

MADISON CENTRAL  
SCHOOL DISTRICT

MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

AND

BASIC FINANCIAL  
STATEMENTS

For the Year Ended  
June 30, 2018

**MADISON CENTRAL SCHOOL DISTRICT  
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**D'Arcangelo & Co., LLP**  
**Certified Public Accountants & Consultants**

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300  
315-336-9220 Fax: 315-336-0836

**Independent Auditor's Report**

Board of Education  
Madison Central School District

**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 Madison Central School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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 of 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 Madison Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**New Accounting Standard**

As discussed in Note 1 to the financial statements, the School District changed accounting policies related to the financial statement presentation of other postemployment benefits (OPEB) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new pronouncement provides governments guidance for determining a fair value measurement for financial reporting purposes for certain postemployment benefits and disclosures related to all fair value measurements. Our opinion is not modified with respect to this matter.

**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 Madison Central School District's basic financial statements as a whole. The other supplementary information on pages 51 through 53 is presented for purposes of additional analysis as required by New York State Education Department and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the 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 other supplementary information 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 28, 2018, on our consideration of the Madison Central School 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison Central School District's internal control over financial reporting and compliance.

*D'Arcangelo + Co., LLP*

September 28, 2018

Rome, New York

**D'Arcangelo & Co., LLP**  
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300  
315-336-9220 Fax: 315-336-0836

**Independent Auditors' 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***

Board of Education  
Madison Central School District

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 Standard* 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 Madison Central School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Madison Central School District's basic financial statements, and have issued our report thereon dated September 28, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Madison Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madison Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Madison Central School 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 a 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 to detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 Madison Central School 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 Madison Central School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D'Arcangelo + Co., LLP

September 28, 2018

Rome, New York

**MADISON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

The Madison Central School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2018 and 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

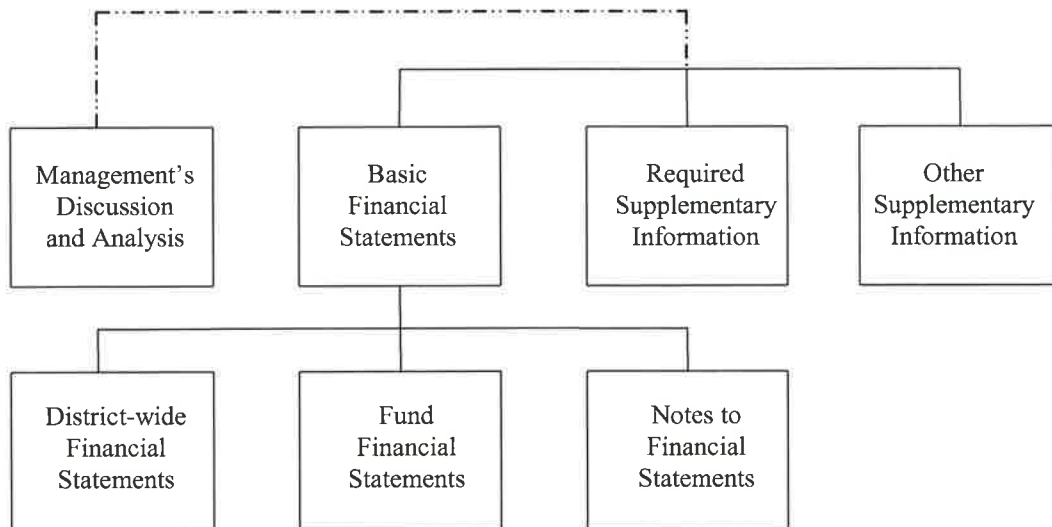
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2018 are as follows:

