-	14,863	9,767
Total assets	\$ 6,411,378	\$ 543,220	\$ 88,319	\$ 641,085	\$ 4,799,852	\$ 12,483,854	\$ 8,514,995
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 176,917	\$ 697	\$ (28)	\$ -	\$ 188,807	\$ 366,393	\$ 245,168
Accrued liabilities	13,514	-	1,225	-	-	14,739	-
Bond anticipation notes payable	-	-	-	-	5,000,000	5,000,000	-
Due to other funds	1,162,908	542,523	67,241	-	18,120	1,790,792	1,865,372
Due to other governments	-	-	1,533	-	-	1,533	1,413
Due to Teachers' Retirement System	434,557	-	-	-	-	434,557	385,673
Due to Employees' Retirement System	38,913	-	-	-	-	38,913	33,478
Total liabilities	1,826,809	543,220	69,971	-	5,206,927	7,646,927	2,531,104
Fund Equity							
Nonspendable	-	-	14,863	-	-	14,863	9,767
Restricted	2,677,590	-	-	641,085	-	3,318,675	3,120,253
Assigned	27,185	-	3,485	-	-	30,670	852,369
Unassigned (deficit)	1,879,794	-	-	-	(407,075)	1,472,719	2,001,502
Total fund equity (deficit)	4,584,569	-	18,348	641,085	(407,075)	4,836,927	5,983,891
Total liabilities and fund equity	\$ 6,411,378	\$ 543,220	\$ 88,319	\$ 641,085	\$ 4,799,852	\$ 12,483,854	\$ 8,514,995

AVOCA CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 4

Page 13

	Governmental Funds					2019	2018
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Revenue							
Real property taxes	\$ 2,433,020	\$ -	\$ -	\$ -	\$ -	\$ 2,433,020	\$ 2,434,342
Charges for services	73,426	-	-	-	-	73,426	39,694
Use of money and property	80,960	-	5	21,876	-	102,841	11,916
Sale of property and compensation for loss	19,686	-	-	-	-	19,686	14,473
Miscellaneous	195,314	-	11,371	17,752	-	224,437	221,742
State sources	10,264,209	141,666	44,223	-	-	10,450,098	10,068,634
Federal sources	104,086	320,486	279,174	-	-	703,746	580,885
Surplus food	-	-	20,359	-	-	20,359	14,997
Sales (school food service)	-	-	22,581	-	-	22,581	68,079
Total revenue	13,170,701	462,152	377,713	39,628	-	14,050,194	13,454,762
Expenditures							
General support	1,603,198	-	94,584	-	-	1,697,782	1,446,088
Instruction	5,848,749	462,152	-	-	-	6,310,901	6,175,299
Pupil transportation	658,388	-	-	-	336,739	995,127	968,567
Community services	12,776	-	-	-	-	12,776	16,206
Employee benefits	2,559,473	-	52,114	-	-	2,611,587	2,516,063
Debt service							
Principal	1,915,000	-	-	-	-	1,915,000	1,840,000
Interest	385,563	-	-	-	-	385,563	454,212
Capital outlay	-	-	-	-	1,010,316	1,010,316	352,115
Cost of sales	-	-	134,561	-	-	134,561	116,085
Other expenses	-	-	123,545	-	-	123,545	95,340
Total expenditures	12,983,147	462,152	404,804	-	1,347,055	15,197,158	13,979,975
Excess (deficiency) of revenue over expenditures	187,554	-	(27,091)	39,628	(1,347,055)	(1,146,964)	(525,213)
Other sources and uses							
Operating transfers in	-	-	-	-	258,680	258,680	1,428,858
Operating transfers out	(258,680)	-	-	-	-	(258,680)	(1,428,858)
Total other sources	(258,680)	-	-	-	258,680	-	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	(71,126)	-	(27,091)	39,628	(1,088,375)	(1,146,964)	(525,213)
Fund equity, beginning of year	4,655,695	-	45,439	601,457	681,300	5,983,891	6,509,104
Fund equity (deficit), end of year	\$ 4,584,569	\$ -	\$ 18,348	\$ 641,085	\$ (407,075)	\$ 4,836,927	\$ 5,983,891

AVOCA CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2019

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	Total 6/30/2019	(Memo only) Total 6/30/2018
Assets				
Cash	\$ 16,014	\$ 158,837	\$ 174,851	\$ 152,436
Due from governmental funds	-	-	-	53
Total assets	\$ 16,014	\$ 158,837	\$ 174,851	\$ 152,489
Liabilities				
Accrued liabilities	\$ -	\$ 31,862	\$ 31,862	\$ 32,437
Due to governmental funds	-	34,575	34,575	14,278
Student extraclassroom activity funds	-	92,400	92,400	91,875
Total liabilities	-	158,837	158,837	138,590
Net Position				
Reserved for scholarships	16,014	-	16,014	13,899
Total liabilities and net position	\$ 16,014	\$ 158,837	\$ 174,851	\$ 152,489

AVOCA CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 6

Page 15

	6/30/2019	(Memo only) 6/30/2018
Additions		
Gifts and contributions	\$ 3,961	\$ 1,147
Interest earnings	4	-
Total additions	<u>3,965</u>	<u>1,147</u>
Deductions		
Scholarships awarded	<u>1,850</u>	<u>5,800</u>
Total deductions	<u>1,850</u>	<u>5,800</u>
Change in net position	2,115	(4,653)
Net position - beginning of year	<u>13,899</u>	<u>18,552</u>
Net position - end of year	<u><u>\$ 16,014</u></u>	<u><u>\$ 13,899</u></u>

AVOCA CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Total fund balances - governmental funds \$ 4,836,927

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	\$ 43,963,987	
Accumulated depreciation	<u>(21,810,843)</u>	22,153,144

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.	416,979
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(13,000)
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Deferred outflows from the refunding of debt is reported on the statement of net position and is amortized over the refunded debt. In the governmental funds the total sources and payments related to the refunding are recognized in the combined statement of revenue, expense and changes in fund equity.	526,533
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District's proportionate share of actuarial calculated pension expense and net amortization of deferred outflows and inflows related to pension are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans.	1,791,064
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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.	290,360
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable	(7,492,282)	
Net pension liability - ERS	(227,462)	
Other post-employment benefits	(15,835,907)	
Compensated absences	<u>(290,211)</u>	<u>(23,845,862)</u>

