

**AUDITED  
BASIC FINANCIAL STATEMENTS**

**PEMBROKE CENTRAL SCHOOL DISTRICT**  
**CORFU, NEW YORK**

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**JUNE 30, 2019**

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## **FINANCIAL SECTION**

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## 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, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 is 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 4, 2019, 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 4, 2019

**Management's Discussion and Analysis  
Pembroke Central School District  
Fiscal Year ended June 30, 2019**

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, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**Financial Highlights**

The net position of the District decreased by \$1,270,264. 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, 2019 unrestricted net position was <\$2,001,822>. Other components of net position were capital assets, net of accumulated depreciation and related debt of \$10,978,138, net position restricted for capital projects of \$4,935,795, restricted for unemployment insurance of \$60,278, restricted for workers' compensation insurance of \$509,649, restricted for employees' retirement system costs of \$601,896, and restricted for employee benefit accrued liability for \$2,232,652.

Other issues of significance for the fiscal year ended June 30, 2019 included:

- The General Fund's (the primary operating fund) fund balance increased by \$321,189.
- The governmental activities revenues increased by approximately \$1,456,151. In 2019 the results of activities produced a decrease in net position of \$1,270,264 and an increase of \$2,728,353 in 2018.
- The net cost of all the District's activities decreased by \$3,508,752 (or approx. 22.27%).

**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.

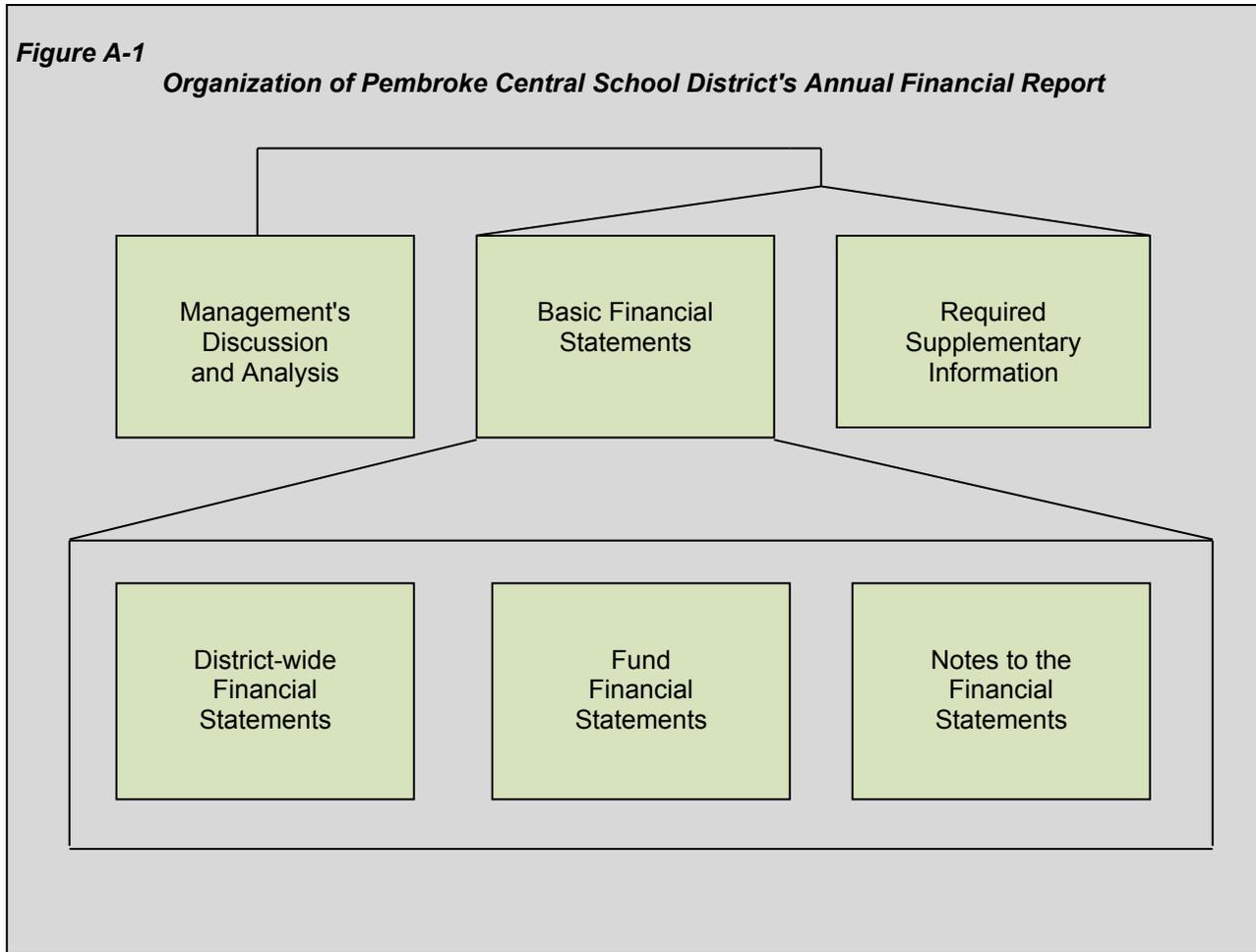


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position – Fiduciary Funds</li> <li>• Statement of Changes in Net Position – Fiduciary Fund</li> </ul>
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/outflow 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 2018/2019 school year, the District's budget received some relief in the area of retirement costs. The Employees Retirement System employer average contribution rate was reduced by approximately .4%. However, the NYS Teacher Retirement System employer contribution rate slightly increased by .83%. Based on the consensus of the Genesee Area Healthcare Plan consortium, a 3.5% increase in hospitalization premiums was deemed necessary for 2018/19 to handle projected claims while maintaining a healthy fund balance.