- The District's total Net Position, as reflected in the District-wide financial statements, increased by \$174,188 to a deficit balance of \$12,169,878. This increase is due primarily the result of the surplus in the General Fund before transfers of \$425,568.
- The current total net position is a deficit in the amount of \$12,169,878. The deficit is primarily the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which required the recognition of an unfunded liability of \$26,321,431 at June 30, 2018. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$10,563,323. Of this amount, 9.1% or \$959,172 was offset by program charges for services and operating grants. General revenues offset expenditures by \$9,778,339 to 92.6%. These revenues covered and exceeded program expenses leaving a surplus of \$174,188.
- The General Fund's total fund balance, as reflected in the fund financial statements on pages 16 and 18, increased by \$72,387 to a total balance of \$2,450,088. This was due mainly to the District's appropriation of reserves and fund balance with encumbrances totaling \$951,013 for the 2017-18 budget which was offset by under expending the budget, before encumbrances, by \$1,095,382 or approximately 10.1% of the budget. In addition, actual revenues and transfers were less than the budget by \$71,982.
- State and Federal revenue decreased by a net of \$50,345 or 0.8% in 2018. This was mainly due to an \$70,311 increase from basic and categorical State aid in the General fund off set with decreases in expenditure driven aided in the Special Aid and Capital Funds.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of District-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements is as follows:



**MADISON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

**(Continued)**

**A. District-wide Financial Statements**

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds, General Fund, School Lunch Fund, Special Aid Fund, Debt Service Fund, and Capital Projects Fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the District's District-wide financial statements because the District cannot use these assets to finance its operations.

**MADISON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net position increased \$174,188 between fiscal year 2017 and 2018. A summary of the District's Statement of Net Position for June 30, 2018 and 2017 is as follows:

	2018	Restated 2017	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 7,372,699	\$ 4,566,465	\$ 2,806,234	61.5%
Net Pension Asset - Proportionate Share	144,922		144,922	N/A
Capital Assets, (Net of Accumulated Depreciation)	<u>16,617,010</u>	<u>11,468,123</u>	<u>5,148,887</u>	44.9%
Total Assets	<u>24,134,631</u>	<u>16,034,588</u>	<u>8,100,043</u>	50.5%
Deferred Outflows of Resources	<u>2,314,222</u>	<u>2,179,755</u>	<u>134,467</u>	6.2%
Non-Current Liabilities	28,651,293	28,442,492	208,801	0.7%
Net Pension Liability - Proportionate Share	71,015	426,837	(355,822)	(83.4%)
Other Liabilities	<u>9,221,284</u>	<u>1,529,893</u>	<u>7,691,391</u>	502.7%
Total Liabilities	<u>37,943,592</u>	<u>30,399,222</u>	<u>7,544,370</u>	24.8%
Deferred Inflows of Resources	<u>675,139</u>	<u>159,187</u>	<u>515,952</u>	324.1%
Net Position				
Net Invested in Capital Assets	9,198,199	8,033,223	1,164,976	14.5%
Restricted	2,409,787	2,450,003	(40,216)	(1.6%)
Unrestricted (Deficit)	<u>(23,777,864)</u>	<u>(22,827,292)</u>	<u>(950,572)</u>	(4.2%)
Total Net Position	<u>\$ (12,169,878)</u>	<u>\$ (12,344,066)</u>	<u>\$ 174,188</u>	1.4%

Current and other assets increased by \$2,806,234, as compared to the prior year. The increase is primarily due to the \$2,432,445 increase in cash in the Capital Fund from the \$7,814,000 bond anticipation note issued on August 16, 2017. In addition, the General Fund assets increased by \$295,188 due to the current year surplus before transfers of \$425,568.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68, in 2015. This requires the inclusion of the District's proportionate share of net assets and/or liabilities in the New York State Teachers' Retirement System and Employees' Retirement Systems. The net change in the proportionate share of net assets and/or liabilities and the amounts of deferred inflows and outflows resulted in a decrease in financial position of \$50,153.

Capital assets increased by \$5,148,887, as compared to the prior year. This increase is primarily due to the amount of additions exceeding depreciation. Note 6 to the Financial Statements provides additional information.

Non-current liabilities increased by \$208,801, as compared to the prior year. This increase is primarily a result of the Other Post Employment Benefit liability which increased by \$1,006,191 offset by decreases due to debt service principle payments of \$796,405.

Other liabilities increased by \$7,691,391 as compared to the prior year. The increase is primarily due to the \$7,814,000 bond anticipation note issued on August 16, 2017.

The net position invested in capital assets (net of related debt) is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations.



**MADISON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

The restricted net position at June 30, 2018, is \$2,409,787, consists of various reserves established by the Board of Education as well as Debt Service and Capital Fund balances.