Total net position - governmental activities \$ 6,156,145

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 9,656,635	\$ -	\$ -	\$ (3,774,951)	\$ 5,881,684
Due from other funds	1,825,367	-	-	(1,790,792)	34,575
State and federal aid receivable	396,121	-	-	-	396,121
Other receivables	39,083	-	-	-	39,083
Due from other governments	551,785	-	-	-	551,785
Inventories	14,863	-	-	-	14,863
Net pension asset	-	416,979	-	-	416,979
Cash to be used towards capital projects	-	-	-	3,774,951	3,774,951
Capital assets, net	-	22,153,144	-	-	22,153,144
Total assets	12,483,854	22,570,123	-	(1,790,792)	33,263,185
Deferred Outflows of Resources					
Deferred outflows related to bond refunding	-	526,533	-	-	526,533
Deferred outflows related to pensions	-	2,397,210	-	-	2,397,210
Deferred outflows related to OPEB	-	816,841	-	-	816,841
Total assets and deferred outflows of resources	\$ 12,483,854	\$ 26,310,707	\$ -	\$ (1,790,792)	\$ 37,003,769
Liabilities and Fund Equity/Net Position					
Liabilities					
Accounts payable	\$ 366,393	\$ -	\$ -	\$ -	\$ 366,393
Accrued liabilities	14,739	-	-	-	14,739
Accrued interest	-	-	13,000	-	13,000
Due to other funds	1,790,792	-	-	(1,790,792)	-
Due to other governments	1,533	-	-	-	1,533
Due to retirement systems	473,470	-	-	-	473,470
Bond anticipation notes payable	5,000,000	-	-	-	5,000,000
Bonds payable	-	-	7,492,282	-	7,492,282
Net pension liability-ERS	-	-	227,462	-	227,462
Other post-employment benefits	-	-	15,835,907	-	15,835,907
Compensated absences	-	-	290,211	-	290,211
Total liabilities	7,646,927	-	23,858,862	(1,790,792)	29,714,997
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	-	606,146	-	606,146
Deferred inflows related to OPEB	-	-	526,481	-	526,481
Total liabilities and deferred inflows of resources	7,646,927	-	24,991,489	(1,790,792)	30,847,624
Fund equity and net position	4,836,927	26,310,707	(24,991,489)	-	6,156,145
Total liabilities, deferred inflows of resources, and fund equity and net position	\$ 12,483,854	\$ 26,310,707	\$ -	\$ (1,790,792)	\$ 37,003,769

AVOCA 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, 2019

Total net change in fund balances - governmental funds \$ (1,146,964)

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

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

Capital outlays	\$ 1,443,950	
Depreciation expense	<u>(1,340,996)</u>	102,954

Disposal of equipment with remaining book value is reported as a loss in the statement of activities, whereas this transaction has no effect on revenue or expenditures reported in the governmental funds. (78,857)

Repayment of bond (including refunding) and bond anticipation notes redeemed from appropriations are recorded as an expenditure in the governmental funds, but the repayment reduces long-term and short-term liabilities in the statement of net position. 1,915,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when its due, and thus required the use of current financial resources. In the state of activities, however, interest expense is recognized as it accrues, regardless of when it is due. In addition, premiums on bond anticipation notes and bonds are recorded as revenue in the governmental funds, whereas in the statement of activities, premiums are amortized into interest expense. Lastly, amortization of deferred outflows related to bond refundings are also reflected in the statement of activities. 51,945

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans. 62,624

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 OPEB plan. (860,858)

In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences changed by this amount. 3,387

Change in net position of governmental activities \$ 49,231

	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	\$ 2,433,020	\$ -	\$ -	\$ -	\$ 2,433,020
Charges for services	73,426	-	-	(73,426)	-
Use of money and property	102,841	-	-	(5)	102,836
Sale of property and compensation for loss	19,686	(78,857)	-	-	(59,171)
Miscellaneous	224,437	-	-	(11,371)	213,066
State sources	10,450,098	-	-	(185,889)	10,264,209
Federal sources	703,746	-	-	(599,660)	104,086
Surplus food	20,359	-	-	(20,359)	-
Sales (school food service)	22,581	-	-	(22,581)	-
Total revenue	14,050,194	(78,857)	-	(913,291)	13,058,046
Expenditures					
General support	1,697,782	133,493	-	358,905	2,190,180
Instruction	6,310,901	747,199	(3,387)	2,097,193	9,151,906
Pupil transportation	995,127	63,614	-	271,447	1,330,188
Community services	12,776	-	-	-	12,776
Employee benefits	2,611,587	-	798,234	(3,409,821)	-
Debt service	2,300,563	-	(1,966,945)	-	333,618
Capital outlay	1,010,316	(1,010,316)	-	-	-
Cost of sales and other expense	258,106	(36,944)	-	(231,015)	(9,853)
Total expenditures	15,197,158	(102,954)	(1,172,098)	(913,291)	13,008,815
Excess (deficiency) of revenue over expenditures	(1,146,964)	24,097	1,172,098	-	49,231
Other sources and uses					
Operating transfers in	258,680	-	-	(258,680)	-
Operating transfers out	(258,680)	-	-	258,680	-
Total other sources	-	-	-	-	-
Net change for year	\$ (1,146,964)	\$ 24,097	\$ 1,172,098	\$ -	\$ 49,231

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

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

B. Joint Venture

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

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

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

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

During the year, the District was billed \$1,903,000 for BOCES administration, program and capital costs. The District's share of BOCES aid and refunds amounted to \$856,000 for the year ended June 30, 2019. Financial statements for the Steuben and Allegany Counties BOCES are available at the BOCES administrative offices.

C. Basis of Presentation

1. District-wide Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

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

2. Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

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

D. Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Cash and Cash Equivalents

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

F. Inventory

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

G. Investments

Investments are stated at current market value.

H. 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.

I. Capital Assets

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets (continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 500	Straight-line	15-50 years
Land improvements	\$ 500	Straight-line	15-50 years
Furniture and equipment	\$ 500	Straight-line	5-25 years
Transportation vehicles	\$ 500	Straight-line	5-7 years

J. 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 several items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the governmental wide Statement of Net Position. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The fourth item relates to OPEB reporting in the district-wide Statements of Net Position. This represents the actuarial changes in assumptions and other inputs, along with benefits paid subsequent to the measurement date.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Unearned Revenue

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 unearned revenue is removed and revenue is recognized. Unearned revenue recorded in the governmental funds are not recorded in the District-wide statements.

L. Post-Employment Benefits

The District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. The cost of providing retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums (for retirees and their dependents) as an expenditure in the general fund in the year paid.

M. 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). The District had nonspendable fund balance in the food service fund in the amount of \$14,863 as of June 30, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted

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

1. Reserve for Unemployment

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may be either transferred to another reserve or the excess applied to the appropriations next succeeding fiscal year's budget. If the District elects to convert to tax basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is recorded in the General Fund.

2. Reserve for 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.

3. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

4. Reserve for Insurance Recoveries

This reserve contains the difference between the insurance recovery received for the destruction of District property and the cost of replacement. This reserve is recorded in the in the General Fund.