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
	2019	2018	2018-2019
Current and other assets	\$ 12,830	\$ 12,693	1.08%
Capital assets not being depreciated	51	51	0.00%
Capital assets, net of accumulated depreciation	22,774	23,065	-1.26%
TRS pension asset	926	384	100.00%
Total assets	<u>36,581</u>	<u>36,193</u>	<u>1.07%</u>
Deferred outflow of resources - Pension	5,239	5,755	-8.97%
Deferred outflow of resources - OPEB	2,150	592	263.18%
	<u>7,389</u>	<u>6,347</u>	<u>16.42%</u>
Current liabilities	2,308	2,133	8.20%
Long term liabilities	22,477	19,375	16.01%
Total liabilities	<u>24,785</u>	<u>21,508</u>	<u>15.24%</u>
Deferred inflow of resources - Pension	1,489	1,947	-23.52%
Deferred inflow of resources - OPEB	379	498	-23.90%
	<u>1,868</u>	<u>2,445</u>	<u>-23.60%</u>
Invested in capital assets, net of related debt	10,978	9,667	13.56%
Restricted for:			
Unemployment insurance	60	60	0.00%
Workers' compensation	510	505	0.99%
Retirement	602	597	0.84%
Employee benefit accrued liability	2,233	2,329	-4.12%
Capital projects	4,936	4,587	7.61%
Unrestricted (deficit)	(2,002)	842	-337.77%
Total net assets	<u>\$ 17,317</u>	<u>\$ 18,587</u>	<u>-6.83%</u>

Figure A-4

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

	Governmental Activities and Total District		Total Percentage Change
	2019	2018	2018-2019
<b>Revenues:</b>			
Real property taxes	\$ 8,100	\$ 7,947	1.93%
Real property tax items	68	63	7.94%
Charges for services	171	41	317.07%
Use of money and property	93	30	210.00%
Sale of property and compensation for loss	23	3	666.67%
Other miscellaneous revenues	242	188	28.72%
State and federal aid	15,534	14,383	8.00%
School lunch	124	120	3.33%
Total revenues	<u>24,355</u>	<u>22,775</u>	<u>6.94%</u>
<b>Expenses:</b>			
General support	3,816	3,376	13.03%
Instruction	18,178	13,620	33.47%
Pupil transportation	1,762	1,266	39.18%
Debt service	319	375	-14.93%
School lunch	331	322	2.80%
Depreciation	1,096	1,087	0.83%
Total expenses	<u>25,502</u>	<u>20,046</u>	<u>27.22%</u>
Changes in net positions	<u>\$ (1,147)</u>	<u>\$ 2,729</u>	<u>-142.03%</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, school lunch, and instruction.

The increase in the net cost of services related to pupil transportation and instruction in 2018/19 is mainly due to the significant increase in the amount of indirect cost allocation of employee benefits from the prior year. District-wide reporting adjustments for TRS, ERS, and OPEB in the amount of \$584,478 above fund basis reporting was allocated to pupil transportation in 2018/19 compared to \$183,889 in 2017/18. For instruction, the district-wide reporting adjustments for TRS, ERS, and OPEB is \$6,289,620 in 2018/19 compared to \$2,062,129 in 2017/18. The current Pembroke Teachers' Federation contract includes a change in accumulated leave day conversions that increased the compensated absence liability which impacts the OPEB calculation. However, the contract change will provide significant financial relief for the District in future years.

The significant increase in the area of school lunch is due to the increase in equipment purchases in 2018/19 over the prior year. Total monies expended for equipment in 2017/18 and 2018/19 were \$14,863 and \$21,068, respectively.

**Figure A-7**

**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	Total Cost of Services		Percentage Change 2018-2019	Net Cost of Services		Percentage Change 2018-2019
	2019	2018		2019	2018	
General support	\$ 3,816	\$ 3,376	13.03%	\$ 3,816	\$ 3,377	13.00%
Instruction	18,178	13,620	33.47%	13,589	10,787	25.98%
Pupil transportation	1,762	1,266	39.18%	455	146	211.64%
Debt service - interest	319	375	-14.93%	319	375	-14.93%
School lunch	331	322	2.80%	(10)	(16)	37.50%
Depreciation	1,096	1,087	0.83%	1,096	1,087	0.83%
<b>Total</b>	<b>\$ 25,502</b>	<b>\$ 20,046</b>	<b>27.22%</b>	<b>\$ 19,265</b>	<b>\$ 15,756</b>	<b>22.27%</b>

## Financial Analysis of The District's Funds

### **General Fund**

Revenues exceeded expenditures in the General Fund, resulting in an increase of fund balance of \$321,189 for the year ended June 30, 2019.

Actual revenues exceeded budgeted amounts by \$755,804 mainly due to the receipt of additional state aid, unanticipated medicaid revenue, and the ability to invest District funds that resulted in higher than anticipated interest earnings. Actual expenditures were less than originally budgeted in all budgeted categories for 2018/19. These reductions allowed for the funding of the \$5M capital reserve authorized by voters on May 20, 2014 in the amount of \$207,138. This was in addition to the budgetary provision to fund the capital reserve for \$100,000.

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 2018/19 resulted in an excess of expenditures over revenues of \$9,703 Total assigned fund balance of \$112,795 remains of which \$25,000 has been appropriated towards the 2019/20 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, 2019 funds expended for Pembroke CSD and Alexander CSD are \$893,071 and \$632,993, respectively.

In Year 3 of the grant, which started October 1, 2018 and ends September 30, 2019, Alexander Central School District used funds to purchase new equipment for the Jr/Sr HS fitness studio and PE classes and update the Elementary school playground. The Pembroke Central School District used funds to create a disc golf course and outdoor fitness stations at Pembroke Town Park, updated the Intermediate School playground, purchased equipment for the PE department, and purchased kinesthetic furniture for the classrooms to promote physical activity in the classes. The grant also helped pay for PE teachers to attend local, state, and national PE conferences to further their professional development and we even had some PE teachers present their work at these conferences. 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, supplementing family nights with wellness opportunities and providing opportunities for all students to attend physical activity and/or nutrition based field trips. Healthy eating was encouraged in both districts by providing numerous opportunities to participate in healthy cooking lessons during the school year and during summer recreation. The grant also fully funded the Pembroke Summer Recreation program, while also funding physical activity field trips and nutrition education for the Alexander Summer Recreation program.

### **Capital Projects Fund**

During the 2018/19 school year, the purchase of three new school buses was completed for a total cost of \$315,722.

In June 2018, project approval for the District's \$1.1M Smart School Bond Act project application was received. Funds totalling \$242,574 were expended as of June 30, 2019.

Smart Schools funds have been used to purchase 28 Promethean Interactive Displays and the window film to protect our offices from intruders/dangerous events. The District is in the midst of installing a large scale IP camera system throughout the 3 buildings along with a new door entry system in each building. These two projects will be completed by September 2019. The District plans to continue to purchase and install additional Promethean boards as funds become available, and to supplement any budget shortfalls for our annual purchase of 260 chromebooks for our 1:1 learning initiative.

