

**AUDITED
BASIC FINANCIAL STATEMENTS**

PEMBROKE CENTRAL SCHOOL DISTRICT
CORFU, NEW YORK

JUNE 30, 2018

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The President and Members of the
Board of Education of
Pembroke Central School District
Corfu, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pembroke Central School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 *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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information, as listed in the table of contents, 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 District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Batavia, New York
September 25, 2018

**Management's Discussion and Analysis
Pembroke Central School District
Fiscal Year ended June 30, 2018**

This section of Pembroke Central School District's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

The net position of the District increased by \$2,728,353. The net position of the District includes all of the governmental funds and the value of the District's land, buildings, and equipment (net of accumulated depreciation). At June 30, 2018 unrestricted net position was \$842,418. Other components of net position were capital assets, net of accumulated depreciation and related debt of \$9,666,765, net position restricted for capital projects of \$4,587,244, restricted for unemployment insurance of \$59,739, restricted for workers' compensation insurance of \$505,089, restricted for employees retirement system costs of \$596,511, and restricted for employee benefit accrued liability for \$2,329,084.

Other issues of significance for the fiscal year ended June 30, 2018 included:

- The General Fund's (the primary operating fund) fund balance increased by \$1,475,841.
- The governmental activities revenues increased by approximately \$601,641. In 2018 the results of activities produced an increase in net position of \$2,728,353 and a decrease of \$831,328 in 2017.
- The net cost of all the District's activities decreased by \$1,437,779 (or approx. 8%).

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

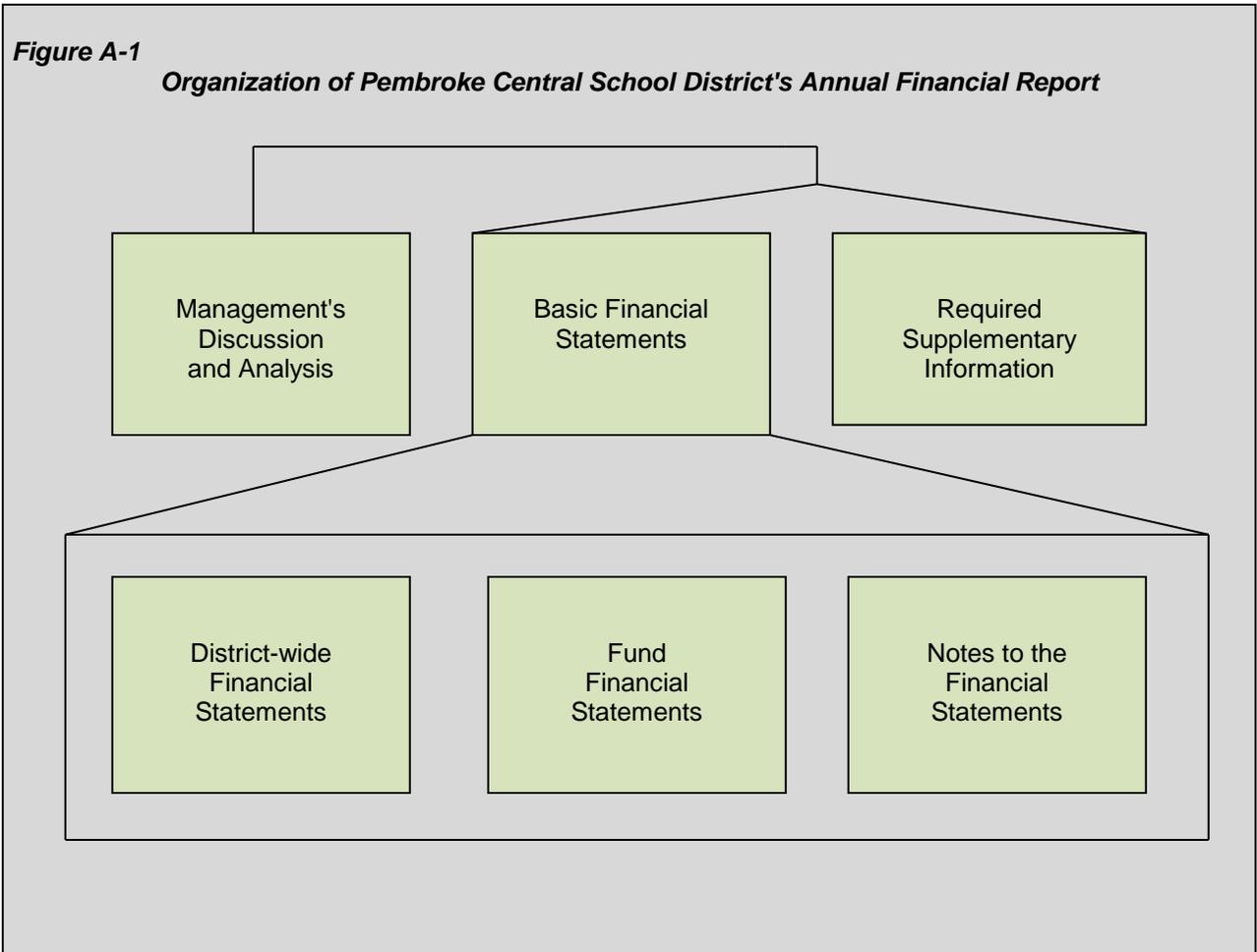


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2**Major Features of the District-wide and Fund Financial Statements**

		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position – Fiduciary Funds • Statement of Changes in Net Position – Fiduciary Fund
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 assets expected to be used up and liabilities that come due during the year or soon thereafter; generally 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/out-flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

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

The two district-wide statements report the District's net positions 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 positions 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.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information reported on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Overall, the District's financial picture remains positive. Due to the volatility of state aid, the District responsibly took a very conservative approach to its budgeting. Fortunately, this resulted in favorable budget variances for both revenues and expenditures.

The District monitored the budget tirelessly and attempted to reduce controllable expenses.

Areas of expense over which the District has little control will continue to dictate future budgets. In the 2017/2018 school year, the District's budget once again received relief from a reduction in retirement costs. NYS Teacher Retirement System employer contribution rate was reduced by approximately 1.92% and Employees Retirement System employer average contribution rate by

approximately .2%. However, due to an increase in high cost claimants and a substantial increase in weekly claims, a 12% increase in hospitalization premiums was incurred.

The significance of the impact of the current economic recovery or decline will most likely be the major indicator of this District's financial position through the next year.

Figure A-3

Condensed Statement of Net Assets
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2018	2017	2017-2018%
Current and other assets	\$ 12,693	\$ 12,993	-2.31%
Capital assets not being depreciated	51	51	0.00%
Capital assets, net of accumulated depreciation	23,065	23,720	-2.76%
TRS pension asset	384	-	100.00%
Total assets	<u>36,193</u>	<u>36,764</u>	<u>-1.55%</u>
Deferred outflow of resources - Pension	5,755	5,653	1.80%
Deferred outflow of resources - OPEB	592	628	-5.73%
	<u>6,347</u>	<u>6,281</u>	<u>1.05%</u>
Current liabilities	2,133	1,924	10.86%
Long term liabilities	19,375	24,589	-21.20%
Total liabilities	<u>21,508</u>	<u>26,513</u>	<u>-18.88%</u>
Deferred inflow of resources - Pension	1,947	402	384.33%
Deferred inflow of resources - OPEB	498	272	83.09%
	<u>2,445</u>	<u>674</u>	<u>262.76%</u>
Invested in capital assets, net of related debt	9,667	10,263	-5.81%
Restricted for:			
Unemployment insurance	60	60	0.00%
Workers' compensation	505	504	0.20%
Retirement	597	595	0.34%
Employee benefit accrued liability	2,329	2,403	-3.08%
Capital projects	4,587	3,005	52.65%
Unrestricted (deficit)	842	(972)	-186.63%
Total net assets	<u>\$ 18,587</u>	<u>\$ 15,858</u>	<u>17.21%</u>