5. Reserve for Retirement Contribution

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

6. Reserve for TRS Contributions Sub-Fund

This reserve is used to accumulate funds for teachers' retirement system contributions. The reserve is limited annually by 2% and in total 10% of teachers' retirement system salaries. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

7. 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 reasonable be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

8. Reserve for Workers' Compensation

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

8. Reserve for Workers' Compensation (continued)

Excess reserve amounts may be either transferred to another reserve or applied to the appropriations for the next succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

9. Capital Reserve

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

10. Capital Reserve - Transportation

This reserve is used to accumulate funds to finance all or a portion of future transportation equipment purchases. Voter authorization is required for both the establishment of the reserves and payments from the reserves. This reserve is accounted for in the General Fund.

11. 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.

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, 2019.

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 has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

1. Governmental Funds (continued)

D. Assigned (continued)

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Encumbrance reserve totaled \$- as of June 30, 2019.

2. Appropriated Fund Balance

General Fund – The amount of \$27,185 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2020 as allowed by section 1318 of the Real Property Tax Law.

E. Unassigned

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

2. Government-wide financial statements

A. Net Investment in Capital Assets

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

B. Restricted

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

2. Government-wide financial statements (continued)

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.

N. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Budgetary Procedures and Budgetary Accounting (continued)

2. Budget Basis for Accounting

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

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

Budgetary controls for the special revenue (other than School Food Service Fund) 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.

Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District made a supplemental appropriation in the amount of \$158,680 during the year ended June 30, 2019 related to the transfer of funds from the capital reserve for transportation.

O. Property Taxes

1. Calendar

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

2. Enforcement

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Interfund Transfers

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

Q. Deferred Compensation Plan

Avoca 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.

R. 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.

S. Reclassifications

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

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

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

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

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

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

B. Statement of Revenues, Expenditures and Changes in Fund Equity 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. Long-term Asset Transactions

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

3. Long-term Liability 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.

4. Pension differences

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

5. OPEB differences

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Cash

The *Avoca 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.

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 and as of June 30, 2019, the District's bank deposits were fully collateralized.

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

B. Deposits

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

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

Total financial institution (bank) balances at June 30, 2019 per the bank (including certificates of deposits) were approximately \$10,452,000. Deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>
\$ 500,000	\$ 9,952,000	\$ -	\$ 10,452,000

**AVOCA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C. Investments

The following is a summary of the carrying value of the District's investments as of June 30, 2019. These investments are classified as cash and cash equivalents on the Statement of Net Position and combined balance sheet.

	<u>Carrying Value</u>
Certificates of Deposit:	
General Fund – 2.31% matures on 04/30/2020	\$ 510,921
General Fund – 2.26% matures on 05/08/2020	1,254,299
Capital Fund – 2.04% matures on 08/27/2019	1,500,000
Capital Fund – 2.06% matures on 07/28/2019	1,000,000
	<u>\$ 4,265,220</u>

All of the District's investments are valued based on level 1 of the fair value hierarchy.

D. Interfund Transactions

Interfund balances as of June 30, 2019 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 141,447	\$ 1,162,908
School Lunch Fund	-	67,241
Special Aid Fund	319,492	542,523
Debt Service Fund	339,527	-
Capital Fund	1,024,901	18,120
Agency Fund	-	34,575
Total	<u>\$ 1,825,367</u>	<u>\$ 1,825,367</u>

	<u>Interfund Revenue</u>	<u>Interfund Expense</u>
General Fund	\$ -	\$ 258,680
Capital Fund	258,680	-
Total	<u>\$ 258,680</u>	<u>\$ 258,680</u>

During the year ended June 30, 2019, the District transferred \$258,680 from the general fund to the capital projects fund to purchase buses (\$158,680) in the current year, as approved by voters and to finance the capital outlay project (\$100,000).

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

E. Receivables

Receivables at June 30, 2019 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Aid	State and Federal Aid	\$ 223,258
General	State and Federal Aid	150,561
General	Other receivables	35,663
Food Service	State and Federal Aid	22,302
Food Service	Other receivables	3,420
Food Service	Due from Other Governments	40,344
General	Due from Other Governments	511,441
		<u>\$ 986,989</u>

F. Capital Assets

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance 06/30/18</u>	<u>Net Change</u>	<u>Ending Balance 06/30/19</u>
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 75,792	\$ -	\$ 75,792
Construction in Progress	255,116	911,130	1,166,246
Capital assets that are depreciated:			
Buildings and improvements	40,184,055	99,186	40,283,241
Furniture, equipment, and Vehicles	2,426,293	12,415	2,438,708
Total historical cost	<u>42,941,256</u>	<u>1,022,731</u>	<u>43,963,987</u>
Less accumulated depreciation:			
Buildings and improvements	19,328,425	1,165,808	20,494,233
Furniture, Equipment, and Vehicles	1,483,784	(167,174)	1,316,610
Total accumulated depreciation	<u>20,812,209</u>	<u>\$ 998,634</u>	<u>21,810,843</u>
Total net book value	<u>\$ 22,129,047</u>		<u>\$ 22,153,144</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

F. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General support	\$	193,444
Instruction		747,199
Pupil transportation		400,353
		<u>400,353</u>
	\$	<u>1,340,996</u>

During the current year, the District had capital additions in the amount of \$1,443,950.

G. Liabilities

I. 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.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

b. Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. 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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

2. Contributions (continued)

For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

Year	TRS	ERS
2019	\$ 423,000	\$ 125,000
2018	374,000	133,000
2017	443,000	145,000

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 or liability accrued related to the retirement incentive liabilities as of and for the year ended June 30, 2019.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

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

At June 30, 2019, 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, 2019 for ERS and June 30, 2018 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.

	ERS	TRS
Actuarial measurement date	3/31/2019	6/30/2018
Net pension asset/(liability)	\$ (227,462)	\$ 416,979
District's portion of the Plan's total net pension asset/(liability)	.0032104%	.023060%

For the year ended June 30, 2019, the District recognized pension expense of \$154,159 for ERS and \$331,440 for TRS. At June 30, 2019 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	\$ 44,792	\$ 311,605	\$ 15,269	\$ 56,444
Changes of assumptions	57,175	1,457,615	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	58,380	462,878
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	21,550	42,072	12,746	429
District's contributions subsequent to the measurement date	38,913	423,488	-	-
Total	\$ 162,430	\$ 2,234,780	\$ 86,395	\$ 519,751

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

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

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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:

Year ending:	ERS	TRS
2020	\$ 52,058	\$ 425,776
2021	(43,232)	291,589
2022	(3,760)	37,750
2023	32,056	290,606
2024	-	197,137
Thereafter	-	48,683

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/19	6/30/18
Actuarial valuation date	4/1/18	6/30/17
Interest rate	7%	7.25%
Salary scale	4.2% average 4/1/10 – 3/31/15	1.90% - 4.72% 7/1/09 – 6/30/14
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	2.25%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