### **General Fund Budgetary Highlights**

A very conservative approach to the budget process was again taken for the 2018/19 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, BOCES 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, and programs for the handicapped.

In 2018/2019 year, Employee Benefit Accrued Liability Reserve use totalled \$117,459. In December 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. Two unit members accepted the offer which resulted in a \$50,000 reduction in the Reserve. In addition, \$36,000 was expended to settle a Pembroke Teachers' Federation's contractual agreement/obligation. Two non-PTF members also retired resulting in \$31,459 of Reserve use.

The 2018/19 General Fund budget included a \$100,000 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 \$207,138 into the reserve. Per Section 3651 of Education Law, the Board of Education authorized the funding up to \$260,000 from General Fund excess appropriations for the fiscal year ending June 30, 2019. The Capital Reserve balance as of June 30, 2019 is \$4,935,795.

**Figure A-8**

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

	2019		Fund Balances
	Revenues	Expenditures	
General Fund	\$ 22,230	\$ 21,909	\$ 10,489
Capital Projects Fund	414	498	(595)
	2018		Fund Balances
	Revenues	Expenditures	
General Fund	\$ 21,116	\$ 19,640	\$ 10,168
Capital Projects Fund	381	389	(511)

**Capital Asset and Debt Administration**

The small decrease in total net capital assets is due to depreciation offset by a \$373,283 increase in equipment purchases. Three buses were purchased in 2018/19 and are being financed with a bond anticipation note. In addition, approx. \$183,000 of physical education equipment was purchased with PEP Grant funds. 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
	2019	2018	2018-2019
Land	\$ 51	\$ 51	0.00%
Buildings	16,869	17,479	-3.49%
Vehicles and equipment	5,905	5,586	5.71%
Total	<u>\$ 22,825</u>	<u>\$ 23,116</u>	<u>-1.26%</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
	2019	2018	2018-2019
Serial bonds payable	\$ 10,015	\$ 11,535	-13.18%
Unamortized premiums	995	1,161	-14.30%
Compensated absences	3,628	913	297.37%
Pension - ERS	497	236	110.59%
Post employment benefits	7,343	5,531	32.76%
	<u>\$ 22,478</u>	<u>\$ 19,376</u>	<u>16.01%</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 2018/19 school year with an increase of approximately \$772,000 in total state aid. 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 remained committed to support these essential programs in the 2018/19 budget and continues to remain a priority in the 2019/20 budget.

With the assistance of funding from Smart Schools Bond Act, Pembroke has also made a commitment to advance technology use in the classroom in the 2019/20 school year by beginning the roll out of a 1:1 (1 device for each student) program. The goal is to have all students in grades 1 through 12 equipped with their own computing device by 2022.

The District's budget received some relief in retirement system contribution costs for 2018/19. 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. In 2018/19, rates took a turn for the better, down to 3.5% due to a better than anticipated claim experience. Fortunately, favorable experience ratings realized in 2018/19 allowed the consortium to set a 3.0% composite rate increase for 2019/2020 while still focusing to maintain a healthy fund balance. The District plans to stay poised to withstand possible adverse effects in both of these areas on future budgets.

During the 2016/17 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 2017/18, 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, have strived to make effective and fiscally prudent decisions and has finalized the District's facilities plan for future capital improvements.

During the 2019/20 school year, the District plans to present a comprehensive facilities plan for a capital project that will enhance the academic experience for all students to the community for a vote.

### **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, 2019**

**ASSETS**

Cash and cash equivalents	\$ 11,529,948
Receivables	45,340
State and federal aid receivable	1,245,753
Prepaid items	1,916
Inventory	6,865
Capital assets not being depreciated	50,671
Capital assets, net of accumulated depreciation	22,774,070
Net TRS pension asset - proportionate share	<u>925,797</u>

Total assets 36,580,360

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred pension outflows	5,239,395
Deferred postemployment outflows	<u>2,150,494</u>

Total deferred outflows of resources 7,389,889

**LIABILITIES**

Accounts payable	272,939
Accrued liabilities	131,550
Bond anticipation notes payable	836,430
Due to retirement systems	1,063,565
Unearned revenue	3,660
Long-term liabilities:	
Due and payable within one year	2,103,628
Due and payable after one year	<u>20,373,464</u>

Total liabilities 24,785,236

**DEFERRED INFLOWS OF RESOURCES**

Deferred pension inflows	1,488,964
Deferred postemployment inflows	<u>379,463</u>

Total deferred inflows of resources 1,868,427

**NET POSITION**

Net investment in capital assets	10,978,138
Restricted for:	
Unemployment insurance	60,278
Workers' compensation	509,649
Retirement	601,896
Employee benefit accrued liability	2,232,652
Capital projects	4,935,795
Unrestricted (deficit)	<u>(2,001,822)</u>

Total net position \$ 17,316,586

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

Functions/Programs	Expenses	Indirect Cost Allocation	Program Revenues		Net (Expense) Revenues and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
Governmental activities					
General support	\$ 3,076,144	\$ 739,625	\$ -	\$ -	\$ (3,815,769)
Instruction	11,888,583	6,289,620	47,251	4,542,343	(13,588,609)
Transportation	1,177,550	584,478	-	1,306,904	(455,124)
Interest	318,842	-	-	-	(318,842)
School lunch	319,230	11,502	123,893	216,400	9,561
Unallocated employee benefits	7,625,225	(7,625,225)	-	-	-
Unallocated depreciation	1,096,072	-	-	-	(1,096,072)
Total governmental activities	<u>\$ 25,501,646</u>	<u>\$ -</u>	<u>\$ 171,144</u>	<u>\$ 6,065,647</u>	(19,264,855)
General revenues:					
Real property taxes					8,100,473
Real property tax items					67,734
Use of money and property					93,475
Sale of property and compensation for loss					22,931
State and federal aid not restricted for a specific purpose					9,468,375
Other miscellaneous revenues					241,603
Total general revenues					<u>17,994,591</u>
Change in net position					<u>(1,270,264)</u>
Net position - beginning of year					<u>18,586,850</u>
Net position - end of year					<u>\$ 17,316,586</u>

See notes to basic financial statements.