Figure A-4

*Changes in Net Position
(in thousands of dollars)*

	Governmental Activities and Total District		Total Percentage Change
	2018	2017	2017-2018%
Revenues:			
Real property taxes	\$ 7,947	\$ 7,798	1.91%
Real property tax items	63	72	-12.50%
Charges for services	41	70	-41.43%
Use of money and property	30	18	66.67%
Sale of property and compensation for loss	3	1	200.00%
Other miscellaneous revenues	188	146	28.77%
State and federal aid	14,383	13,967	2.98%
School lunch	120	102	17.65%
Total revenues	<u>22,775</u>	<u>22,174</u>	<u>2.71%</u>
Expenses:			
General support	3,376	3,619	-6.71%
Instruction	13,620	15,141	-10.05%
Pupil transportation	1,266	1,366	-7.32%
Debt service	375	1,531	-75.51%
School lunch	322	295	9.15%
Depreciation	1,087	1,053	3.23%
Total expenses	<u>20,046</u>	<u>23,005</u>	<u>-12.86%</u>
Changes in net positions	<u>\$ 2,729</u>	<u>\$ (831)</u>	<u>-428.40%</u>

Governmental Activities

This section presents the cost of six major District activities: general support, instruction, pupil transportation, debt service, depreciation and school lunch. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

The most significant changes uncovered in this analysis are in the areas of pupil transportation, debt service – interest, and school lunch.

The decrease in the net cost of services related to pupil transportation in 2017/18 is mainly due to the reduction in the amount of indirect cost allocation of employee benefits from the prior year which was offset by an increase in salary and fuel costs of approximately \$95,000. District-wide reporting adjustments for TRS, ERS, and OPEB in the amount of \$183,889 above fund basis reporting was allocated to pupil transportation in 2017/18 compared to \$378,744 in 2016/17.

The significant decrease recognized in the area of debt service interest is due to the exclusion of the total interest cost of the new bond acquired as the result of the November 2017 partial advanced bond refunding of outstanding serial bonds that was reported in 2016/17 and therefore not applicable in 2017/18. Also, the amortization of debt premium that is not recorded in fund basis reporting, reduced net cost of services by \$165,862.

Figure A-7

<i>Net Cost of Governmental Activities (in thousands of dollars)</i>						
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2018	2017	2017-2018	2018	2017	2017-2018
General support	\$ 3,376	\$ 3,619	-6.71%	\$ 3,377	\$ 3,619	-6.69%
Instruction	13,620	15,141	-10.05%	10,787	10,687	0.94%
Pupil transportation	1,266	1,366	-7.32%	146	330	-55.76%
Debt service - interest	375	1,531	-75.51%	375	1,531	-75.51%
School lunch	322	295	9.15%	(16)	(26)	38.46%
Depreciation	1,087	1,053	3.23%	1,087	1,053	3.23%
Total	<u>\$ 20,046</u>	<u>\$ 23,005</u>	<u>-12.86%</u>	<u>\$ 15,756</u>	<u>\$ 17,194</u>	<u>-8.36%</u>

Financial Analysis of The District's Funds

General Fund

Revenues exceeded expenditures in the General Fund, resulting in an increase of fund balance of \$1,475,841 for the year ended June 30, 2018.

Actual revenues exceeded budgeted amounts by \$394,512 mainly due to the receipt of additional state aid and unanticipated medicaid revenue. Actual expenditures were less than originally budgeted in all budgeted categories for 2017/18. These reductions allowed for the funding of the \$5M capital reserve authorized by voters on May 20, 2014 in the amount of \$75,415. This was in addition to the budgetary provision to fund the capital reserve for \$1,500,000.

In addition to providing the District with the opportunity to fund the capital reserve, the budgetary provision also served as a placeholder in the budget for the transition of serial bond principal and interest payments to be made from the General Fund in future budgets. Per recommendation from the Office of the State Comptroller, the District continues to posture itself for the elimination of the Debt Service Fund by 2020/21.

School Lunch Fund

The operations of the School Lunch Fund 2017/18 resulted in an excess of revenues over expenditures of \$16,513. Total assigned fund balance of \$123,363 remains of which \$25,000 has been appropriated towards the 2018/19 budget.

Special Aid Fund

In the Fall of 2016, Pembroke Central School District was awarded a Carol M. Wright Physical Education Program (PEP), three year grant for a total of \$1,842,890. Although, Pembroke is the recipient of the grant award, it is shared with Alexander Central School District who "partnered" with the District in the grant application. The total grant period is from October 1, 2016 to September 30, 2019. As of June 30, 2018 funds expended for Pembroke CSD and Alexander CSD are \$499,038 and \$333,082, respectively.

Through the use of PEP Grant funds both districts have benefited immensely. In Year 2 of the grant, which started October 1, 2017 and ends September 30, 2018, Alexander Central School District used funds to purchase new equipment for the Jr/Sr HS weight room, fitness center and PE classes. Additionally, Alexander used funds to purchase outdoor fitness equipment and fitness playground equipment. The Pembroke Central School District used funds to convert a classroom at the Intermediate School into a fitness center. This room is comprised of treadmills, spin bikes, and ellipticals. Additional funds were used to purchase fitness equipment at the Jr/Sr HS that included treadmills, arc trainers, a functional training machine, and a stair master. The grant also helped pay for PE teachers to attend local, state, and national PE conferences to further their professional development. Nutrition Education was enhanced in both districts with the offering of nutrition classes during and after school. The grant also helped fund various fitness opportunities and promoted the district wellness week. Healthy eating was encouraged in both districts by providing numerous opportunities to participate in healthy cooking lessons. The grant also fully funded the Pembroke Summer Recreation program, while also funding physical activity field trips for the Alexander Summer Recreation program.

Capital Projects Fund

During the 2017/18 school year, the purchase of three new school buses was completed for a total cost of \$287,574.

A \$100,000 capital outlay exception project was performed for a total cost of \$96,985. The project included new sidewalks and front entry steps and the chimney renovation at the Pembroke Primary School.

The District expended \$2,020 of its own funds in 2017/18 in addition to the \$58,725 expended in 2016/17 for architect services needed for the preparation of the \$1.1M Smart Schools Bond Act project application. The Smart Schools Bond Act requires the District to expend funds and to file for reimbursement subsequently. Project approval from the NYS Education Department was received in June 2018 that will allow for the reimbursement process to begin.

General Fund Budgetary Highlights

A very conservative approach to the budget process was again taken for the 2017/18 school year due to the volatility of the economy and the uncertainty of state aid revenue due to the uncertainty of the State of New York's financial priorities.

Cautious budget administration continued to be practiced to protect against revenue cuts by pulling back on certain expenses and programs. Revenues exceeded budgeted amounts mainly due to the receipt of additional state aid, lottery aid and unanticipated medicaid revenue. Expenditures resulted in favorable budget variances mainly due to less than anticipated expenditures in the areas of central services, teaching- regular school, programs for the handicapped and employee benefits.

In January 2018, a retirement incentive was presented by the District to the Pembroke Teachers' Federation. The offer was carefully structured to comply with the usage requirements of the Employee Benefits and Accrued Liability Reserve. Three unit members accepted the offer which resulted in a \$75,000 reduction in the Reserve.

The 2017/2018 General Fund budget included a \$1,500,000 budgetary provision to fund the Capital Reserve which was fully executed.

The District was also able to continue funding the \$5M capital reserve that was voter authorized on May 20, 2014 by transferring an additional \$75,415 into the reserve. Per Section 3651 of Education Law, the Board of Education authorized the funding up to \$500,000 from General Fund excess appropriations for the fiscal year ending June 30, 2018.

Figure A-8

*Revenues, Expenditures and Changes in Fund Balances - Governmental Major Funds
(in thousands of dollars)*

	2018		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 21,116	\$ 19,640	\$ 10,168
Capital Projects Fund	381	389	(511)
2017			
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 20,784	\$ 20,399	\$ 8,692
Capital Projects Fund	315	439	(503)

Capital Asset and Debt Administration

The decrease in net capital assets is due to depreciation. Three buses were purchased in 2017/18, however, capital retirements included two buses that were traded in during the year. The buses are being financed with a bond anticipation note. Various equipment was also purchased and paid for out of current appropriations.