4. Actuarial Assumptions (continued)

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

For ERS, the actuarial assumptions used in the April 1, 2018 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, 2017 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 3/31/19	Expected Rate of Return	TRS 6/30/18	Expected Rate of Return
Asset Type:				
Domestic Equity	36%	4.55%	33%	5.8%
International Equity	14%	6.35%	16%	7.3%
Private Equity	10%	7.50%	8%	8.9%
Real Estate	10%	5.55%	11%	4.9%
Absolute return strategies	2%	3.75%	-%	-%
Opportunistic portfolio	3%	5.68%	-%	-%
Real assets	3%	5.29%	-%	-%
Global Equity	-%	-%	4%	6.7%
Domestic fixed income securities	-%	-%	16%	1.3%
Global fixed income securities	-%	-%	2%	0.9%
High-yield fixed income	-%	-%	1%	3.5%
Private debt	-%	-%	1%	6.8%
Bonds and Mortgages	17%	1.31%	7%	2.8%
Cash	1%	(.25%)	1%	0.3%
Inflation-indexed bonds	4%	1.25%	-%	-%
Total:	100%		100%	

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

5. Discount Rate

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

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

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

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension asset/ (liability)	\$ (994,508)	\$ (227,462)	\$ 416,908
TRS			
Employer's proportionate share of net pension asset/ (liability)	\$ (2,864,714)	\$ 416,979	\$ 3,166,126

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

7. Pension Plan Fiduciary Net Position

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

	(In thousands)	
	ERS	TRS
Measurement date	3/31/19	6/30/18
Employers' total pension liability	\$ 189,803,429	\$ 118,107,253
Plan Net Position	\$ 182,718,124	\$ 119,915,518
Employers' net pension asset (liability)	\$ (7,085,305)	\$ 1,808,265
Ratio of plan net position to be Employers' total pension asset (liability)	96.27%	101.53%

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$38,913.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 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, 2019 amounted to \$434,557 (employer contributions \$423,488 and employee contributions of \$11,069).

**AVOCA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

II. Other Post-Employment Benefits

Plan Description

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

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2019, the plan had total active employees of 95 and retirees of 71.

Total OPEB Liability

The District's total OPEB liability of \$15,835,907 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Methods and Other Inputs

The total OPEB liability in the June 30, 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	3.00% per year Vary by pension retirement system membership (New York State Teachers Retirement System (TRS) or Employees Retirement System (ERS))
Salary increases	
Discount rate	3.51% as of June 30, 2019 2019 – 5.5% reduced to an ultimate rate of 3.84% by 2075.
Healthcare cost trend rates	District pays 50% for single and 50% for family – based on years of service and credited months
Retirees' share of benefit-related costs	

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the same assumptions used in the New York State TRS actuarial valuation report as of June 30, 2014 and ERS assumptions effective on April 1, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

II. Other Post-Employment Benefits (continued)

Changes in the Total OPEB Liability

Service cost	\$	485,287
Interest		559,014
Differences between expected and actual experience		-
Changes in assumptions		939,645
Benefit payments		(213,090)
Net changes		1,770,856
Net OPEB liability – beginning of year		14,065,051
Net OPEB liability – end of year	\$	<u>15,835,907</u>

Changes in assumptions reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019. Also health care trend rates were 5.5% - 3.84%.

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 (2.51%) or 1 percentage point higher (4.51%) that the current discount rate:

	1% Decrease (2.51%)	Current Assumption (3.51%)	1% Increase (4.51%)
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Total OPEB liability	\$ 18,982,909	\$ 15,835,907	\$ 13,365,175
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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 that the current healthcare cost trend rates:

	1% Decrease (4.5%-2.84%)	Current Assumption (5.5%- 3.84%)	1% Increase (6.5%-4.84%)
--	--------------------------------	---	--------------------------------

Total OPEB liability	\$ 12,944,397	\$ 15,835,907	\$ 19,634,801
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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

II. 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, 2019, the District recognized OPEB expense of \$1,032,078. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ --
District's contributions subsequent to the measurement	--	--
Changes in assumptions	816,841	526,481
Total	\$ 816,841	\$ 526,481

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:	
2020	\$ 29,647
2021	29,647
2022	29,647
2023	29,647
2024	29,647
Thereafter	142,125

III. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes (BANs)

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

III. Indebtedness (continued)

1. Short-Term Debt (continued)

a. Bond Anticipation Notes (BANs) (continued)

On June 11, 2019, the District issued bond anticipation notes of \$5,000,000. The notes carries an interest rate of 2.0% and matures on June 26, 2020. The bond anticipation notes were issued to pay for current capital project expenditures.

2. Long-Term Debt

a. Debt Limit

At June 30, 2019, the total indebtedness represents approximately 46% of its debt limit.

b. Serial Bonds

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

c. Changes

The changes in the School District's indebtedness during the year ended June 30, 2019 are summarized as follows:

	Balance June 30, 2019	Balance June 30, 2018	Amounts Due Within One Year
Serial bonds	\$ 7,492,282	\$ 9,604,770	\$ 1,225,000
Other post-employment benefits	15,835,907	14,065,051	-
Compensated absences	290,211	293,598	-
Net pension liability-ERS	227,462	99,032	-
	\$ 23,845,862	\$24,062,451	\$ 1,225,000

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

III. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Changes (continued)

During the current year, the District made principal payments in the amount of \$1,915,000, as well as an amortization of premiums in the amount of \$197,488. The net change in compensated absences was a decrease of \$3,387. The net change in other post-employment benefits was an increase of \$1,770,856. The ERS had an increase in net pension liability in the amount of \$128,430.

d. Summary

The following is a summary of maturity of the District's serial bonds:

Description of Issue	Outstanding June 30, 2019
Serial Bonds, issued in 2016 with a maturity date of June, 2028, bonds carry interest at 2.00% - 5.00%.	\$ 6,815,000
Plus: Unamortized premium on bonds	<u>677,282</u>
	<u>\$ 7,492,282</u>

e. Maturity

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

Year	Serial Bonds – 2016	
	Principal	Interest
2020	\$ 1,225,000	\$ 312,250
2021	1,265,000	267,850
2022	1,330,000	204,600
2023	1,400,000	138,850
2024	755,000	78,300
2025-2028	<u>840,000</u>	<u>105,500</u>
Total	<u>\$ 6,815,000</u>	<u>\$ 1,107,350</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

III. Indebtedness (continued)

2. Long-Term Debt (continued)

f. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$385,563 for the year ended June 30, 2019.

3. Advanced Bond Refunding

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

As a result of a difference between the carrying value of the refunded debt and reacquisition price of the new debt, a deferred outflows of resources in the amount of \$1,275,000 was recognized, of which \$148,543 was amortized during the current year, with the remaining balance of \$526,533 as of June 30, 2019 to be amortized through June 30, 2028.