**PEMBROKE CENTRAL SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,771,216	\$ 130,378	\$ 628,354	\$ 11,529,948
Receivables	45,340	-	-	45,340
Due from other funds	216,995	-	43	217,038
State and federal aid receivable	922,927	111,608	211,218	1,245,753
Prepaid items	-	-	1,916	1,916
Inventory	-	-	6,865	6,865
Total assets	<u>\$ 11,956,478</u>	<u>\$ 241,986</u>	<u>\$ 848,396</u>	<u>\$ 13,046,860</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 271,907	\$ -	\$ 1,032	\$ 272,939
Accrued liabilities	131,550	-	-	131,550
Bond anticipation notes payable	-	836,430	-	836,430
Due to other funds	35	8	216,995	217,038
Due to retirement systems	1,063,565	-	-	1,063,565
Unearned revenue	-	-	3,660	3,660
Total liabilities	<u>1,467,057</u>	<u>836,438</u>	<u>221,687</u>	<u>2,525,182</u>
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable	-	-	6,865	6,865
Restricted	8,340,270	-	-	8,340,270
Assigned	1,208,612	-	619,844	1,828,456
Unassigned (deficit)	940,539	(594,452)	-	346,087
Total fund balances (deficit)	<u>10,489,421</u>	<u>(594,452)</u>	<u>626,709</u>	<u>10,521,678</u>
Total liabilities and fund balances	<u>\$ 11,956,478</u>	<u>\$ 241,986</u>	<u>\$ 848,396</u>	

See notes to basic financial statements.

PEMBROKE CENTRAL SCHOOL DISTRICT  
 BALANCE SHEET – GOVERNMENTAL FUNDS  
 JUNE 30, 2019  
 (Continued)

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

Total fund balances - governmental funds (page 17)	10,521,678
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	22,824,741
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Serial bonds payable	(10,015,000)
Premium amortization payable	(995,173)
Compensated absences	(3,627,657)
Net postemployment benefits	(7,342,736)
Net pension asset/(liabilities)	429,271
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	1,771,031
Net pension deferred outflows and inflows of resources	3,750,431
	<hr/>
Net position of governmental activities	\$ <u><u>17,316,586</u></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, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 8,100,473	\$ -	\$ -	\$ 8,100,473
Real property tax items	67,734	-	-	67,734
Charges for services	47,251	-	-	47,251
Use of money and property	91,799	-	1,676	93,475
Sale of property and compensation for loss	22,931	-	-	22,931
Miscellaneous local sources	239,984	-	1,619	241,603
State sources	13,481,826	181,829	222,360	13,886,015
Federal sources	177,868	-	1,470,139	1,648,007
School lunch	-	-	123,893	123,893
Total revenues	<u>22,229,866</u>	<u>181,829</u>	<u>1,819,687</u>	<u>24,231,382</u>
<b>EXPENDITURES</b>				
Current:				
General support	3,109,236	-	-	3,109,236
Instruction	10,646,703	-	1,495,558	12,142,261
Pupil transportation	1,177,550	-	-	1,177,550
School lunch	-	-	340,298	340,298
Employee benefits	4,987,677	-	11,502	4,999,179
Debt service:				
Principal	231,916	-	1,520,000	1,751,916
Interest	16,136	-	468,568	484,704
Capital Outlay:				
General support	-	5,184	-	5,184
Instruction	-	176,645	-	176,645
Transportation	-	315,722	-	315,722
Total expenditures	<u>20,169,218</u>	<u>497,551</u>	<u>3,835,926</u>	<u>24,502,695</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, 2019**  
**(Continued)**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	2,060,648	(315,722)	(2,016,239)	(271,313)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	-	-	1,739,459	1,739,459
Interfund transfers out	(1,739,459)	-	-	(1,739,459)
Bond anticipation notes redeemed from appropriations	-	231,916	-	231,916
Total other financing sources (uses)	<u>(1,739,459)</u>	<u>231,916</u>	<u>1,739,459</u>	<u>231,916</u>
Net change in fund balances	321,189	(83,806)	(276,780)	(39,397)
Fund balances - beginning (deficit)	<u>10,168,232</u>	<u>(510,646)</u>	<u>903,489</u>	<u>10,561,075</u>
Fund balances - ending (deficit)	<u>\$ 10,489,421</u>	<u>\$ (594,452)</u>	<u>\$ 626,709</u>	<u>\$ 10,521,678</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, 2019**

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Amounts reported for governmental activities in the Statement of Activities (page 16) are different because:

Net change in fund balances - total governmental funds (page 20)	\$ (39,397)
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 (\$1,096,072) exceeded capital outlays (\$805,389) in the current period.	(290,683)
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	1,520,000
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 items are measured by the amount of financial resources used. The net effect of these differences are:	
Compensated absences	(2,714,642)
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	542,171
Net pension - proportionate share - ERS	(260,759)
Total OPEB liability	(1,812,111)
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	(313,058)
Net pension - proportionate share - ERS	256,014
Total OPEB liability	<u>1,676,339</u>
Change in net position of governmental activities	<u>\$ (1,270,264)</u>

**PEMBROKE CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION – FIDUCIARY FUNDS  
JUNE 30, 2019**

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	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 66,072
Cash and cash equivalents - restricted	<u>7,425</u>	<u>44,376</u>
Total assets	<u>7,425</u>	<u>\$ 110,448</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 12,644
Agency liabilities	-	53,428
Extraclassroom activity balances	<u>-</u>	<u>44,376</u>
Total liabilities	<u>-</u>	<u>\$ 110,448</u>
<b>NET POSITION</b>		
Restricted	<u>\$ 7,425</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, 2019**

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	<b>Private Purpose Trust</b>
<b>ADDITIONS</b>	
Interest	\$ 5
Gifts and donations	<u>3,087</u>
Total additions	3,092
<b>DEDUCTIONS</b>	
Scholarships	<u>714</u>
Total deductions	<u>714</u>
Change in net position	2,378
Net position - beginning	<u>5,047</u>
Net position - ending	<u><u>\$ 7,425</u></u>

See notes to basic financial statements.

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

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**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**

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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, 2019, the District was billed \$2,370,588 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 Net Position presents the financial position of the District at fiscal year-end. 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.

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:

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.

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

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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 year are considered to be susceptible to accrual and so have been recognized as revenue in the current year. 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.

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**

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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 and Statement of Net Position as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extracurricular 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 AND PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

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 within 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**

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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**

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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 fund statements when issued. In the district-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a components of interest expense over the life of the related obligation.