Figure A-9

*Capital Assets Net of Depreciation
(in thousands of dollars)*

	Governmental Activities and Total District		Percentage Change
	<u>2018</u>	<u>2017</u>	<u>2017-2018</u>
	Land	\$ 51	\$ 51
Buildings	17,480	18,089	-3.37%
Vehicles and equipment	5,585	5,631	-0.82%
Total	<u>\$ 23,116</u>	<u>\$ 23,771</u>	<u>-2.76%</u>

Long-Term Debt

In 2009, the District implemented the provisions of GASB Statement No. 45 *Accounting and Reporting by Employers for Post Employment Benefits other than Pensions*. GASB Statement No. 45 required the recording of a liability for current and future retirees and their spouses for post employment health insurance. A portion of that liability related to past service costs was being amortized over 30 years. However, as of June 30, 2017 the District voluntarily opted to early implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This resulted in the reporting of deferred postemployment outflow of resources, postemployment liability and deferred postemployment inflow of resources related to the District’s single-employer defined benefit other postemployment plan.

Figure A-10

Outstanding Long-Term Debt
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2018	2017	2017-2018
Serial bonds payable	\$ 11,535	\$ 13,005	-11.30%
Unamortized premiums	\$ 1,161	\$ 1,327	-12.51%
Compensated absences	913	992	-7.96%
Pension - TRS	-	533	-100.00%
Pension - ERS	235	673	-65.08%
Post employment benefits	5,531	8,059	-31.37%
	<u>\$ 19,375</u>	<u>\$ 24,589</u>	<u>-21.20%</u>

Factors Bearing on the District's Future

The State of New York continues to demonstrate a commitment to education. As the major source of revenues used to support the operations and objectives of the District, as revenue to the State is impacted, so is the revenue available to support state funded educational activities. Pembroke CSD has benefited from the award of state aid for the 2017/18 school year with an increase of approximately \$247,000 in total state aid excluding grant funds received in 2016/17. The District’s second major source of revenue, property taxes, still subject to limitation due to adopted Real Property Tax Cap legislation along with the uncertainty of future state aid revenue, necessitates the continuation of conservative budget administration.

In the ever changing technological world we live in today, it is imperative to grow and advance the educational programs offered to students so that they are prepared for entrance into college or the work force. Pembroke CSD was granted \$152,000 of bullet aid through Senator Ranzenhofer’s office in the 2017/2018 school year for the purpose of enhancing Science, Math, Engineering and Technology (STEM) programs. The grant allowed the District to “jump start” this curriculum throughout all grade levels. Pembroke CSD remains committed to support these essential programs in the 2018/19 budget and for years to come.

The District’s budget received relief from a reduction in retirement system contribution rates. However, future financial market performance, which directly affects retirement cost rates, are unknown. Health insurance is another uncontrollable cost that has to be carefully considered. Participation in the Genesee Area Healthcare Plan consortium over many years has greatly

benefited the District. Due to its wise management and favorable claim experiences, increase in premiums have been extremely moderate in past years. However, due to a sharp increase in average weekly claims and in high cost claimants, the 2017-2018 budget was forced to bear a 12% increase. Fortunately, a better than expected experience rating was realized in 2017/18 that allowed the consortium to set a 3.5% composite rate increase for 2018/19. The District plans to stay poised to withstand possible adverse effects in both of these areas on future budgets.

During the 2016/2017 school year, the District initiated two separate processes to be used to plan for the future. They were the *Thought Exchange* process and the *Educational Legacy Planning* process. *Thought Exchange* is a social media style platform that provides all stakeholders the opportunity to engage in a three-step process to help identify priorities for future planning. *Educational Legacy Planning* entails extended school and community dialogue about the future of education in the District in order to identify educational aspirations and desired future outcomes for students, the effect on academic and extracurricular programs, and identify what facility changes need to be accomplished to align the physical space to a new vision. In 2017/2018, the District continued the *Educational Legacy Planning* process which led to the development of District and building-level action plans and to the hiring of architectural and construction management firms. In 2018/19, the District and the Board of Education, together with the community and all stakeholders, will strive to make effective and fiscally prudent decisions while finalizing the District's facilities plan for future capital improvements to enhance the academic experience for all students.

Contacting the District's Financial Management

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

**PEMBROKE CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS

Cash and cash equivalents	\$ 10,816,487
Cash and cash equivalents - restricted	759,781
Receivables	49,006
State and federal aid receivable	1,062,892
Inventory	5,367
Capital assets not being depreciated	50,671
Capital assets, net of accumulated depreciation	23,064,753
Net TRS pension asset - proportionate share	<u>383,626</u>
 Total assets	 <u>36,192,583</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	5,754,664
Deferred postemployment outflows	<u>592,600</u>
 Total deferred outflows of resources	 <u>6,347,264</u>

LIABILITIES

Accounts payable	347,500
Accrued liabilities	74,421
Bond anticipation notes payable	752,624
Due to retirement systems	954,957
Unearned revenue	2,956
Long-term liabilities:	
Due and payable within one year	1,777,164
Due and payable after one year	<u>17,598,278</u>
 Total liabilities	 <u>21,507,900</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	1,947,189
Deferred postemployment inflows	<u>497,908</u>
 Total deferred inflows of resources	 <u>2,445,097</u>

NET POSITION

Net investment in capital assets	9,666,765
Restricted for:	
Unemployment insurance	59,739
Workers' compensation	505,089
Retirement	596,511
Employee benefit accrued liability	2,329,084
Capital projects	4,587,244
Unrestricted	<u>842,418</u>
 Total net position	 <u>\$ 18,586,850</u>

See notes to basic financial statements.

**PEMBROKE CENTRAL SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 10,453,492	\$ 181,355	\$ 181,640	\$ 10,816,487
Cash and cash equivalents - restricted	-	-	759,781	759,781
Receivables	49,006	-	-	49,006
Due from other funds	211,975	-	43,541	255,516
State and federal aid receivable	874,031	60,745	128,116	1,062,892
Inventory	-	-	5,367	5,367
Total assets	<u>\$ 11,588,504</u>	<u>\$ 242,100</u>	<u>\$ 1,118,445</u>	<u>\$ 12,949,049</u>
LIABILITIES				
Accounts payable	\$ 347,353	\$ -	\$ 147	\$ 347,500
Accrued liabilities	74,421	-	-	74,421
Bond anticipation notes payable	-	752,624	-	752,624
Due to other funds	43,541	122	211,853	255,516
Due to retirement systems	954,957	-	-	954,957
Unearned revenue	-	-	2,956	2,956
Total liabilities	<u>1,420,272</u>	<u>752,746</u>	<u>214,956</u>	<u>2,387,974</u>
FUND BALANCES (DEFICIT)				
Nonspendable	-	-	5,367	5,367
Restricted	8,077,667	-	-	8,077,667
Assigned	1,171,238	-	898,122	2,069,360
Unassigned (deficit)	919,327	(510,646)	-	408,681
Total fund balances (deficit)	<u>10,168,232</u>	<u>(510,646)</u>	<u>903,489</u>	<u>10,561,075</u>
Total liabilities and fund balances (deficit)	<u>\$ 11,588,504</u>	<u>\$ 242,100</u>	<u>\$ 1,118,445</u>	

See notes to basic financial statements.

PEMBROKE CENTRAL SCHOOL DISTRICT
 BALANCE SHEET – GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (Continued)

Amounts reported for governmental activities in the Statement of Net Position (page 14) are different because:

Total fund balances - governmental funds (page 16)	10,561,075
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	23,115,424
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Serial bonds payable	(11,535,000)
Premium amortization payable	(1,161,035)
Compensated absences	(913,015)
Net postemployment benefits	(5,530,625)
Net pension asset/(liabilities)	147,859
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:	
Net postemployment deferred outflows and inflows of resources	94,692
Net pension deferred outflows and inflows of resources	<u>3,807,475</u>
Net position of governmental activities	<u>\$ 18,586,850</u>

See notes to basic financial statements.