4. Premiums, Debt Issuance Costs and Amortization

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

H. Fund Equity

I. Fund Equity Components

The District's fund equity is comprised of various components. The District's fund equity includes reserves established for the following purposes:

Category/ Fund	Reservation Purposes	Balance June 30, 2019
Nonspendable		
Food Service	Reserve for inventory	\$ 14,863
Restricted:		
General	Reserve for insurance recoveries	\$ 50,000
	Reserve for employee benefits	708,099
	Capital reserve	497,302
	Capital reserve – transportation	542,065
	Reserve for unemployment	95,555
	Reserve for tax certiorari	5,000
	Reserve for workers' compensation	232,753
	Reserve for TRS retirement contributions sub fund	75,348
	Reserve for retirement contributions	471,468
		<u>\$ 2,677,590</u>
Debt Service	Reserve for debt service	\$ 641,085
Fiduciary Fund	Reserve for endowment Scholarships	\$ 16,014
Assigned:		
General	Appropriated fund equity	\$ 27,185
	Reserve for encumbrances	-
		<u>\$ 27,185</u>
Food Service	Fund equity	\$ 3,485

II. District-wide Net Position

Net position of the District includes restricted net position of \$3,318,675 which represent restricted amounts in the general fund as presented above.

III. Deficit Fund Balances

The District's capital project fund had an accumulated deficit in the amount of \$(407,075) as of June 30, 2019. It is not uncommon for school districts to have deficit fund balances in the capital project funds as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or redeemed at which time such proceeds are recorded as other financing sources revenue.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Commitments and Contingencies

I. Risk Financing and Related Insurance

1. General Information

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

2. Risk Sharing Pools

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

The *Avoca 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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Commitments and Contingencies (continued)

I. 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.

II. 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 provisions of Governmental Accounting Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$900,000 at June 30, 2019 for accumulating, non-vesting sick leave.

III. Litigation

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

J. Tax Abatements

The Steuben County Industrial Development Agency entered into a property tax abatement program (Payment in Lieu of Taxes – PILOT) with a Corporation in the Avoca Central School District's tax jurisdiction for the purpose of an alternative energy project. The term of the PILOT is 20 years with the agreement expiring on December 31, 2028. Payments under the agreement are \$500 during 2009 and increase gradually each year up to \$8,259 in 2028. At this time, the District is unable to quantify the amount of taxes that have been abated under this program.

NOTE 4 - CAPITAL PROJECTS

On December 19, 2017, the voters of the District authorized a new capital project in the amount of \$9,035,000. Total expenditures incurred during the year ended June 30, 2019 were \$911,130.

The District also had a capital outlay project during the current year and incurred expenditures totaling \$99,186.

NOTE 5 – PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2018 the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45 districts were required to amortize the OPEB liability over a period of years. During the year ended June 30, 2018, the District recorded a prior period adjustment in the amount of \$11,010,481 related to the change in the OPEB liability.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 17, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

AVOCA CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 2,415,879	\$ 2,415,879	\$ 2,414,901	\$ (978)
Real property tax items	16,178	16,178	18,119	1,941
Charges for services	17,250	17,250	73,426	56,176
Use of money and property	7,500	7,500	80,960	73,460
Sale of property and compensation for loss	2,250	2,250	19,686	17,436
Miscellaneous	95,500	95,500	195,314	99,814
State Sources:				
Basic formula	9,439,400	9,439,400	9,461,851	22,451
BOCES	686,956	686,956	760,738	73,782
Textbooks	24,873	24,873	24,931	58
All other aid	91,726	91,726	16,689	(75,037)
Federal Sources:				
Medicaid reimbursement	25,000	25,000	104,086	79,086
Total revenue and other sources	12,822,512	12,822,512	\$ 13,170,701	\$ 348,189
Appropriated reserves and supplemental appropriations	331,272	489,952		
Appropriated fund equity and carryover encumbrances	27,185	135,397		
Total revenue, other sources and appropriated fund equity	\$ 13,180,969	\$ 13,447,861		

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 17,700	\$ 25,064	\$ 23,594	\$ -	\$ 1,470
Central administration	190,541	197,253	196,059	-	1,194
Finance	303,827	319,235	309,001	-	10,234
Staff	13,250	13,086	11,913	-	1,173
Central services	666,296	832,495	819,705	-	12,790
Special items	241,608	242,980	242,926	-	54
Instructional:					
Instruction, administration and improvement	297,000	286,682	249,765	-	36,917
Teaching - regular school	2,800,037	2,863,069	2,840,950	-	22,119
Programs for children with handicapping conditions	1,366,212	1,288,897	1,278,938	-	9,959
Teaching - special schools	18,000	19,975	19,975	-	-
Occupational education	449,413	448,037	446,452	-	1,585
Instructional media	413,630	400,340	470,770	-	(70,430)
Pupil services	568,813	594,922	541,899	-	53,023
Pupil Transportation	717,193	691,385	658,388	-	32,997
Employee Benefits	2,698,386	2,647,198	2,559,473	-	87,725
Community Service	18,500	18,000	12,776	-	5,224
Debt Service:					
Debt service principal	1,915,000	1,915,000	1,915,000	-	-
Debt service interest	385,563	385,563	385,563	-	-
Total expenditures	13,080,969	13,189,181	12,983,147	-	206,034
Other Uses:					
Transfer to other funds	100,000	258,680	258,680	-	-
Total other uses	100,000	258,680	258,680	-	-
Total expenditures and other uses	\$ 13,180,969	\$ 13,447,861	13,241,827	\$ -	\$ 206,034
Excess (deficiency) of revenue and other sources over expenditures and other uses			\$ (71,126)		

AVOCA CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule SS1A

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	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 55,594	\$ 44,223	\$ (11,371)
Federal sources	230,490	279,174	48,684
Sales	26,324	22,581	(3,743)
Miscellaneous	36,577	11,371	(25,206)
Surplus food	20,000	20,359	359
Use of money and property	-	5	5
Total revenue	<u>368,985</u>	<u>377,713</u>	<u>8,728</u>
Expenditures			
General support	95,487	94,584	903
Employee benefits	57,537	52,114	5,423
Cost of sales	140,732	134,561	6,171
Other expenses	124,937	123,545	1,392
Total expenditures	<u>418,693</u>	<u>404,804</u>	<u>13,889</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (49,708)</u>	<u>(27,091)</u>	<u>\$ 22,617</u>
Fund equity, beginning of year		<u>45,439</u>	
Fund equity, end of year		<u>\$ 18,348</u>	

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 13,180,969
Additions:	
Prior year encumbrances	<u>108,212</u>
Original Budget	13,289,181
Budget Revisions: Supplemental appropriation capital reserve transfer	<u>158,680</u>
Final budget	<u><u>\$ 13,447,861</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 voter-approved expenditure budget	\$ 12,943,164
Maximum allowed (4% of 2019-20 budget)	\$ 517,727

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	27,185
Unassigned fund balance	<u>1,879,794</u>
Total unrestricted fund balance	<u>1,906,979</u>
Less:	
Appropriated fund balance	27,185
Encumbrances included in committed and assigned fund balance	<u>-</u>
Total adjustments	<u>27,185</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,879,794</u></u>
Actual percentage	<u><u>14.5%</u></u>