The unrestricted net position at June 30, 2018, is a deficit of \$23,777,864, which represents the amount by which the District's liabilities exceeded the District's assets other than capital assets.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements, STAR (school tax relief) revenue is included in the other tax items line. However, the MD&A combines the STAR amount with property taxes. A summary of this statement for the years ended June 30, 2018 and 2017 is as follows:

Revenues	2018	2017	Increase (Decrease)	Percentage Change
Program Revenues				
Charges for Services	\$ 193,813	\$ 138,271	\$ 55,542	40.17%
Operating Grants	765,359	761,539	3,820	0.50%
General Revenues				
Property Taxes and STAR	3,312,550	3,225,276	87,274	2.71%
State and Federal Sources	6,191,116	6,241,461	(50,345)	(0.8%)
Other	274,673	177,432	97,241	54.80%
Total Revenues	<u>10,737,511</u>	<u>10,543,979</u>	<u>193,532</u>	1.84%
Expenses				
General Support	1,555,212	1,741,879	(186,667)	(10.7%)
Instruction	7,911,701	7,777,329	134,372	1.7%
Pupil Transportation	654,517	669,013	(14,496)	(2.2%)
Debt Service-Unallocated Interest	211,910	123,486	88,424	71.61%
Food Service Program	229,983	199,198	30,785	15.45%
Total Expenses	<u>10,563,323</u>	<u>10,510,905</u>	<u>52,418</u>	0.50%
Total Change in Net Position	<u>\$ 174,188</u>	<u>\$ 33,074</u>	<u>\$ 141,114</u>	426.66%

The District's revenues increased by \$193,532 in 2018 or 1.84%. The major factors that contributed to the increase were:

- State and Federal revenue decreased by a net of \$50,345 or 0.8% in 2018. This was mainly due to an \$70,311 increase from basic and categorical State aid in the General fund off set with decreases in expenditure driven aided in the Special Aid and Capital Funds.
- Other revenues increased \$97,241 or 54.80%. This increase was mainly due to a bond anticipation note premium received in the amount of \$59,857.
- The property taxes and STAR revenues increased \$87,274 or 2.71%.

The District's expenses increased by \$52,418 in 2018 or 0.50%. The major factors that contributed to the increase were:

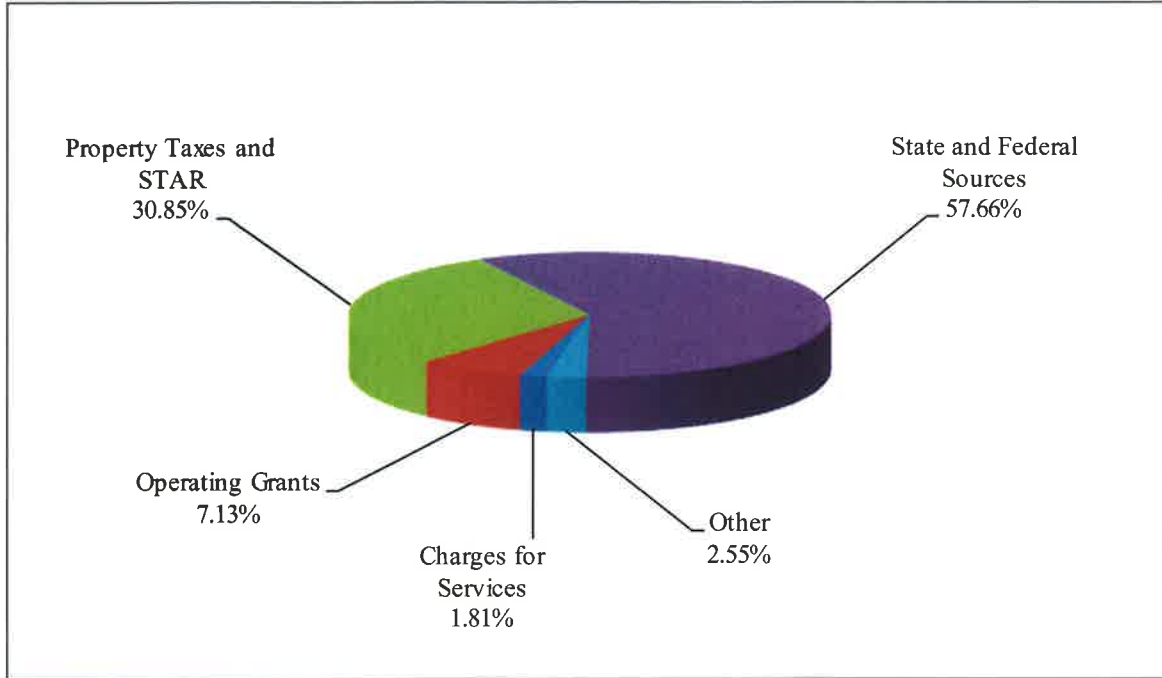
- General Support and Instruction collectively decreased of \$52,295. The differences in these two categories were due to a change in allocation of depreciation and employee benefits.
- Debt service- unallocated interest increased due to the \$7,814,000 bond anticipation note issued on August 16, 2017.