**PEMBROKE CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 7,947,371	\$ -	\$ -	\$ 7,947,371
Real property tax items	63,485	-	-	63,485
Charges for services	41,006	-	-	41,006
Use of money and property	26,554	-	3,782	30,336
Sale of property and compensation for loss	3,025	-	-	3,025
Miscellaneous local sources	177,666	-	9,953	187,619
State sources	12,709,473	60,745	240,030	13,010,248
Federal sources	147,533	-	1,224,639	1,372,172
School lunch	-	-	119,969	119,969
Total revenues	<u>21,116,113</u>	<u>60,745</u>	<u>1,598,373</u>	<u>22,775,231</u>
EXPENDITURES				
Current:				
General support	3,064,218	-	-	3,064,218
Instruction	10,407,276	-	1,256,767	11,664,043
Pupil transportation	1,082,068	-	-	1,082,068
School lunch	-	-	320,982	320,982
Employee benefits	4,743,292	-	9,779	4,753,071
Debt service:				
Principal	220,757	-	1,470,000	1,690,757
Interest	13,336	-	527,219	540,555
Capital Oulay:				
General support	-	101,898	-	101,898
Transportation	-	287,574	-	287,574
Total expenditures	<u>19,530,947</u>	<u>389,472</u>	<u>3,584,747</u>	<u>23,505,166</u>

See notes to basic financial statements.

**PEMBROKE CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	1,585,166	(328,727)	(1,986,374)	(729,935)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	99,878	9,447	109,325
Interfund transfers out	(109,325)	-	-	(109,325)
Bond anticipation notes redeemed from appropriations	-	220,757	-	220,757
Total other financing sources (uses)	<u>(109,325)</u>	<u>320,635</u>	<u>9,447</u>	<u>220,757</u>
Net change in fund balances	1,475,841	(8,092)	(1,976,927)	(509,178)
Fund balances - beginning (deficit)	<u>8,692,391</u>	<u>(502,554)</u>	<u>2,880,416</u>	<u>11,070,253</u>
Fund balances - ending (deficit)	<u>\$ 10,168,232</u>	<u>\$ (510,646)</u>	<u>\$ 903,489</u>	<u>\$ 10,561,075</u>

See notes to basic financial statements.

**PEMBROKE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Amounts reported for governmental activities in the Statement of Activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 19)	\$ (509,178)
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,087,418) exceeded capital outlays (\$432,106) in the current period.	(655,312)
The governmental funds report bond proceeds and other long-term debt as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of these differences is as follows:	
Repayment of serial bonds	1,470,000
Amortization of debt premium	165,862
In the Statement of Activities, certain operating expenses are measured by the amounts accrued or earned during the year. In the governmental funds, however, expenditures for these are items are measured by the amount of financial resources used. The net effect of these differences are:	
Compensated absences	78,748
Change in proportionate share of net pension asset (liability) and OPEB reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.	
Net pension - proportionate share - TRS	916,255
Net pension - proportionate share - ERS	437,567
Other postemployment benefits	2,529,113
Change in proportionate share of net pension and OPEB deferred inflows and outflows reported in the Statement of Net Position during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Net pension - proportionate share - TRS	(1,046,232)
Net pension - proportionate share - ERS	(397,454)
Other postemployment benefits	<u>(261,016)</u>
Change in net position of governmental activities	<u>\$ 2,728,353</u>

See notes to basic financial statements.

**PEMBROKE CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 65,488
Cash and cash equivalents - restricted	<u>5,047</u>	<u>37,778</u>
Total assets	<u>5,047</u>	<u>103,266</u>
LIABILITIES		
Accounts payable	-	14,914
Agency liabilities	-	50,574
Extraclassroom activity balances	<u>-</u>	<u>37,778</u>
Total liabilities	<u>-</u>	<u>\$ 103,266</u>
NET POSITION		
Restricted	<u>\$ 5,047</u>	

See notes to basic financial statements.

**PEMBROKE CENTRAL SCHOOL DISTRICT
 STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUND
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Private Purpose Trust</u>
ADDITIONS	
Interest	\$ 5
Gifts and donations	<u>1,346</u>
Total additions	1,351
DEDUCTIONS	
Scholarships	<u>650</u>
Total deductions	<u>650</u>
Change in net position	701
Net position - beginning	<u>4,346</u>
Net position - ending	<u><u>\$ 5,047</u></u>

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Pembroke Central School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. REPORTING ENTITY

The District is governed by the Education Law and other laws of the State of New York. The District is an independent entity governed by an elected Board of Education. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and are primarily accountable for all fiscal matters.

The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, account groups, functions and organizations over which the District officials exercise oversight responsibility.

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

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

1. INCLUDED IN THE REPORTING ENTITY

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

2. JOINT VENTURE

The District is a component school district of the Genesee Valley Educational Partnership (BOCES). The 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.

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

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its student participate. During the year ended June 30, 2018, the District was billed \$2,228,502 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 80 Munson Street, LeRoy, New York 14482.

B. BASIS OF PRESENTATION

1. DISTRICT-WIDE STATEMENTS:

While separate district-wide and fund financial statements are presented, they are interrelated. 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 District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through property taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operating or capital) grants.

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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. FUND FINANCIAL STATEMENTS:

The fund financial 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. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

Special Aid Fund: This fund is used to account for proceeds received from State and Federal grants that are restricted for specific education programs.

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

Additionally, the District reports the following fund types:

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that are the property of others. These activities are not included in the district-wide financial statements because their resources are not the property of the District, and are not available to be used. There are two classes of fiduciary funds:

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits from these trust arrangements.

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, grants and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period with the exception of property taxes, which the period of availability is sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

The Agency Fund has no measurement focus but utilized the accrual basis of accounting for reporting its assets and liabilities.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

1. CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

2. RESTRICTED ASSETS

Certain assets are classified on the balance sheet as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund, are restricted specifically for those purposes. Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment, are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

3. RECEIVABLES

Receivables are carried at their net realizable value. Receivables are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible receivables, however, no allowance for uncollectible receivables has been provided since management believes that such allowance would not be material.

4. INVENTORY

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

These assets are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

5. INTERFUND TRANSACTIONS

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

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

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

Refer to Note 3.H for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

6. CAPITAL ASSETS

Capital assets, which include property and equipment are reported in the district-wide financial statements.

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair value at the time received. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	straight-line	40 years
Building improvements	50,000	straight-line	40 years
Site improvements	50,000	straight-line	15 years
Vehicles	25,000	straight-line	10 years
Furniture and equipment	2,000	straight-line	5 years

7. INSURANCE

The District insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability, the difference during the measurement period between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense, and any contributions to pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 3.D. The second item is related to other postemployment benefits (OPEB) reported in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. See details of deferred OPEB outflows in Note 3.E.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 3.D. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the net effect of the changes of assumptions or other inputs. See details of deferred OPEB inflows in Note 3.E.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

9. UNEARNED REVENUE

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

10. VESTED EMPLOYEE BENEFITS

Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment or a credit to be used towards health insurance based on unused accumulated sick leave, based on contractual provisions. These payments are budgeted annually without accrual.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end in the district-wide financial statements. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.

In the governmental fund statements only, the amount of matured vacation time is accrued within the General Fund based on expendable and available financial resources. Sick time is expensed on a pay-as-you-go basis.

11. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full from current financial resources. Claims and judgments and compensated absences that will be paid from governmental funds, are reported as a liability in the governmental funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the governmental fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. These liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the district-wide statements, premiums are recognized with related debt issue and amortized on a straight-line basis as a components of interest expense over the life of the related obligation.

12. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS

In addition to providing pension benefits, the District provides postemployment benefits health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirements. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method (see Note 3.E).

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

14. SHORT TERM DEBT

The District may issue Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the fund that will actually receive the proceeds from the issuance of the Bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

15. NET POSITION FLOW ASSUMPTION

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

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

16. FUND BALANCE FLOW ASSUMPTIONS

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy that the District's Board of Education will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classifications will be charged.

17. FUND BALANCE POLICIES

Fund balance of the District's funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Business Manager to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

F. REVENUES AND EXPENDITURES/EXPENSES

1. PROGRAM REVENUES

Amounts reported as *program revenues* include 1) charges to taxpayers or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. PROPERTY TAXES

Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period of September through November. Uncollected real property taxes are subsequently enforced by the Counties of Erie/Genesee/Wyoming, in which the District is located. Uncollected real property taxes transmitted to the Counties for enforcement are paid by the Counties to the District no later than the forthcoming April 1.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

H. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Split-Interest Agreements*; Statement No. 85, *Omnibus-2017*; and Statement No. 86, *Certain Debt Extinguishment Issues*.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 85 is to address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and OPEB).

The primary objective of Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt.

The District has evaluated Statements No. 81, 85, and 86 and have determined that they have no impact on the District's operations in the current year.

The GASB has issued the following new pronouncements:

- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending June 30, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020;
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021;
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for the year ending June 30, 2019; and
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending June 30, 2021.

The District is currently reviewing these statements and plans on adoption, as required.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 – STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

A. LEGAL COMPLIANCE BUDGETS

BUDGET POLICIES

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The voters of the District approved the proposed appropriation budget for the General Fund.

B. DEFICIT FUND EQUITY

At June 30, 2018, the Capital Projects Fund, a major fund, has a deficit fund balance of \$510,646. The deficit is the result of the issuance of bond anticipation notes (BANS), which do not qualify for treatment as a long-term liability. Accordingly, the BANS are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANS is spent, expenditures are reported and fund balance is reduced. Because the BANS are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANS.

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. The District funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, 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.

The District's aggregate bank balances were fully collateralized at June 30, 2018.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes. Restricted cash as of year-end includes \$37,778 within the Agency Fund restricted for extraclassroom activities, \$5,047 in the Private Purpose Trust Fund restricted for scholarships and \$759,781 in the Debt Service Fund restricted for debt payments.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Manager of the District.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

B. RECEIVABLES

Significant revenues accrued by the District include the following:

State and federal aid receivable, consist of the following at June 30, 2018:

General Fund	
State aid - general aid	\$ 162,612
State aid - BOCES	247,309
State aid - excess cost aid	464,110
	<u>874,031</u>
Special Aid Fund	128,116
Capital Projects Fund	60,745
Total	<u>\$ 1,062,892</u>

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

C. CAPITAL ASSETS

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

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,671	\$ -	\$ -	\$ 50,671
Total capital assets not being depreciated	<u>50,671</u>	<u>-</u>	<u>-</u>	<u>50,671</u>
Capital assets being depreciated:				
Buildings	25,213,788	-	-	25,213,788
Vehicles & equipment	10,508,503	432,106	2,286	10,938,323
Total capital assets, being depreciated	<u>35,722,291</u>	<u>432,106</u>	<u>2,286</u>	<u>36,152,111</u>
Less accumulated depreciation:				
Buildings	7,124,578	610,202	-	7,734,780
Vehicles & equipment	4,877,648	477,216	2,286	5,352,578
Total accumulated depreciation	<u>12,002,226</u>	<u>1,087,418</u>	<u>2,286</u>	<u>13,087,358</u>
Total capital assets being depreciated, net	<u>23,720,065</u>	<u>(655,312)</u>	<u>-</u>	<u>23,064,753</u>
Governmental activities capital assets, net	<u>\$ 23,770,736</u>	<u>\$ (655,312)</u>	<u>\$ -</u>	<u>\$ 23,115,424</u>

D. PENSION OBLIGATIONS

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

Provisions and Administration

The TRS 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 NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

The ERS 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.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Funding Policies

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

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

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
Net pension (asset)/liability	\$ (383,626)	\$ 235,767
District's portion of the Plan's total Net pension liability/(asset)	0.050471%	0.007305%
Change in proportion since the prior measurement date	0.001538%	0.000139%

For the year ended June 30, 2018, the District's recognized pension expense of \$943,458 for TRS and \$291,079 for ERS, respectively. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 315,630	\$ 84,091	\$ 149,571	\$ 69,489
Change of assumptions	3,903,471	156,333	-	-
Net difference between projected and actual earnings on pension plan investments	-	342,433	903,551	675,929
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	48,252	135,903	12,746
District's contributions subsequent to the measurement date	<u>821,055</u>	<u>83,399</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,040,156</u>	<u>\$ 714,508</u>	<u>\$ 1,189,025</u>	<u>\$ 758,164</u>

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

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

Year ended:	TRS	ERS
2018	\$ 67,752	\$ 56,519
2019	1,011,715	47,849
2020	718,020	(161,653)
2021	162,444	(69,770)
2022	715,870	-
Thereafter	354,275	-

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Interest rate	7.25%	7.00%
Salary scale	1.9% - 4.7%	3.8%
Decrement tables	July 1, 2009 June 30, 2014 System's Experience	April 1, 2010 March 2015 System's Experience
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.5%	1.3%

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

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

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	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	June 30, 2017	May 31, 2018
			TRS	ERS
<u>Asset Class:</u>				
Domestic equity	35.0 %	36.0 %	5.9 %	4.6 %
International equity	18.0	14.0	7.4	6.4
Private equity	8.0	10.0	9.0	7.5
Real estate	11.0	10.0	4.3	5.6
Absolute return strategies	-	2.0	-	3.8
Opportunistic portfolio	-	3.0	-	5.7
Real assets	-	3.0	-	5.3
Bond and mortgages	8.0	17.0	2.8	1.3
Cash/short term	1.0	1.0	0.6	-0.3
Inflation-indexed bonds	-	4.0	-	1.3
Domestic fixed income securities	16.0	-	1.6	-
Global fixed income securities	2.0	-	1.3	-
High yield income securities	1.0	-	3.9	-
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate

The discount rate used to calculate the total pension liability was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables present the District's proportionate share of the net pension liability calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, 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 (6.25% for TRS and 6.0% for ERS) or 1-percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

	<u>1% Decrease (6.25%)</u>	<u>Current Assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
<u>TRS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 6,608,743	\$ (383,626)	\$ (6,239,388)

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>ERS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 1,783,879	\$ 235,767	\$ (1,073,874)

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2018
Employer' total pension liability	\$ 114,708,261	\$ 183,400,590
Plan net position	115,468,360	180,173,145
Employers' net pension (asset)/ liability	<u>\$ (760,099)</u>	<u>\$ 3,227,445</u>
Ratio of plan net position to the employers' total pension (asset)/liability	-100.7%	98.2%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$871,558.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$83,399.

E. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS (OPEB)

Plan Description

The Pembroke Central School District administers the Pembroke Central School District Retiree Medical, Prescription Vision and Dental Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB). The Plan provides for continuation of medical, prescription vision and dental benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Employees Covered by Benefit Terms

As of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	93
Inactive employees entitled to but not yet receiving benefits	-
Active employees not eligible to retire	123
Active employees, eligible to retire	<u>47</u>
Total	<u><u>263</u></u>

The District's total OPEB liability of \$5,530,625 was measured as of April 1, 2018, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

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

Inflation	2.37%
Salary Increases	3.31%, average, including inflation
Discount Rate	3.61%
Healthcare Cost Trend Rates	6.2% as of 2018, with an ultimate rate of 4.23% for 2071 and later years
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy. 25% of future retirees required to pay 100% of premiums.

The discount rate was based on the Fidelity Mutual General Obligation AA 20 year Bond rate as of the measurement date.