Bond Defeasance - In the district-wide financial statements, gains or losses on bond refundings represent the difference between the price required to repay previously issued debt and the net carrying amount of retired debt, and are recorded as either a deferred outflow or inflow of resources. In subsequent years, these amounts are amortized on a straight-line basis as a component of interest expense over the shorter of the life of the old or new debt.

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

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**12. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS**

In addition to providing pension benefits, the District provides postemployment 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).

**13. 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.

**14. 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.

**15. 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.

**16. 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.

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

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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.

**F. 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.

**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, 2019, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

The District has evaluated Statements No. 83 and 88 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. 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. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending June 30, 2021.
- Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which will be effective for the year ending June 30, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2022.

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

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

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**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, 2019, the Capital Projects Fund, a major fund, has a deficit fund balance of \$594,452. 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, 2019.

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 \$44,376 within the Agency Fund restricted for extraclassroom activities and \$7,425 in the Private Purpose Trust Fund restricted for scholarships.

**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.

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

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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, 2019:

General Fund		
State aid - general aid	\$	59,960
State aid - BOCES		595,388
State aid - excess cost aid		267,579
		<u>922,927</u>
School Lunch Fund - state and federal aid		14,703
Special Aid Fund		196,515
Capital Projects Fund		111,608
Total	\$	<u><u>1,245,753</u></u>

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

**C. CAPITAL ASSETS**

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

	<u>Balance 7/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2019</u>
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	10,938,323	805,389	-	11,743,712
Total capital assets, being depreciated	<u>36,152,111</u>	<u>805,389</u>	<u>-</u>	<u>36,957,500</u>
Less accumulated depreciation:				
Buildings	7,734,780	610,202	-	8,344,982
Vehicles & equipment	5,352,578	485,870	-	5,838,448
Total accumulated depreciation	<u>13,087,358</u>	<u>1,096,072</u>	<u>-</u>	<u>14,183,430</u>
Total capital assets being depreciated, net	<u>23,064,753</u>	<u>(290,683)</u>	<u>-</u>	<u>22,774,070</u>
Governmental activities capital assets, net	<u>\$ 23,115,424</u>	<u>\$ (290,683)</u>	<u>\$ -</u>	<u>\$ 22,824,741</u>

Depreciation has not been allocated to the individual functions of the District operation as no allocation methodology has been established.

**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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. 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](http://www.nystrs.org).

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

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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://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.

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 31<sup>st</sup>.

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

At June 30, 2019, the District reported the following amount 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, 2018, for TRS and March 31, 2019, for ERS. The total amount 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, 2018	March 31, 2019
Net pension (asset)/liability	\$ (925,797)	\$ 496,526
District's portion of the Plan's total		
Net pension liability/(asset)	0.051198%	0.007008%
Change in proportion since the prior measurement date	0.000727	(0.000297)

For the year ended June 30, 2019, the District's recognized pension expense of \$687,360 for TRS and \$338,704 for ERS, respectively. At June 30, 2019, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

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

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 691,841	\$ 97,776	\$ 125,319	\$ 33,331
Change of assumptions	3,236,268	124,806	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	1,027,706	127,436
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	77,622	156,833	18,339
District's contributions subsequent to the measurement date	<u>919,822</u>	<u>91,260</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,847,931</u>	<u>\$ 391,464</u>	<u>\$ 1,309,858</u>	<u>\$ 179,106</u>

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

Year ended:	<u>TRS</u>	<u>ERS</u>
2020	\$ 896,809	\$ 120,312
2021	598,881	(80,673)
2022	35,295	7,459
2023	596,700	74,000
2024	402,163	-
Thereafter	88,403	-

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:

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Interest rate	7.25%	7.00%
Salary scale	1.90% - 4.72%	4.20%
Decrement tables	July 1, 2009 June 30, 2014 System's Experience	April 1, 2010 March 31, 2015 System's Experience
Inflation rate	2.25%	2.50%
Cost of living adjustments	1.50%	1.30%

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

For TRS, the actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2018, valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, 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.

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	
			June 30, 2018	May 31, 2019
	TRS	ERS	TRS	ERS
<b>Asset Class:</b>				
Domestic equity	33.0 %	36.0 %	5.8 %	4.6 %
International equity	16.0	14.0	7.3	6.4
Private equity	8.0	10.0	8.9	7.5
Real estate	11.0	10.0	4.9	5.6
Global equities	4.0	-	6.7	-
Absolute return strategies	-	2.0	-	3.8
Opportunistic portfolio	-	3.0	-	5.7
Real assets	-	3.0	-	5.3
Bond and mortgages	7.0	17.0	2.8	1.3
Cash/short term	1.0	1.0	0.3	-0.3
Inflation-indexed bonds	-	4.0	-	1.3
Domestic fixed income securities	16.0	-	1.3	-
Global fixed income securities	2.0	-	0.9	-
Private debt	1.0	-	6.8	-
High yield income securities	1.0	-	3.5	-
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**

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<u>TRS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 6,360,377	\$ (925,797)	\$ (7,029,586)

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<u>ERS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 2,170,890	\$ 496,526	\$ (910,059)

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	<u>June 30, 2018</u>	<u>March 31, 2019</u>
Employer' total pension liability	\$ 118,107,254	\$ 189,803,429
Plan net position	119,915,518	182,718,124
Employers' net pension (asset)/ liability	<u>\$ (1,808,264)</u>	<u>\$ 7,085,305</u>
Ratio of plan net position to the employers' total pension (asset)/liability	101.5%	96.3%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employee and employer contributions for the fiscal year ended June 30, 2019, based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019, amounted to \$972,305.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019, through June 30, 2019, based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019, amounted to \$91,260.

**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**

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Employees Covered by Benefit Terms

As of June 30, 2019, 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 \$7,342,736 was measured as of April 1, 2019, using updated procedures to roll forward the total OPEB actuarial valuation from June 30, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.31%
Salary Increases	3.36%, average, including inflation
Discount Rate	3.44%
Healthcare Cost Trend Rates	5.20% as of 2019, with an ultimate rate of 4.32% 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 were based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General and Safety, without separate Contingent Survivor mortality, fully generational using Scale MP-2018.