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

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019

Schedule SS3

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Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2019
			Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Construction project (9.035M)	\$ 9,035,000	\$ 9,035,000	\$ 255,115	\$ 911,130	\$ 1,166,245	\$ 7,868,755	\$ 5,000,000	\$ -	\$ 619,219	\$ 5,619,219	\$ 4,452,974
Capital outlay project 2017-18	100,000	100,000	97,000	-	97,000	3,000	-	-	100,000	100,000	3,000
Capital outlay project 2018-19	100,000	100,000	-	99,186	99,186	814	-	-	100,000	100,000	814
Transportation vehicles - future year	168,000	168,000	-	-	-	168,000	-	-	136,137	136,137	136,137
Transportation vehicles - current year	340,000	340,000	-	336,739	336,739	3,261	-	-	336,739	336,739	-
	<u>\$ 9,743,000</u>	<u>\$ 9,743,000</u>	<u>\$ 352,115</u>	<u>\$ 1,347,055</u>	<u>\$ 1,699,170</u>	<u>\$ 8,043,830</u>	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ 1,292,095</u>	<u>\$ 6,292,095</u>	<u>\$ 4,592,925</u>
											Less BANs outstanding <u>(5,000,000)</u>
											Fund equity (deficit) as of June 30, 2019 <u>\$ (407,075)</u>

See accompanying independent auditor's report.

AVOCA CENTRAL SCHOOL DISTRICT
BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule SS4A

Page 40

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school	N/A	18-19	\$ 46,126	46,126	\$ 46,126
Universal Pre-kindergarten	0409-19-7026	18-19	95,540	95,540	95,540
BOCES aid - food service fund	N/A	18-19	N/A	36,877	36,877
Summer food service program	N/A	18-19	N/A	685	685
School breakfast programs	N/A	18-19	N/A	3,256	3,256
School lunch programs	N/A	18-19	N/A	4,090	4,090
				<u>\$ 186,574</u>	<u>\$ 186,574</u>

AVOCA CENTRAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule SS4B

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Avoca 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 the 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.

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for applicable program and periods. The amounts reported in there Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

The accompanying **Avoca Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2019, the District reported in the Schedule of Federal Awards \$20,359 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.

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule SS4C

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
Direct Grant:					
Small, Rural School Achievement Program	84.358A	S358A197656	13,026	\$ 13,026	13,026
Passed through NYS Department of Education:					
Title I	84.010A	0021-19-2840	141,010	140,303	140,303
Title II, Part A	84.367A	0147-19-2840	25,731	25,731	25,731
Title IV - SSAE	84.424A	0204-19-2840	10,256	10,256	10,256
IDEA, Part B Public Law 94-142 *	84.027A	0032-19-0854	124,656	124,656	124,656
IDEA, Pre-school Public Law 99-457 *	84.173A	0033-19-0854	6,514	6,514	6,514
Passed through NYS Department of Education:					
National School Lunch Program **	10.555	N/A	N/A	179,405	179,405
National School Breakfast Program **	10.553	N/A	N/A	71,641	71,641
Summer Food Service Program	10.559	N/A	N/A	17,370	17,370
National School Snack Program **	10.555	N/A	N/A	10,073	10,073
Passed through NYS Office of General Services:					
National School Lunch Program					
Noncash assistance (Donated Commodities) **	10.555	N/A	N/A	20,359	20,359
Total expenditures and revenue				\$ 619,334	\$ 619,334

* Constitutes a cluster of Federal programs

** Constitutes a cluster of Federal programs

Note: Total Federal Awards did not exceed \$750,000 and therefore, a single audit was not required during 2018-19 fiscal year in accordance with the Uniform Guidance.

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2019

Schedule SS5

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Capital Assets	\$ 22,153,144
Less:	
Serial bonds	(7,492,282)
Bond anticipation notes	(5,000,000)
Plus:	
Assets to be used for capital improvements, net of related liabilities	<u>4,592,925</u>
Net investment in capital assets	<u><u>\$ 14,253,787</u></u>

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019 AND 2018

Schedule SS6

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As of the measurement date of June 30,	2019	2018
Total OPEB Liability		
Service cost	\$ 485,287	\$ 465,898
Interest	559,014	514,017
Differences between expected and actual experience	-	-
Changes in assumptions	939,645	(712,795)
Benefit payments	(213,090)	(560,098)
Net change in total OPEB liability	1,770,856	(292,978)
Total OPEB liability - beginning	14,065,051	3,347,548
Prior period adjustment	-	11,010,481
Total OPEB liability - ending	\$ 15,835,907	\$ 14,065,051
 Plan fiduciary net position		
Contributions - employer	\$ 213,090	\$ 560,098
Net investment income	-	-
Benefit payments	(213,090)	(560,098)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	\$ -	\$ -
 District's net OPEB liability	\$ 15,835,907	\$ 14,065,051
 Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
 Covered-employee payroll	\$ 4,219,321	\$ 4,336,344
 District's net OPEB liability as a percentage of covered-employee payroll	375.32%	324.35%
 Notes to Schedule:		
Benefit Changes: None		
Changes in assumptions: Discount rate 3.51% effective 6/30/19 changing from 3.87% as of 6/30/18. Salary increases vary by TRS and ERS assumptions from 10.00%-2.72%		

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB
FOR THE YEAR ENDED JUNE 30, 2019 AND 2018

Schedule SS7

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For the year ended June 30,	2019	2018
Actuarially determined contributions	\$ 213,090	\$ 560,098
Contributions in relation to the actuarially determined contribution	(213,090)	(560,098)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 4,219,321	\$ 4,336,344
Contributions as a percentage of District's covered-employee payroll	5.05%	12.92%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.51% as of June 30, 2019
Inflation	3.00% per year
Healthcare cost trend rates	2019 - 5.5%. Rates expected to decrease each year thereafter with an ultimate rate of 3.84% after 2075.
Salary increases	10.00% - 2.72%
Mortality	4/1/10 - 3/31/2015 NYSLRS experiences with adjustments based on Society of Actuarie's Scale MP-2014.
Retiree Cost Sharing	District pays 50% for single and 50% for family - based on years of service.
Participants	95 Active and 71 Retirees

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2019

Schedule SS8

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New York State Teachers' Retirement System

For the year ended June 30,	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	423,488	\$ 373,998	\$ 443,003	\$ 489,994	\$ 629,454	\$ 574,639	\$ 412,901
Contributions in relation to the contractually required contribution	(423,488)	(373,998)	(443,003)	(489,994)	(629,454)	(574,639)	(412,901)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,987,646	\$ 3,816,306	\$ 3,779,889	\$ 3,695,279	\$ 3,590,724	\$ 3,536,240	\$ 3,487,340
Contributions as a percentage of District's covered-employee payroll	10.62%	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,	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 125,004	\$ 133,509	\$ 144,864	\$ 164,898	\$ 164,297	\$ 209,536	\$ 187,707
Contributions in relation to the contractually required contribution	(125,004)	(133,509)	(144,864)	(164,898)	(164,297)	(209,536)	(187,707)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 928,431	\$ 905,059	\$ 1,000,675	\$ 935,004	\$ 956,392	\$ 1,004,212	\$ 1,003,844
Contributions as a percentage of District's covered-employee payroll	13.46%	14.75%	14.48%	17.64%	17.18%	20.87%	18.70%