Mortality rates for active members were based on the 2015 New York State Teacher Retirement System mortality rates for active members and all active employees. Mortality rates for retirees and surviving spouses were based on the 2015 New York State Teacher Retirement System mortality base rates for service and deferred annuitants and beneficiaries, fully generational using Mortality Improvement Scale MP-2017.

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

Changes in the Total OPEB Liability

Balance at July 1, 2017	\$ 8,059,738
<u>Changes for the year:</u>	
Service cost	282,679
Interest	307,106
Changes of benefit terms	(2,509,386)
Differences between expected and actual experience	(67,212)
Changes in assumptions or other inputs	(281,632)
Benefit payments	<u>(260,668)</u>
Net changes	<u>(2,529,113)</u>
Balance at June 30, 2018	<u><u>\$ 5,530,625</u></u>

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Changes of assumptions and other inputs reflect a change in the discount rate from 3.80 percent in 2017 to 3.61 percent in 2018 updated premium information and changes in the Mortality Improvement Scale from MP-2016 to MP-2017.

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

The following present 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 (2.61 %) or 1 percentage point higher (4.61 %) than the current discount rate.

	1% Decrease (2.61%)	Discount Rate (3.61%)	1% Increase (4.61%)
Total OPEB Liability	\$ <u>5,875,319</u>	\$ <u>5,530,625</u>	\$ <u>5,210,680</u>

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 (3.23 %) or 1 percentage point higher (5.23 %) than the current healthcare cost trend rate:

	1% Decrease (5.20% decreasing to 3.23%)	Healthcare Cost Trend Rates (6.20% decreasing to 4.23%)	1% Increase (7.20% decreasing to 5.23%)
Total OPEB Liability	\$ <u>5,098,591</u>	\$ <u>5,530,625</u>	\$ <u>6,006,424</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$(1,989,157). At June 30, 2018, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	505,745	48,542
Changes of assumptions	-	449,366
Contributions subsequent to the measurement date	86,855	-
Total	<u>592,600</u>	<u>497,908</u>

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

Fiscal Year Ended June 30,	Amount
2019	(69,556)
2020	(69,556)
2021	(30,796)
2022	27,345
2023	27,345
Thereafter	123,055

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

F. SHORT-TERM DEBT

The purpose of all of the short-time borrowings was to provide resources for bus purchases. The form of financing used in all cases was bond anticipation notes (BAN). The amounts issued are accounted for in the capital projects fund.

The schedule below details the changes in short-term capital borrowings during the year ended June 30, 2018:

	Balance 7/1/2017	Issues	Redeemed	Balance 6/30/2018
BAN maturing 8/23/17 at 1.50%	\$ 685,807	\$ -	\$ 685,807	\$ -
BAN maturing 8/18/18 at 1.95%	-	752,624	-	752,624
	<u>\$ 685,807</u>	<u>\$ 752,624</u>	<u>\$ 685,807</u>	<u>\$ 752,624</u>

G. LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The following is a summary of maturities of indebtedness:

<u>Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>	<u>Outstanding Balance 5/31/2018</u>
Governmental activities:					
2016 Refunding	11/22/2016	\$ 8,605,000	6/15/2025	\$ 1.0-5.0%	8,450,000
2010 Various Purpose	6/21/2010	22,392,643	6/15/2025	2.0-4.0%	3,085,000
					<u>\$ 11,535,000</u>

OTHER LONG-TERM LIABILITIES

In addition to the above long-term debt, the District had a non-current liability for other postemployment benefits (See Note 3.E.) and net pension liability (See Note 3.D.).

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

CHANGES IN LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2018 are as follows:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Government activities:					
Bonds payable:					
Serial Bonds	\$ 13,005,000	\$ -	\$ 1,470,000	\$ 11,535,000	\$ 1,520,000
Unamortized premium	1,326,897	-	165,862	1,161,035	165,862
Total bonds payable	<u>14,331,897</u>	<u>-</u>	<u>1,635,862</u>	<u>12,696,035</u>	<u>1,685,862</u>
Other liabilities:					
Compensated absences	\$ 991,763	\$ 87,655	\$ 166,403	\$ 913,015	\$ 91,302
Net pension liability (ERS) - proportionate share *	673,334	-	437,567	235,767	-
Post employment benefit obligations	<u>8,059,738</u>	<u>589,785</u>	<u>3,118,898</u>	<u>5,530,625</u>	<u>-</u>
Total long-term liabilities	24,056,732	677,440	5,358,730	19,375,442	1,777,164

*Reductions to net pension liability are shown net of additions.

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and postemployment benefit obligations.

The following is a summary of maturing debt service requirements for the District's serial bonds:

Fiscal Year	Principal	Interest	Premium
2019	\$ 1,520,000	\$ 468,569	\$ 165,862
2020	1,575,000	407,913	165,862
2021	1,570,000	345,050	165,862
2022	1,615,000	291,000	165,862
2023	1,685,000	226,400	165,862
2024	1,750,000	159,000	165,862
2025	1,820,000	91,000	165,863
Total	<u>\$ 11,535,000</u>	<u>\$ 1,988,932</u>	<u>\$ 1,161,035</u>

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$8,845,000 of bonds outstanding are considered defeased.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

H. INTERFUND ACTIVITY

Interfund activity at June 30, 2018 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 211,975	\$ 43,541	\$ -	\$ 109,325
Capital Projects Fund	-	122	99,878	-
Special Aid Fund	7,334	202,074	9,447	-
School Lunch Fund	36,207	9,779	-	-
Total	<u>\$ 255,516</u>	<u>\$ 255,516</u>	<u>\$ 109,325</u>	<u>\$ 109,325</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

Interfund receivables and payables were incurred primarily due to salaries and other expenditures paid by General Fund on behalf of the Special Aid Fund, amounts owed by General Fund to Special Aid and School Lunch Funds are state aid received in the general fund. Also, the majority of the interfund revenues and expenses were a transfer to the capital fund related to capital outlay projects.

I. NET POSITION AND FUND BALANCE

1. NET POSITION

The district-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2018.

Unrestricted net position - This category represents net position of the District not restricted for any project or other purpose.

2. FUND BALANCE

In the governmental fund financial statements there are five classifications of fund balance:

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by District at June 30, 2018 include:

- *Inventory* - represents nonspendable inventory in the school lunch fund.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority, the Board of Education. As of June 30, 2018, the District had no committed fund balances.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Assigned – represents amounts that are constrained by the District’s intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Assigned to specific use* – Represents fund balance within the special revenue funds that is assigned or a specific purpose. The assignment’s purpose related to each fund’s operations and represents amounts within funds that are not restricted or committed.
- *Assigned to subsequent year’s expenditure* – represents available fund balance being appropriated to meet expenditure requirements in the 2019 fiscal year.

Unassigned – represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

As of June 30, 2018, fund balances were classified as follows:

	General	Capital Projects	Nonmajor Funds	Total
<u>Nonspendable</u>				
Inventory	\$ -	\$ -	\$ 5,367	\$ 5,367
<u>Restricted:</u>				
Unemployment	59,739	-	-	59,739
Workers' compensation	505,089	-	-	505,089
Retirement	596,511	-	-	596,511
Capital	4,587,244	-	-	4,587,244
Employment benefit accrued liability	2,329,084	-	-	2,329,084
<u>Assigned:</u>				
Subsequent years' expenditures	1,100,000	-	-	1,100,000
Debt service	-	-	774,126	774,126
School lunch	-	-	121,577	121,577
<u>Encumbrances:</u>				
General support	10,290	-	-	10,290
Instruction	60,948	-	-	60,948
School lunch	-	-	2,419	2,419
<u>Unassigned:</u>				
General Fund	919,327	-	-	919,327
Capital Projects Fund	-	(510,646)	-	(510,646)
Total	10,168,232	(510,646)	903,489	10,561,075

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district’s budget for the General Fund for the ensuing fiscal year.

Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4 - RISK MANAGEMENT

A. WORKERS' COMPENSATION PLAN

Genesee County Plan

The District is a participant in the Genesee County Self-Insurance Workers' Compensation Plan (the Plan). The Plan was established under the provisions of Workers' Compensation Law of the State of New York and is administered and sponsored by its predominant participant, Genesee County. The Plan is a public entity risk pool which provides the District the opportunity to participate in a cooperative program for providing workers' compensation benefits to its employees.

The District is one of over 45 municipal corporations that participate in the Plan. Eligible participants may become members upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the prospective member's governing board electing to participate in the Plan on or before July 15th. Voluntary withdrawal from the Plan is effective once annually. Withdrawal from the Plan is effective at the end of the current operating year, upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Plan before July 15th. Upon withdrawal, the participant shall pay, in a lump sum or in installments, an equitable share of the outstanding liabilities of the Plan as of the date of withdrawal, as determined by the Plan administrator. Contributions to the Plan are determined annually based upon claim payment experience and real property tax assessments.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Plan's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against the participant organizations. The Plan has established reserve liabilities which provide for current claim expenses. At June 30, 2018 the Plan did not provide sufficient information to disclose the funding status or future claim liabilities for the District.

Since actual claim costs depend on such complex factors as inflation and changes in doctrines of legal liability, the process used in estimating future claim liability does not result in an exact amount. Estimated claim liability is calculated based on actuarial and statistical information, which reflects recent settlements and other social and economic factors, as well as past experience. As of December 31, 2017, the Plan had an unfunded liability of \$588,952.

B. HEALTH INSURANCE PLAN

The District is allowed to participate and incur costs related to an employee health insurance plan (the Plan) sponsored by the Genesee Valley Educational Partnership and its component districts, which is a public entity risk pool under Article 5-G of General Municipal Law. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

Districts joining the Plan must remain members for a minimum of one year. A member may withdraw from the Plan after that time by written notification to be provided prior to March 1st of the respective year. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events.

Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims (including future claim adjustment expenses) costs depend on complex factors, the process used in computing claim liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they occur.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

As of June 30, 2017, the date of the most recent audited financial statements, the Plan accrued a liability for incurred but not reported and incurred but not paid healthcare claims. The accrual was based upon historical trend information. As of June 30, 2018, the Plan's net position after provision for liabilities was \$13,697,528.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. ENCUMBRANCES

As discussed in Note 1.D.2, Budgetary Information, Budgetary Basis of Accounting, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$73,657 recorded in the General and School Lunch Funds.

B. GRANT AWARDS

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

NOTE 6 – TAX ABATEMENTS

The Genesee County Industrial Development Agency d/b/a Genesee County Economic Development Center (the Agency), created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively "the Act"), has seven real property tax abatement agreements with various businesses in the District under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purpose of economic development in the District.

The Town of Batavia has one property tax abatement agreement with a business in the District under Subdivision 1(b) of Section 577 of General Municipal Law of the State of New York.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements. Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

As a result of these tax abatement agreements, for the year ended June 30, 2018, the District's total tax revenues were reduced by \$206,574.

Copies of the agreements may be obtained from the Pembroke Central School District, Route 5 & 77, Corfu, NY 14036.

NOTE 7 – SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after September 25, 2018 which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**PEMBROKE CENTRAL SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
REVENUES				
Local sources:				
Real property taxes	\$ 7,947,371	\$ 7,947,371	\$ 7,947,371	\$ -
Real property tax items	76,740	76,740	63,485	(13,255)
Charges for services	19,000	19,000	41,006	22,006
Use of money and property	16,000	16,000	26,554	10,554
Sale of property and compensation for loss	-	-	3,025	3,025
Miscellaneous local sources	75,000	75,000	177,666	102,666
State sources:				
Basic formula	9,930,296	9,930,296	10,139,818	209,522
Lottery aid	1,505,880	1,505,880	1,505,738	(142)
BOCES aid	1,062,714	1,062,714	969,323	(93,391)
Other state aid	88,600	88,600	94,594	5,994
Federal sources	-	-	147,533	147,533
Total revenues	20,721,601	20,721,601	21,116,113	394,512
Other sources:				
Appropriated reserves	463,031	463,031	-	(463,031)
Appropriated fund balance	1,100,000	1,233,776	-	(1,233,776)
Total revenues and other sources	<u>\$ 22,284,632</u>	<u>\$ 22,418,408</u>	<u>\$ 21,116,113</u>	<u>\$ (1,302,295)</u>

**PEMBROKE CENTRAL SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018
 (Continued)**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
EXPENDITURES					
General support:					
Board of education	\$ 70,518	\$ 71,641	\$ 66,929	\$ 93	\$ 4,619
Central administration	150,927	150,827	150,338	-	489
Finance	297,023	297,041	268,396	-	28,645
Staff	30,387	30,637	19,460	-	11,177
Central services	2,061,610	2,330,409	2,179,738	13,087	137,584
Special items	389,489	389,489	379,357	-	10,132
Instruction:					
Instruction, administration and improvements	746,030	746,263	679,397	-	66,866
Teaching - regular school	6,262,839	6,169,399	5,734,512	4,959	429,928
Programs for children with handicaps	2,356,379	2,224,934	2,189,824	1,486	33,624
Occupational education	552,768	536,448	528,861	-	7,587
Teaching - special schools	57,079	57,079	36,320	16,037	4,722
Instructional media	391,017	413,704	389,063	11,032	13,609
Pupil services	858,580	902,752	849,299	24,544	28,909
Pupil transportation	1,078,748	1,116,547	1,082,068	-	34,479
Debt service - principle	220,758	220,758	220,757	-	1
Debt service interest	13,372	13,372	13,336	-	36
Employee benefits	5,127,108	5,127,108	4,743,292	-	383,816
Total expenditures	20,664,632	20,798,408	19,530,947	71,238	1,196,223
Other uses:					
Interfund transfers out	1,620,000	1,620,000	109,325	-	1,510,675
Total expenditures and other uses	\$ 22,284,632	\$ 22,418,408	19,640,272	\$ 71,238	\$ 2,706,898
Net change in fund balance			\$ 1,475,841		

**PEMBROKE CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
LAST FOUR FISCAL YEARS***

	Year Ended June 30,			
	2015	2016	2017	2018
Teachers' Retirement System (TRS)				
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
District's proportion of the net pension (asset)/liability	0.468350%	0.048933%	0.049730%	0.050471%
District's proportionate share of the net pension (asset)/liability	\$ <u>(5,217,167)</u>	\$ <u>(5,082,607)</u>	\$ <u>532,629</u>	\$ <u>(383,626)</u>
District's covered-employee payroll	\$ 6,918,313	\$ 7,351,041	\$ 7,687,897	\$ 8,063,070
District's proportionate share of the net pension (asset)/liability as a percentage of its covered-employee payroll	-75.4%	-69.1%	6.9%	-4.8%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-110.5%	-110.5%	99.0%	-100.7%
Employees' Retirement System (ERS)				
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
District's proportion of the net pension liability	0.007663%	0.007414%	0.007166%	0.007305%
District's proportionate share of the net pension liability	\$ <u>258,868</u>	\$ <u>1,189,970</u>	\$ <u>673,334</u>	\$ <u>235,767</u>
District's covered-employee payroll	\$ 1,948,097	\$ 2,077,145	\$ 2,152,899	\$ 2,223,521
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13%	57.3%	31.3%	10.6%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	97.9%	98.2%

* Information prior to the year ended June 30, 2015 is not available.