The actuarial assumptions used in the June 30, 2019, 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, 2018	\$ 5,530,625
<u>Changes for the year:</u>	
Service cost	63,736
Interest	188,076
Changes of benefit terms	-
Differences between expected and actual experience	1,950,091
Changes in assumptions or other inputs	(5,292)
Benefit payments	<u>(384,500)</u>
Net changes	1,812,111
Balance at June 30, 2019	<u><u>\$ 7,342,736</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 3.61 percent in 2018 to 3.44 percent in 2019 updated premium information and changes in the Mortality Improvement Scale from MP-2017 to MP-2018.

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 (2.44 %) or 1 percentage point higher (4.44 %) than the current discount rate.

	<u>1% Decrease (2.44%)</u>	<u>Discount Rate (3.44%)</u>	<u>1% Increase (4.44%)</u>
Total OPEB Liability	\$ <u>8,034,037</u>	\$ <u>7,342,736</u>	\$ <u>6,741,738</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 (3.32 %) or 1 percentage point higher (5.32 %) than the current healthcare cost trend rate:

	<u>1% Decrease (4.20% decreasing to 3.32%)</u>	<u>Healthcare Cost Trend Rates (5.20% decreasing to 4.32%)</u>	<u>1% Increase (6.20% decreasing to 5.32%)</u>
Total OPEB Liability	\$ <u>6,553,419</u>	\$ <u>7,342,736</u>	\$ <u>8,284,664</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$529,542. At June 30, 2019, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	2,054,369	29,872
Changes of assumptions	-	349,591
Contributions subsequent to the measurement date	96,125	-
Total	<u>2,150,494</u>	<u>379,463</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2020	277,730
2021	316,490
2022	374,631
2023	374,631
2024	235,714
Thereafter	95,710

**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, 2019:

	Balance 7/1/2018	Issues	Redeemed	Balance 6/30/2019
BAN maturing 8/18/18 at 1.95%	\$ 752,624	\$ -	\$ 752,624	\$ -
BAN maturing 8/16/19 at 2.15%	-	836,430	-	836,430
	<u>\$ 752,624</u>	<u>\$ 836,430</u>	<u>\$ 752,624</u>	<u>\$ 836,430</u>

**G. LONG-TERM LIABILITIES**

**1. 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.

**2. SERIAL BONDS**

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

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 6/30/2019</u>
Governmental activities:					
2016 Refunding	11/22/2016	\$ 8,605,000	6/15/2025	\$ 1.0-5.0%	8,445,000
2010 Various Purpose	6/21/2010	22,392,643	6/15/2025	2.0-4.0%	1,570,000
					<u>\$ 10,015,000</u>

**3. OTHER LONG-TERM LIABILITIES**

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

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

**4. CHANGES IN LONG-TERM LIABILITIES**

Changes in the District's long-term liabilities for the year ended June 30, 2019, are as follows:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Government activities:					
Bonds payable:					
Serial Bonds	\$ 11,535,000	\$ -	\$ 1,520,000	\$ 10,015,000	\$ 1,575,000
Unamortized premium	1,161,035	-	165,862	995,173	165,862
Total bonds payable	<u>12,696,035</u>	<u>-</u>	<u>1,685,862</u>	<u>11,010,173</u>	<u>1,740,862</u>
Other liabilities:					
Compensated absences	\$ 913,015	\$ 2,806,159	\$ 91,517	\$ 3,627,657	\$ 362,766
Net pension liability (ERS) - proportionate share *	235,767	260,759	-	496,526	-
Total OPEB liability	<u>5,530,625</u>	<u>2,196,611</u>	<u>384,500</u>	<u>7,342,736</u>	<u>-</u>
Total long-term liabilities	<u>\$ 19,375,442</u>	<u>\$ 5,263,529</u>	<u>\$ 2,161,879</u>	<u>\$ 22,477,092</u>	<u>\$ 2,103,628</u>

\*Additions to net pension liability are shown net of reductions.

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
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>\$ 10,015,000</u>	<u>\$ 1,520,363</u>	<u>\$ 995,173</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.

**H. INTERFUND ACTIVITY**

Interfund activity at June 30, 2019, are as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenues	Interfund Expenditures
General Fund	\$ 216,995	\$ -	\$ -	\$ 1,739,459
Capital Projects Fund	-	8	-	-
Debt Service Fund	43	35	1,720,000	-
Special Aid Fund	-	215,331	19,459	-
School Lunch Fund	-	1,664	-	-
Total	<u>\$ 217,038</u>	<u>\$ 217,038</u>	<u>\$ 1,739,459</u>	<u>\$ 1,739,459</u>

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

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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. Also, the majority of the interfund revenues and expenses were a transfer to the Debt Service Fund for principal and interest payments on debt obligations.

**I. NET POSITION AND FUND BALANCE**

**MINIMUM FUND BALANCE POLICY**

The Board has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at approximately two percent of the current year's budgeted expenses. This amount is intended to provide fiscal stability and protect against cash shortfalls. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level.

**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, 2019.

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, 2019, 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, 2019, 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 for 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, 2019, fund balances were classified as follows:

	General	Capital Projects	Nonmajor Funds	Total
<u>Nonspendable:</u>				
Inventory	\$ -	\$ -	\$ 6,865	\$ 6,865
<u>Restricted:</u>				
Unemployment	60,278	-	-	60,278
Workers' compensation	509,649	-	-	509,649
Retirement	601,896	-	-	601,896
Capital	4,935,795	-	-	4,935,795
Employment benefit accrued liability	2,232,652	-	-	2,232,652
<u>Assigned:</u>				
Subsequent years' expenditures	1,100,000	-	-	1,100,000
Debt service	-	-	507,049	507,049
School lunch	-	-	112,795	112,795
<u>Encumbrances:</u>				
General support	63,021	-	-	63,021
Instruction	45,463	-	-	45,463
Transportation	128	-	-	-
<u>Unassigned:</u>				
General Fund	940,539	-	-	940,539
Capital Projects Fund	-	(594,452)	-	(594,452)
<b>Total</b>	<b>10,489,421</b>	<b>(594,452)</b>	<b>626,709</b>	<b>10,521,678</b>

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**

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**NOTE 4 - RISK MANAGEMENT**

**A. GENERAL**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. 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. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three fiscal years.

**B. 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 15<sup>th</sup>. 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 15<sup>th</sup>. 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, 2019, 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, 2018, the Plan had an unfunded liability of \$185,567.

**C. 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 1<sup>st</sup> 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.