**MADISON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

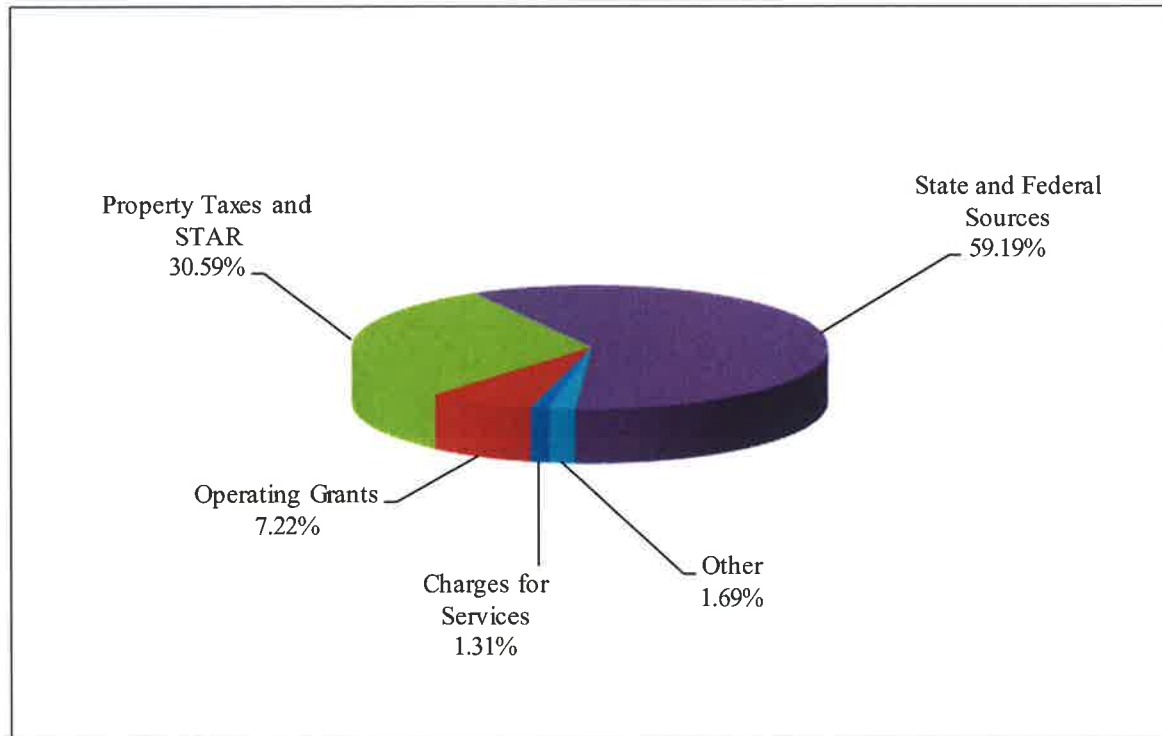
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A graphic display of the distribution of revenues for the two years follows:

**For the Year Ended June 30, 2018**



**For the Year Ended June 30, 2017**

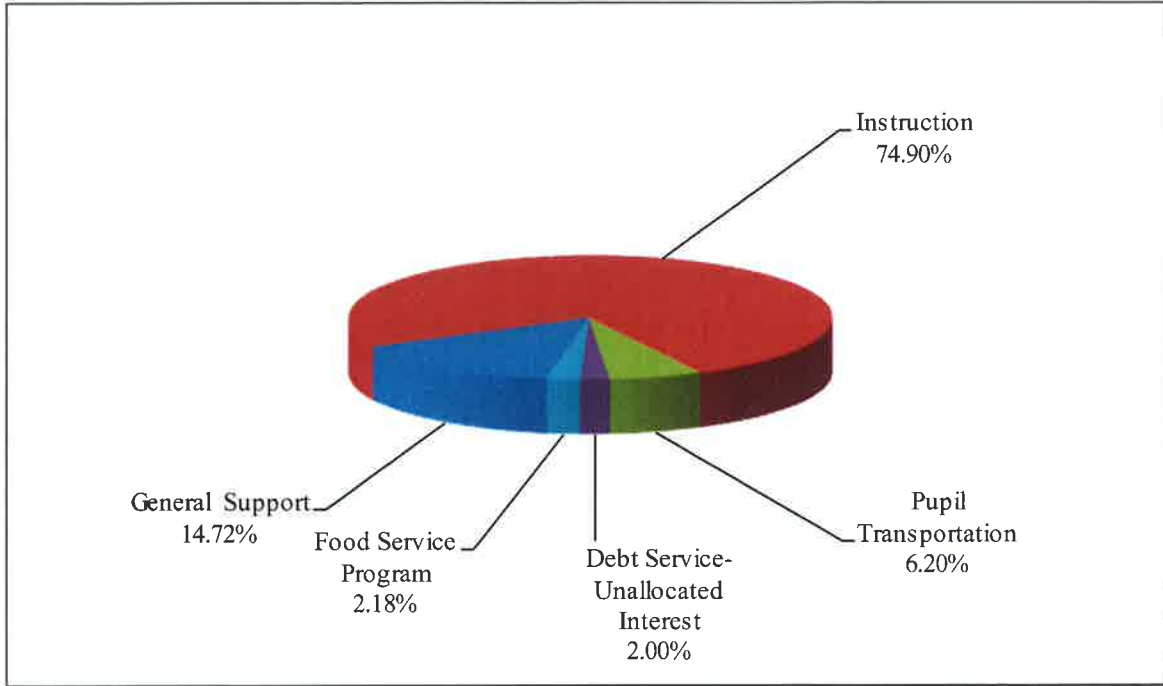


**MADISON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

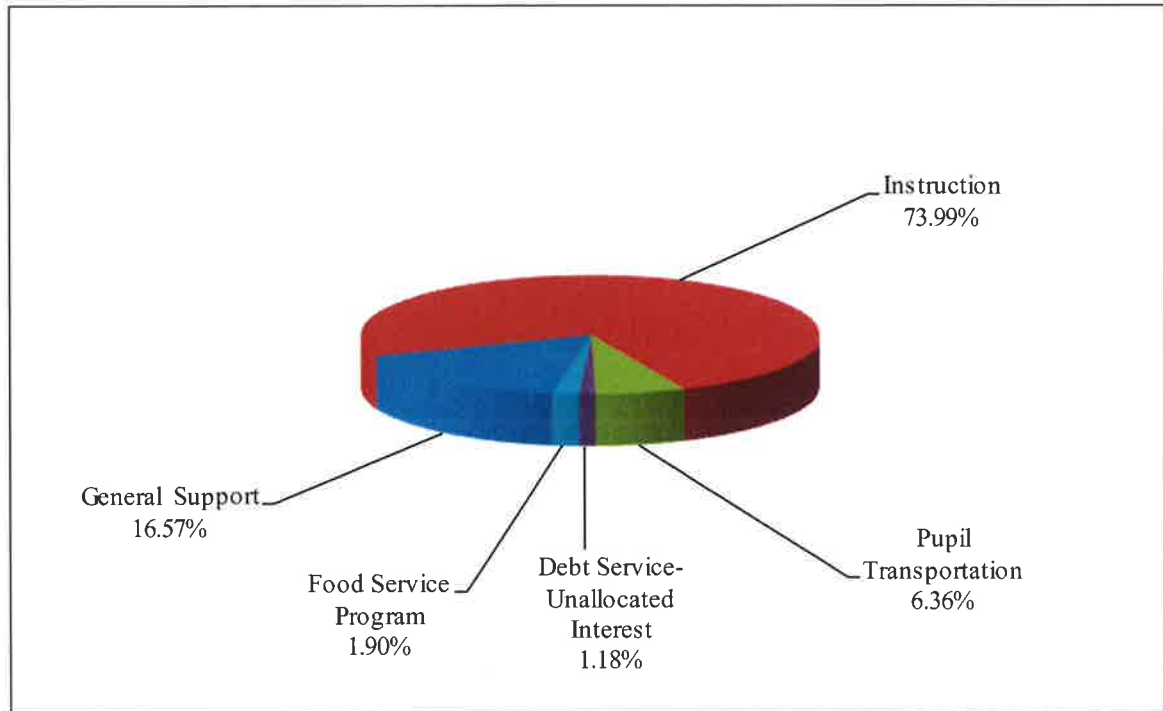
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A graphic display of the distribution of expenses for the two years follows:

**For the Year Ended June 30, 2018**



**For the Year Ended June 30, 2017**



**MADISON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2018, the District's governmental funds reported a combined fund balance of which is a decrease of \$4,649,069 over the prior year. This decrease is primarily due to an excess of expenditures over revenues for the year in the Capital Fund. A summary of the change in fund balance by fund is as follows:

<b>General Fund</b>	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Restricted for:			
Unemployment Insurance	\$ 196,871	\$ 196,832	\$ 39
Employee Benefit Accrued Liability	665,420	684,645	(19,225)
Retirement Contribution	69,171	70,756	(1,585)
Tax Certiorari Liability	433,597	432,949	648
Total Restricted	<u>1,365,059</u>	<u>1,475,317</u>	<u>(110,258)</u>
Assigned			
General Support	13,690	16,280	(2,590)
Instruction	74,616	2,538	72,078
Pupil Transportation	226,621	115,575	111,046
Appropriated for Subsequent Year's Budget	<u>297,272</u>	<u>150,000</u>	<u>147,272</u>
Total Assigned	<u>612,199</u>	<u>284,393</u>	<u>327,806</u>
Unassigned	<u>472,830</u>	<u>617,991</u>	<u>(145,161)</u>
Total General Fund	<u>2,450,088</u>	<u>2,377,701</u>	<u>72,387</u>
<b>School Lunch Fund</b>			
Nonspendable	5,194	6,928	(1,734)
Unassigned (Deficit)	<u>(35,989)</u>	<u>(20,134)</u>	<u>(15,855)</u>
Total School Lunch Fund	<u>(30,795)</u>	<u>(13,206)</u>	<u>(17,589)</u>
<b>Debt Service Fund</b>			
Restricted	<u>1,044,728</u>	<u>974,686</u>	<u>70,042</u>
<b>Capital Projects Fund</b>			
Unassigned (Deficit)	<u>(5,043,510)</u>	<u>(269,601)</u>	<u>(4,773,909)</u>
Total Fund Balance (Deficit)	<u>\$ (1,579,489)</u>	<u>\$ 3,069,580</u>	<u>\$ (4,649,069)</u>

Combined increases of \$72,387 in the General Fund balance include an increase in assigned amounts of \$327,806 for the subsequent year's budget, primarily due to an increase in encumbrances.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2017-2018 Budget**

The District's General Fund adopted budget for the year ended June 30, 2018, was \$10,083,581. This is an increase of \$160,928 over the prior year's adopted budget. The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$3,306,800 in estimated property taxes and STAR and State Aid in the amount of \$6,154,425.

**MADISON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

**B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The General Fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

<b>Opening, Unassigned Fund Balance</b>	\$ 617,991
Revenues over Budget and other Sources Under Budget	(1,022,995)
Expenditures and Encumbrances under Budget	780,455
Encumbrances at June 30, 2017	134,393
Net Decrease to Restricted Funds	110,258
Change in Appropriated Fund Balance	<u>(147,272)</u>
 <b>Closing, Unassigned Fund Balance</b>	 <b><u>\$ 472,830</u></b>

Opening, Unassigned Fund Balance

The \$617,991 shown in the table is the portion of the District's June 30, 2017, fund balance that was retained as unassigned. This was 6.13% of the District's 2017-2018 approved operating budget.

Revenues Over Budget and Other Sources Under Budget

The 2017-2018 final budget for revenues and other sources was \$10,794,594. The actual revenues received for the year were \$9,771,599. The actual revenue and other sources under estimated or budgeted revenue totaled \$1,022,995. This variance contributes directly to the change to the unassigned portion of the General Fund balance from June 30, 2017 to June 30, 2018.