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE
NET PENSION ASSET – NYSTRS AND PROPORTIONATE SHARE OF
NET PENSION LIABILITY - NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2019

Schedule SS9

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

As of the measurement date of June 30,	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability/asset	n/a	0.023060%	0.023370%	0.023493%	0.023904%	0.023940%	0.023804%
District's proportionate share of the net pension asset/(liability)	n/a	\$ 416,979	\$ 177,363	\$ (251,616)	\$ 2,482,879	\$ 2,666,714	\$ 156,688
District's covered-employee payroll	n/a	\$ 3,816,306	\$ 3,779,889	\$ 3,695,279	\$ 3,590,724	\$ 3,536,240	\$ 3,487,340
District's proportionate share of the net pension liability/asset as a percentage of its covered employee payroll	n/a	10.93%	4.70%	6.81%	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension asset (liability)	n/a	101.53%	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,	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension (liability)	0.0032104%	0.0030684%	0.0033788%	0.0035325%	0.0033362%	n/a	n/a
District's proportionate share of the net pension (liability)	\$ (227,462)	\$ (99,032)	\$ (317,484)	\$ (566,972)	\$ (102,212)	\$ (150,760)	n/a
District's covered-employee payroll	\$ 928,431	\$ 905,059	\$ 1,000,675	\$ 935,004	\$ 956,932	\$ 1,004,212	n/a
District's proportionate share of the net pension (liability) as a percentage of its covered employee payroll	24.50%	10.94%	31.73%	60.64%	10.68%	15.01%	n/a
Plan fiduciary net position as a percentage of the total pension (liability)	96.27%	98.24%	94.70%	90.70%	97.90%	n/a	n/a

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

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

Report on Financial Statements

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 *Avoca Central School District* as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise *Avoca Central School District's* basic financial statements and have issued our report thereon dated September 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered *Avoca 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 *Avoca Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Avoca Central School District's* 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 one deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2019-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Avoca Central School District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2019-002.

Avoca Central School District's Responses to Findings

Avoca Central School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. *Avoca 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 15, 2019

**AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Avoca Central School District*
2. One material weakness relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". This material weakness is described in the accompanying schedule of findings and questioned costs as item II.A.2019-001.
3. There was one instance of noncompliance material to the financial statements of *Avoca Central School District* reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards". This instance of noncompliance is reported as item II.B.2019-002.
4. A single audit in accordance with Uniform Guidance was not required during the fiscal year ended June 30, 2019, as the District's expenditures of Federal Awards were below \$750,000.

**AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2019

2019-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

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

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

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

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

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2019

2019-002 Unassigned Fund Balance

Conditions and criteria: **Avoca Central School District's** unassigned fund balance as of June 30, 2019 amounted to \$1,879,794. This amount constitutes approximately 15% of the 2019-2020 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: **Avoca Central School District's** should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation of fund balance.

School District's Response: As a result of the audit, **Avoca Central School District** realizes its unassigned fund balance as of June 30, 2019 is in excess of the NYS mandated 4% level. The District will continue to review its options with regards to reservation and designation of fund balance.

I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Year ended June 30, 2018

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, 2019, as identified as finding 2019-001.

B. COMPLIANCE AND OTHER MATTERS

2018-002 Unassigned Fund Balance

Year Ended June 30, 2018

Summary of Prior Year Finding: *Avoca Central School District's* unassigned fund balance as of June 30, 2018 amounted to approximately \$2,001,502. This amount constitutes approximately 15% of the 2018-2019 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, 2019, as identified as finding 2019-002.



BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Certified Public Accountants • Business Advisors

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

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2019 of the District's financial statements and have issued our reports thereon dated October 15, 2019. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Avoca Central School District* for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

We have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Avoca Central School District's* has provided responses to the additional comments, however, we did not audit these responses and, accordingly, we express no opinion on them.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 15, 2019**

**AVOCA CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Page 2

Capital Assets

The District reports approximately \$22 million of capital assets. During the course of our audit we discovered that significant reconciliations were needed to agree the District's records to the fixed asset appraisal. We recommend the District work to identify the differences and contact the appraisal company to reconcile the appraisal report with District audited records. In the future an important step in the capital asset process is not only reporting additions and disposals to the appraisal company on an annual basis but also reviewing the report once an update is complete to verify that such items were properly accounted for.

District's response: The District will continue its efforts to accurately state the capital assets, and will contract periodically for an updated full appraisal.

Food Service Fund

During the year ending June 30, 2019 the District began participating in the Community Eligibility Provision which provided free meals to all students. The meals are reimbursed on a monthly basis at a rate determined by the Federal government based which is based on the number of students that were directly certified in the previous fiscal year. Although student participation in the food service program has increased significantly since beginning the program, the financial results diminished as the loss from operations totaled \$27,000 in 2019. The District should evaluate this operating deficit and develop an approach to alleviate this deficit in the future, which may include a transfer from the general fund.

During the initial year of enrollment Community Eligibility Provision, the Federal government assigns a reimbursement percentage based on the number of students who are directly certified by New York State. Although the reimbursement rate established in the initial year is valid for four years, the District would be eligible to have the rate increased if the percentage of students who are directly certified increases. This would also require the District to re-enroll for 4 additional years. We recommend that the District consider re-evaluating the direct certification percentage on an annual basis, which is based on April 1 data.

District response: Although the School Lunch Fund showed a loss for the fiscal year ending June 30, 2019, the District believes that this loss can be attributed to one-time expenditures related to the implementation of the Community Eligibility Provision. The District will continue to monitor the School Lunch Fund to ensure that operating deficits do not continue in future years.

The District has had discussion with the cafeteria manager regarding the potential benefits of re-evaluating the direct certification percentage on an annual basis. The District will work to ensure that it is maximizing the potential reimbursement rate.

Interfund Receivable and Payable

During the fiscal year, many transactions require an initial use of interfund loans. Such transactions include but are not limited to: State and Federal aid directly wired to the District's General Fund checking account related to basic state aid, Federal and State grants recorded in the Special Aid fund and free and reduced breakfast and lunch reimbursements recorded in the Food Service Fund; salaries and fringe benefits paid for through the General Fund related to the Food Service Fund and Special Aid Fund; Debt Service Fund transfers to and from the General Fund; and interest earned on cash and investments balances in the capital projects related to serial bonds issues and bond anticipation notes which must be utilized for future debt service and therefore, accumulated in the Debt Service Fund. As a result of these circumstances, large due to and due from balances may exist at certain times during the year in the General Fund, Special Aid Fund, Food Service Fund, Capital Projects Fund and Debt Service Fund. We recommend that the District closely monitor these outstanding interfund loan balances on a regular basis and where appropriate pay down these loan balances. In addition, the District is carrying many due to/from accounts in the Special Aid Fund related to prior year grant funds. Because the District only maintains one Special Aid Fund cash account, we recommend that these due to/from account balances be closed out and transferred to current grant programs.