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

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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.

As of June 30, 2018, 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, 2019, the Plan's net position after provision for liabilities was \$17,740,927.

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

**A. 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.

**B. ENCUMBRANCES**

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 \$108,612 recorded in the General Fund.

**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, 2019, the District's total tax revenues were reduced by \$141,449.

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

**NOTE 7 - SUBSEQUENT EVENTS**

These financial statements have not been updated for subsequent events occurring after September 4, 2019, which is the date these financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**PEMBROKE CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS)  
AND ACTUAL GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
<b>REVENUES</b>				
Local sources:				
Real property taxes	\$ 8,101,329	\$ 8,101,329	\$ 8,100,473	\$ (856)
Real property tax items	64,500	64,500	67,734	3,234
Charges for services	9,450	9,450	47,251	37,801
Use of money and property	21,000	21,000	91,799	70,799
Sale of property and compensation for loss	-	15,890	22,931	7,041
Miscellaneous local sources	94,000	94,000	239,984	145,984
State sources:				
Basic formula	12,033,179	10,517,075	10,622,438	105,363
Lottery aid	-	1,516,104	1,591,674	75,570
BOCES aid	1,043,080	1,043,080	1,169,081	126,001
Other state aid	91,634	91,634	98,633	6,999
Federal sources	-	-	177,868	177,868
Total revenues	21,458,172	21,474,062	22,229,866	755,804
Other sources:				
Appropriated reserves	424,990	424,990	-	(424,990)
Appropriated fund balance	1,100,000	1,171,239	-	(1,171,239)
Total revenues and other sources	<u>\$ 22,983,162</u>	<u>\$ 23,070,291</u>	<u>\$ 22,229,866</u>	<u>\$ (840,425)</u>

The notes to the required supplementary information is an integral part of this schedule.

**PEMBROKE CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS)  
AND ACTUAL GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
<b>EXPENDITURES</b>					
General support:					
Board of education	\$ 72,222	\$ 60,316	\$ 58,411	\$ -	\$ 1,905
Central administration	152,339	164,053	162,702	-	1,351
Finance	293,257	301,212	293,406	-	7,806
Staff	31,197	86,945	86,071	-	874
Central services	2,284,648	2,456,241	2,125,504	63,021	267,716
Special items	392,074	393,624	383,142	-	10,482
Instruction:					
Instruction, administration and improvements	818,062	836,566	795,524	190	40,852
Teaching - regular school	6,278,023	6,061,535	5,654,327	29,867	377,341
Programs for children with handicaps	2,371,149	2,469,143	2,375,387	1,468	92,288
Occupational education	434,000	425,860	425,681	-	179
Teaching - special schools	54,925	53,962	49,449	-	4,513
Instructional media	413,322	492,300	464,375	12,352	15,573
Pupil services	923,226	973,324	881,960	1,586	89,778
Pupil transportation	1,126,675	1,215,967	1,177,550	128	38,289
Debt service - principal	232,000	232,000	231,916	-	84
Debt service interest	16,200	16,200	16,136	-	64
Employee benefits	5,249,843	5,001,043	4,987,677	-	13,366
	<u>21,143,162</u>	<u>21,240,291</u>	<u>20,169,218</u>	<u>108,612</u>	<u>962,461</u>
Other uses:					
Interfund transfers out	<u>1,840,000</u>	<u>1,830,000</u>	<u>1,739,459</u>	<u>-</u>	<u>90,541</u>
Total expenditures and other uses	<u>\$ 22,983,162</u>	<u>\$ 23,070,291</u>	<u>21,908,677</u>	<u>\$ 108,612</u>	<u>\$ 1,053,002</u>
Net change in fund balance			<u>\$ 321,189</u>		

The notes to the required supplementary information is an integral part of this schedule.

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

	<b>Year Ended June 30,</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Teachers' Retirement System (TRS)</b>					
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
District's proportion of the net pension (asset)/liability	0.468350%	0.048933%	0.049730%	0.050471%	0.051198%
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>	\$ <u>(925,797)</u>
District's covered payroll	\$ 6,918,313	\$ 7,351,041	\$ 7,687,897	\$ 8,063,070	\$ 8,378,114
District's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	-75.4%	-69.1%	6.9%	-4.8%	-11.1%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-110.5%	-110.5%	99.0%	-100.7%	-101.5%
	<b>Year Ended March 31,</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Employees' Retirement System (ERS)</b>					
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
District's proportion of the net pension liability	0.007663%	0.007414%	0.007166%	0.007305%	0.007008%
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>	\$ <u>496,526</u>
District's covered payroll	\$ 1,954,031	\$ 1,896,265	\$ 1,961,281	\$ 2,223,521	\$ 2,360,003
District's proportionate share of the net pension liability as a percentage of its covered payroll	13%	62.8%	34.3%	10.6%	21.0%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	97.9%	98.2%	96.3%

\* This schedule is intended to show information for ten years. Since 2015 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

The notes to the required supplementary information is an integral part of this schedule.

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

<b>TEACHERS' RETIREMENT SYSTEM</b>										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 468,451	\$ 617,248	\$ 756,257	\$ 804,825	\$ 1,124,226	\$ 1,228,637	\$ 1,017,551	\$ 942,774	\$ 981,344	\$ 867,472
Contributions in relation to the contractually required contribution	468,451	617,248	756,257	804,825	1,124,226	1,228,637	1,017,551	942,774	981,344	867,472
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	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	8,661,224
Contributions as a percentage of covered payroll	6%	9%	11%	12%	16%	17%	13%	12%	12%	10%
<b>EMPLOYEES' RETIREMENT SYSTEM</b>										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 153,563	\$ 239,022	\$ 302,923	\$ 377,684	\$ 369,003	\$ 351,482	\$ 333,093	\$ 283,026	\$ 328,694	\$ 326,100
Contributions in relation to the contractually required contribution	153,563	239,022	302,923	377,684	369,003	351,482	333,093	283,026	328,694	326,100
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	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	2,246,277
Contributions as a percentage of covered payroll	7%	11%	15%	19%	19%	18%	16%	13%	14%	15%

The notes to the required supplementary information is an integral part of this schedule.