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget for expenditures was \$10,794,594. The actual expenditures and encumbrances were \$10,014,139. The final budget was under expended and encumbered by \$780,455. This contributes to the change to the unassigned portion of the General Fund balance from June 30, 2017 to June 30, 2018.

Appropriated Fund Balance

The District has chosen to use \$297,272 of its available June 30, 2018, fund balance to partially fund its 2018-2019 approved operating budget. This amount increased \$147,272 from June 30, 2017 to June 30, 2018.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2018-2019 fiscal year with an unassigned fund balance of \$472,830. This is a decrease of \$145,161 over the unassigned balance from the prior year as of June 30, 2017. This was 4.75% of the District's 2018-2019 approved operating budget.

**MADISON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2018, the District had invested in a broad range of capital assets, including land, land improvements, buildings and improvements and furniture, equipment, and vehicles. The net decrease in capital assets is due to current year depreciation expense exceeding capital additions for the year ended June 30, 2018. A summary of the District's capital assets, net of accumulated depreciation, at June 30, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Land	\$ 165,000	\$ 165,000	\$
Land Improvements	733	940	(207)
Construction in Progress	6,072,473	568,821	5,503,652
Buildings and Improvements	9,477,038	9,786,817	(309,779)
Furniture, Equipment, and Vehicles	<u>901,766</u>	<u>946,545</u>	<u>(44,779)</u>
Capital Assets, Net	<u>\$ 16,617,010</u>	<u>\$ 11,468,123</u>	<u>\$ 5,148,887</u>

**B. Debt Administration**

At June 30, 2018, the District had total long-term debt payable of \$2,125,745. The serial bonds of \$835,000 and the bond anticipation note of \$7,814,000 exhausted 50.9% of the District's State Constitutional Debt Limit. A summary of the outstanding long-term debt at June 30, 2018 and 2017, is as follows:

<u>Description / Issue Date</u>	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>
Government Activities				
Serial Bonds Payable				
11/15/2011	4.00%	\$	\$ 630,000	\$ (630,000)
5/1/2019	3.25-4.00%	835,000	955,000	(120,000)
Premium of Bonds			12,750	(12,750)
Installment Purchase Debt				
12/15/2014	3.47%	<u>1,290,745</u>	<u>1,337,150</u>	<u>(46,405)</u>
		<u>\$ 2,125,745</u>	<u>\$ 2,934,900</u>	<u>\$ (809,155)</u>

**MADISON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

**(Continued)**

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**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The challenge the District faced in this budget was to continue to provide a solid, complete educational program in the face of rising costs. The process was much harder this year with it being the sixth year of the 2% legislative cap and the fifth year of the Property Tax Freeze Credit program. The Board of Education is very attuned to the taxpayers needs to keep rates in check. The Board's budgeting philosophy has been to try to maximize state aid and minimize the taxes raised to sustain educational stability. The District will be monitoring their revenues and expenditures very closely this school year to safeguard the District.

This year's budget was made easier with both the Instructional and Non-Instructional contracts in place. Madison Central School will receive revenues from the windmills located in our District again this year. This will be year twelve of sixteen that the District will be receiving these revenues. The decisions that the Board of Education have made over the past several years placed the Madison Central School District in an improved financial position. The District is fully aware that economic realities for this school district are going to be more challenging and are actively planning for these concerns considering the 2% tax cap along with the Property Tax Freeze Credit. It is understood that increasing costs combined with reduction of State Aid will result in more serious budget shortfalls. The Board of Education understands that the major expense in the district's budget is staffing. Again, part of their philosophy to create sustainable budgeting and sustainable educational programming is to tap into labor efficient distance learning and blended learning opportunities. Both the Board of Education and the Administration feel that the financial philosophies described above will create high-quality educational programming at a financial cost that the Madison Community can afford to support.

Madison is still under construction in the 2018-2019 school year with the \$9.9 million project. One of the difficult challenges in this year's budget is to gage the timing of the project and the State Aid that would be awarded in this year's budget. The Board went on the cautious side and figured the District would receive a half of years aid on the project. If for some reason the project is completed and we are able to submit the final cost report prior to December 31, 2018, we will receive a full year's aid.