**PEMBROKE CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED JUNE 30,**

TEACHERS' RETIREMENT SYSTEM										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 577,445	\$ 468,451	\$ 617,248	\$ 756,257	\$ 804,825	\$ 1,124,226	\$ 1,228,637	\$ 1,017,551	\$ 942,774	\$ 981,344
Contributions in relation to the contractually required contribution	<u>577,445</u>	<u>468,451</u>	<u>617,248</u>	<u>756,257</u>	<u>804,825</u>	<u>1,124,226</u>	<u>1,228,637</u>	<u>1,017,551</u>	<u>942,774</u>	<u>981,344</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
District's covered-employee payroll	7,572,013	7,567,864	7,160,654	6,888,004	6,797,513	6,918,313	7,351,041	7,687,897	8,063,070	8,378,114
Contributions as a percentage of covered-employee payroll	8%	6%	9%	11%	12%	16%	17%	13%	12%	12%
EMPLOYEES' RETIREMENT SYSTEM										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 143,233	\$ 153,563	\$ 239,022	\$ 302,923	\$ 377,684	\$ 369,003	\$ 351,482	\$ 333,093	\$ 283,026	\$ 328,694
Contributions in relation to the contractually required contribution	<u>143,233</u>	<u>153,563</u>	<u>239,022</u>	<u>302,923</u>	<u>377,684</u>	<u>369,003</u>	<u>351,482</u>	<u>333,093</u>	<u>283,026</u>	<u>328,694</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
District's covered-employee payroll	1,842,004	2,051,252	2,117,193	1,999,226	2,030,786	1,964,853	1,948,097	2,077,145	2,152,899	2,274,732
Contributions as a percentage of covered-employee payroll	8%	7%	11%	15%	19%	19%	18%	16%	13%	14%

**PEMBROKE CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS***

Measurement Date	<u>2017</u> March, 31	<u>2018</u> March, 31
Total OPEB Liability		
Service cost	\$ 256,960	\$ 282,679
Interest	242,848	307,106
Changes in benefit terms	253,229	(2,509,386)
Differences between expected and actual experience in the measurement of the total OPEB liability	612,217	(67,212)
Changes of assumptions or other inputs	(297,747)	(281,632)
Benefit payments	<u>(236,187)</u>	<u>(260,668)</u>
Net change in total OPEB liability	831,320	(2,529,113)
Total OPEB liability - beginning	<u>7,228,418</u>	<u>8,059,738</u>
Total OPEB liability - ending	<u>\$ 8,059,738</u>	<u>\$ 5,530,625</u>
Covered payroll	\$ 8,884,461	\$ 8,884,461
Total OPEB liability as a percentage of covered payroll	90.72%	62.25%

*Information prior to the year ended June 30, 2017 not available.

**PEMBROKE CENTRAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 – BUDGETARY INFORMATION

BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2018, and therefore, is the only fund presented in the Budgetary Comparison Schedule.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists that was not determined at the time the budget was adopted.

The capital projects fund is appropriated on a project-length basis. Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Other special revenue funds and the private purpose trust fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

NOTE 2 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay other postemployment benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis.

SUPPLEMENTARY INFORMATION

**PEMBROKE CENTRAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Debt Service</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 14,345	\$ 66,648	\$ 100,647	\$ 181,640
Cash and cash equivalents - restricted	759,781	-	-	759,781
Due from other funds	-	7,334	36,207	43,541
State and federal aid receivable	-	128,116	-	128,116
Inventory	-	-	5,367	5,367
Total assets	<u>\$ 774,126</u>	<u>\$ 202,098</u>	<u>\$ 142,221</u>	<u>\$ 1,118,445</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 147	\$ 147
Due to other funds	-	202,074	9,779	211,853
Unearned revenue	-	24	2,932	2,956
Total liabilities	<u>-</u>	<u>202,098</u>	<u>12,858</u>	<u>214,956</u>
FUND BALANCES				
Nonspendable	-	-	5,367	5,367
Assigned	774,126	-	123,996	898,122
Total fund balances	<u>774,126</u>	<u>-</u>	<u>129,363</u>	<u>903,489</u>
 Total liabilities and fund balances	 <u>\$ 774,126</u>	 <u>\$ 202,098</u>	 <u>\$ 142,221</u>	 <u>\$ 1,118,445</u>

**PEMBROKE CENTRAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Debt Service</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
REVENUES				
Use of money and property	\$ 3,779	\$ -	\$ 3	\$ 3,782
Miscellaneous local sources	-	-	9,953	9,953
State sources	-	232,446	7,584	240,030
Federal sources	-	1,014,874	209,765	1,224,639
School lunch	-	-	119,969	119,969
	<u>3,779</u>	<u>1,247,320</u>	<u>347,274</u>	<u>1,598,373</u>
Total revenues				
EXPENDITURES				
General:				
Instruction	-	1,256,767	-	1,256,767
School lunch	-	-	320,982	320,982
Employee benefits	-	-	9,779	9,779
Debt service:				
Principal	1,470,000	-	-	1,470,000
Interest	527,219	-	-	527,219
Capital outlay:				
General support	-	-	-	-
Instruction	-	-	-	-
	<u>1,997,219</u>	<u>1,256,767</u>	<u>330,761</u>	<u>3,584,747</u>
Total expenditures				
Excess (deficit) of revenues over expenditures	(1,993,440)	(9,447)	16,513	(1,986,374)
OTHER FINANCING SOURCES				
Interfund transfers in	-	9,447	-	9,447
	<u>-</u>	<u>9,447</u>	<u>-</u>	<u>9,447</u>
Total other financing sources (uses)				
Net change in fund balances	(1,993,440)	-	16,513	(1,976,927)
Fund balances - beginning	<u>2,767,566</u>	<u>-</u>	<u>112,850</u>	<u>2,880,416</u>
Fund balances - ending	<u>\$ 774,126</u>	<u>\$ -</u>	<u>\$ 129,363</u>	<u>\$ 903,489</u>

**PEMBROKE CENTRAL SCHOOL DISTRICT
 SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET
 FOR THE YEAR ENDED JUNE 30, 2018**

Adopted Budget		\$	22,284,632
Additions:			
Encumbrances from prior year			<u>133,776</u>
Final Budget		\$	<u><u>22,418,408</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 expenditure budget		\$	22,983,162
Maximum allowed			919,327

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

Unrestricted fund balance:			
Assigned fund balance		1,171,238	
Unassigned fund balance		<u>919,327</u>	
Total unrestricted fund balance		<u><u>2,090,565</u></u>	

Less:			
Appropriated fund balance		1,100,000	
Encumbrances included in assigned fund balance		<u>71,238</u>	
Total adjustments		<u><u>1,171,238</u></u>	

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 919,327

Actual percentage 4.00%

**PEMBROKE CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Project Title</u>	<u>Original Appropriations</u>	<u>Revised Appropriations</u>	<u>Capital Expenditures</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Fund Balance 06/30/18</u>	
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		<u>Proceeds of Obligations</u>	<u>State Aid</u>	<u>Local Sources</u>		<u>Total</u>
Renovations	\$ 24,812,125	\$ 24,613,040	\$ 24,613,040	\$ -	\$ 24,613,040	\$ -	\$ 22,193,532	\$ 419,482	\$ 2,060,785	\$ 24,673,799	\$ 60,759
Bus Purchases	3,537,397	3,824,971	3,400,324	287,574	3,687,898	(150,501)	3,116,020	-	473	3,116,493	(571,405)
Smart School Bond Technology Project	701,000	-	58,725	2,020	60,745	640,255	-	60,745	-	60,745	-
2018 Project	100,000	-	-	99,878	99,878	122	-	-	99,878	99,878	-
Total	\$ 29,150,522	\$ 28,438,011	\$ 28,072,089	\$ 389,472	\$ 28,461,561	\$ 489,876	\$ 25,309,552	\$ 480,227	\$ 2,161,136	\$ 27,950,915	\$ (510,646)

**PEMBROKE CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2018**

Capital assets, net	\$	23,115,424
Deduct:		
Bond anticipation notes payable		(752,624)
Bonds payable		(11,535,000)
Unamortized bond premium		<u>(1,161,035)</u>
Net investment in capital assets	\$	<u><u>9,666,765</u></u>

**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**

INDEPENDENT AUDITOR'S REPORT

The President and Members of the
Board of Education of
Pembroke Central School District
Corfu, New York

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of Pembroke Central School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 25, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Batavia, New York
September 25, 2018