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

Measurement Date	<u>2017</u> March, 31	<u>2018</u> March, 31	<u>2019</u> March, 31
<b>Total OPEB Liability</b>			
Service cost	\$ 256,960	\$ 282,679	\$ 63,736
Interest	242,848	307,106	188,076
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)	1,950,091
Changes of assumptions or other inputs	(297,747)	(281,632)	(5,292)
Benefit payments	<u>(236,187)</u>	<u>(260,668)</u>	<u>(384,500)</u>
Net change in total OPEB liability	831,320	(2,529,113)	1,812,111
Total OPEB liability - beginning	<u>7,228,418</u>	<u>8,059,738</u>	<u>5,530,625</u>
Total OPEB liability - ending	<u>\$ 8,059,738</u>	<u>\$ 5,530,625</u>	<u>\$ 7,342,736</u>
Covered-employee payroll	\$ 8,884,461	\$ 8,884,461	\$ 8,884,461
Total OPEB liability as a percentage of covered-employee payroll	90.72%	62.25%	82.65%

\* This schedule is intended to show information for ten years. Since 2017 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

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

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**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, 2019, 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 - FACTORS AFFECTING TRENDS IN OTHER POSTEMPLOYMENT BENEFITS AND PENSIONS**

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis. Changes of assumptions and other inputs reflect a change in the discount rate from 3.61 percent in 2018 to 3.44 percent in 2019 and changes in the inflation rate from 2.37 percent in 2018 to 2.31 percent in 2019.

The District's proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invest in. In addition, the discount factor has varied from 7.5% to 7.0% over the past four years.

## **SUPPLEMENTARY INFORMATION**

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**PEMBROKE CENTRAL SCHOOL DISTRICT  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
 AS OF JUNE 30, 2019**

	<u>Debt Service</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 507,006	\$ 17,854	\$ 103,494	\$ 628,354
Due from other funds	43	-	-	43
State and federal aid receivable	-	196,515	14,703	211,218
Prepaid items	-	1,916	-	1,916
Inventory	-	-	6,865	6,865
Total assets	<u>\$ 507,049</u>	<u>\$ 216,285</u>	<u>\$ 125,062</u>	<u>\$ 848,396</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 930	\$ 102	\$ 1,032
Due to other funds	-	215,331	1,664	216,995
Unearned revenue	-	24	3,636	3,660
Total liabilities	<u>-</u>	<u>216,285</u>	<u>5,402</u>	<u>221,687</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	6,865	6,865
Assigned	507,049	-	112,795	619,844
Total fund balances	<u>507,049</u>	<u>-</u>	<u>119,660</u>	<u>626,709</u>
Total liabilities and fund balances	<u>\$ 507,049</u>	<u>\$ 216,285</u>	<u>\$ 125,062</u>	<u>\$ 848,396</u>

**PEMBROKE CENTRAL SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Debt Service</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
<b>REVENUES</b>				
Use of money and property	\$ 1,491	\$ -	\$ 185	\$ 1,676
Miscellaneous local sources	-	-	1,619	1,619
State sources	-	215,263	7,097	222,360
Federal sources	-	1,260,836	209,303	1,470,139
School lunch	-	-	123,893	123,893
	<u>1,491</u>	<u>1,476,099</u>	<u>342,097</u>	<u>1,819,687</u>
Total revenues				
<b>EXPENDITURES</b>				
General:				
Instruction	-	1,495,558	-	1,495,558
School lunch	-	-	340,298	340,298
Employee benefits	-	-	11,502	11,502
Debt service:				
Principal	1,520,000	-	-	1,520,000
Interest	468,568	-	-	468,568
	<u>1,988,568</u>	<u>1,495,558</u>	<u>351,800</u>	<u>3,835,926</u>
Total expenditures				
Deficit of revenues over expenditures	(1,987,077)	(19,459)	(9,703)	(2,016,239)
<b>OTHER FINANCING SOURCES</b>				
Interfund transfers in	<u>1,720,000</u>	<u>19,459</u>	<u>-</u>	<u>1,739,459</u>
Total other financing sources	<u>1,720,000</u>	<u>19,459</u>	<u>-</u>	<u>1,739,459</u>
Net change in fund balances	(267,077)	-	(9,703)	(276,780)
Fund balances - beginning	<u>774,126</u>	<u>-</u>	<u>129,363</u>	<u>903,489</u>
Fund balances - ending	<u>\$ 507,049</u>	<u>\$ -</u>	<u>\$ 119,660</u>	<u>\$ 626,709</u>

**PEMBROKE CENTRAL SCHOOL DISTRICT  
 SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET  
 FOR THE YEAR ENDED JUNE 30, 2019**

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Adopted Budget		\$	22,983,162
Additions:			
Encumbrances from prior year			<u>71,238</u>
Original Budget			23,054,400
Budget Revision:			
Emergency repairs			<u>15,891</u>
Final Budget		\$	<u><u>23,070,291</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 expenditure budget	\$	23,513,438
Maximum allowed		940,538

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

Unrestricted fund balance:		
Assigned fund balance	1,208,612	
Unassigned fund balance	<u>940,539</u>	
Total unrestricted fund balance	<u>2,149,151</u>	

Less:		
Appropriated fund balance	1,100,000	
Encumbrances included in assigned fund balance	<u>108,612</u>	
Total adjustments	<u>1,208,612</u>	

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 940,539

Actual percentage 4.00%

**PEMBROKE CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

<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 06/30/19</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	3,824,971	4,140,693	3,687,898	315,722	4,003,620	(178,649)	3,347,936	-	473	3,348,409	(655,211)
Smart School Bond Technology Project	701,000	1,039,655	60,745	181,829	242,574	458,426	-	242,574	-	242,574	-
<b>Total</b>	<u>\$ 29,338,096</u>	<u>\$ 29,793,388</u>	<u>\$ 28,361,683</u>	<u>\$ 497,551</u>	<u>\$ 28,859,234</u>	<u>\$ 279,777</u>	<u>\$ 25,541,468</u>	<u>\$ 662,056</u>	<u>\$ 2,061,258</u>	<u>\$ 28,264,782</u>	<u>\$ (594,452)</u>

**PEMBROKE CENTRAL SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019**

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Capital assets, net	\$	22,824,741
Deduct:		
Bond anticipation notes payable		(836,430)
Bonds payable		(10,015,000)
Unamortized bond premium		<u>(995,173)</u>
Net investment in capital assets	\$	<u><u>10,978,138</u></u>

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**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, 2019, 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 4, 2019.

**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.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 4, 2019

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