District's response: The District will close out the due to/due from balances in old grant accounts as well as monitor and begin to pay down balances from other grant accounts.

**AVOCA CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Page 3

School Funding Transparency Reporting

In 2018, New York State passed a law requiring New York Schools to annually report a detailed statement of total funding allocation for each school in the District. A School Funding Transparency Form was created by New York State to capture this information. Beginning in 2020, the District will be required to submit this form annually to the Division of the Budget and State Education Department.

As part of a Federal mandate, school districts will be required to report per-pupil expenditure data at the school level as mandated by the Every Student Succeeds Act (ESSA) during 2019. The new ESSA financial requirements include reporting money spent on staff compared with other expenses at the school and the levels of federal, state, and local funding provided to each school building.

We recommend that the District continue to review any new guidance issued by New York State and seek opportunities to attend future educational seminars if they arise related to these reporting models.

District response: District representatives have attended a number of educational seminars related to the impending School Funding Transparency Reporting requirements. The District will continue to attend such sessions and review all related guidance issued by New York State.

Future Governmental Accounting Standard

GASB 84 – Fiduciary Activities

In 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities, which will be effective for the fiscal year ending June 30, 2020. This new standard's objective is to improve the guidance regarding the identification and reporting of fiduciary activities and focuses on the source of the revenue and control over activity assets. One of the characteristics of a fiduciary activity as defined by the standard are that the assets are for the benefit of individuals and the district does not have administrative involvement with the assets or direct financial involvement with the assets. School districts will be required to evaluate activity currently recorded in the trust and agency fund, including extraclassroom activities. Those activities that do not meet the fiduciary definition will be required to be reported in the governmental funds, either in the general fund or special revenue fund. The change also affects how certain fiduciary activities, custodial funds, are reported by requiring additions and subtractions to be included on the Statement of Changes in Fiduciary Net Position. We recommend the District review the new fiduciary activity standard to ensure proper adherence.

GASB 87- Accounting for Leases

In 2017, the Governmental Accounting Standards Board issued Statement No. 87, Accounting for Leases, which will be effective for the fiscal year ending June 30, 2021. The primary objective of this is new standard is to bring most leases onto the balance sheet. The goal is to determine if any operating leases contain a right-to-use asset and record an asset and liability related to that lease. Also under the new standard there will be changes in the terms used for the two classifications; operating leases and finance leases (previously capital leases) and additional financial statement disclosures. We recommend that the District begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new lease standard, which may include continuing education, webinars and further training.

District response: The District will continue to review all current and future guidance related to the implementation of GASB 84 and GASB 87. District representatives will participate in related webinars and training opportunities as they become available.

**EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANT**

AVOCA CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUND

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the **Avoca Central School District** for the year ended June 30, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the basis for qualified opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Avoca Central School District** for the year ended June 30, 2019 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 15, 2019**

AVOCA CENTRAL SCHOOL DISTRICT
STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
JULY 1, 2018 THROUGH JUNE 30, 2019

Extraclassroom activities:	Balances	Total	Total	Total	Balances
	June 30, 2018	Receipts	Receipts & Balances	Payments	June 30, 2019
Art Club	\$ 8,016	\$ 3,926	\$ 11,942	\$ 2,127	\$ 9,815
Athletic Club	5,996	7,309	13,305	8,131	5,174
Cheerleaders	2,578	9,784	12,362	6,073	6,289
Chorus & Co	6,718	4,278	10,996	4,382	6,614
Science Club	5,061	743	5,804	466	5,338
Class of 2018	1,803	-	1,803	1,803	-
Class of 2019	18,240	22,634	40,874	36,479	4,395
Class of 2020	10,657	14,322	24,979	10,065	14,914
Class of 2021	5,320	7,233	12,553	4,178	8,375
Class of 2022	-	15,070	15,070	8,363	6,707
Modern Language Club	6,644	1,922	8,566	1,293	7,273
Music Guild	541	35	576	196	380
National Junior Honor Society	592	206	798	177	621
SADD	2,621	344	2,965	530	2,435
Sales Tax	645	2,775	3,420	2,670	750
Ski Club	199	685	884	685	199
Student Council	8,236	2,411	10,647	2,729	7,918
Yearbook	7,292	7,275	14,567	10,629	3,938
Tiger All Nighter	716	1,570	2,286	1,021	1,265
Total activity fund	\$ 91,875	\$ 102,522	\$ 194,397	\$ 101,997	\$ 92,400

**AVOCA CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of *Avoca Central School District*. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$92,400 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

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



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

Ladies and Gentlemen:

In planning and performing our audit of the statement of cash receipts and disbursements – cash basis of the Extraclassroom Activity Fund of **Avoca Central School District** as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered **Avoca Central School District's** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Avoca Central School District's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Avoca Central School District's** internal control.

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

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

Point of Sale Records

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

District's response: The District will continue to emphasize, with the faculty advisors, the need for complete point of sale records for all fundraising events.

Approval of Purchases

We recommend that the District continue its efforts to have all purchase orders signed and approved prior to the purchase of all goods and services. During situations when it is not practical to issue a purchase order, documentation should be maintained that evidences that proper authorization for the purchases has been made.

District's response: The District will continue to work to have all purchase orders signed and approved prior to the purchase of any goods or services. This will be emphasized with all involved parties.

Additional comments for the extraclassroom fund of Avoca Central School District are listed below:

Faculty Auditor

Outlined in the "Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds" publication are certain controls one of which is the creation of a Faculty Auditor Position. This position would be approved by the Board of Education and function distinct and separate from the duties of other officers. The duties of the Faculty Auditor is to receive records from the Central Treasurer and examine various transactions and documentation to determine if correct procedures are being used. In addition, at least twice per year, on a rotating basis, the Faculty Auditor would compare balances maintained by the Central Treasurer and the Student Treasurer and Faculty Advisor and investigate any differences. The District should consider whether this position should be established or whether such duties could be assumed by the Claims Auditor.

District's response: The District will appoint a faculty auditor to review ledgers two times during each school year.

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 15, 2019**



October 15, 2019

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

We have audited the financial statements of Avoca Central School District as of and for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Governmental Auditing standards and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 11, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Avoca Central School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

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

Very truly yours,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Avoca Central School District
Schedule of Audit Differences
June 30, 2019**

#	Description	Debit	Credit	Equity Effect	Current year Margin Effect
1	Architect Fees Accounts Payable - record architect fees related to capital outlay	9,000	9,000	(9,000)	(9,000)

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate do not cause the financial statements taken as a whole to be materially misstated.