**8. CONTACTING THE DISTRICT**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at Madison Central School District, 7303 State Route 20, Madison, New York 13402.

**MADISON CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,385,866
Restricted Cash and Cash Equivalents	5,220,874
Receivables	
Other Governments	755,963
Due from Fiduciary Funds	3
Other Receivables	4,799
Inventory	5,194
Net Pension Asset - Proportionate Share	144,922
Capital Assets (Net of Accumulated Depreciation)	<u>16,617,010</u>
Total Assets	<u>24,134,631</u>
 <b>Deferred Outflows of Resources</b>	
Deferred Outflows - OPEB	169,412
Deferred Outflow - Pensions	<u>2,144,810</u>
Total Deferred Outflows of Resources	<u>2,314,222</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 26,448,853</u>
 <b>Liabilities</b>	
Accounts Payable	\$ 307,352
Accrued Liabilities	21,792
Retainage Percentages Payable	256,467
Accrued Interest	148,506
Due To	
Other Governments	300,560
Teachers' Retirement System	349,583
Employees' Retirement System	23,024
Short-Term Notes Payables	
Bond Anticipation Notes	7,814,000
Net Pension Liability - Proportionate Share	71,015
Noncurrent Liabilities	
Due Within One Year	213,394
Due in More Than One Year	<u>28,437,899</u>
Total Liabilities	<u>37,943,592</u>
 <b>Deferred Inflows of Resources</b>	
Deferred Outflow - Pensions	<u>675,139</u>
 <b>Net Position</b>	
Net Investment in Capital Assets	9,198,199
Restricted	2,409,787
Unrestricted (Deficit)	<u>(23,777,864)</u>
Total Net Position	<u>(12,169,878)</u>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<u>\$ 26,448,853</u>

The Accompanying Notes are an Integral Part of These Financial Statements.



**MADISON CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
General Support	\$ 1,555,212	\$	\$	\$ (1,555,212)
Instruction	7,911,701	129,409	632,696	(7,149,596)
Pupil Transportation	654,517			(654,517)
Debt Service - Unallocated Interest	211,910			(211,910)
Food Service Program	229,983	64,404	132,663	(32,916)
Total Functions/Programs	<u>\$ 10,563,323</u>	<u>\$ 193,813</u>	<u>\$ 765,359</u>	<u>(9,604,151)</u>
 <b>General Revenues</b>				
Real Property Taxes				2,665,166
STAR and Other Real Property Tax Items				647,384
Use of Money and Property				12,532
Premiums on Bond Anticipation Notes				59,857
Sale of Property and Compensation for Loss				4,993
State and Federal Sources				6,191,116
Miscellaneous				<u>197,291</u>
Total General Revenues				<u>9,778,339</u>
Change in Net Position				<u>174,188</u>
Net Position, Beginning of Year				7,166,556
Prior Period Adjustments - Cumulative Change in Accounting Principle				<u>(19,510,622)</u>
Net Position (Deficit), Beginning of Year - As Restated				<u>(12,344,066)</u>
Net Position (Deficit), End of Year				<u>\$ (12,169,878)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**MADISON CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2018**

	General	School Lunch	Special Aid	Debt Service	Capital	Total
<b>Assets</b>						
Cash and Cash Equivalents	\$ 1,370,453	\$ 13,769	\$ 1,644	\$	\$	\$ 1,385,866
Restricted Cash and Cash Equivalents	1,365,059			1,044,284	2,811,531	5,220,874
Receivables						
Other Governments	449,175	8,234	298,554			755,963
Due from Other Funds	61,581		514	444	250,000	312,539
Other Receivables	1,321	3,478				4,799
Inventory		5,194				5,194
Total Assets	<u>\$ 3,247,589</u>	<u>\$ 30,675</u>	<u>\$ 300,712</u>	<u>\$ 1,044,728</u>	<u>\$ 3,061,531</u>	<u>\$ 7,685,235</u>
<b>Liabilities</b>						
Payables						
Accounts Payable	\$ 16,711	\$ 44	\$	\$	\$ 290,597	\$ 307,352
Accrued Liabilities	21,792					21,792
Accrued Interest	135,877					135,877
Due To						
Other Governments		99	300,461			300,560
Other Funds	250,514	61,327	251		444	312,536
Teachers' Retirement System	349,583					349,583
Employees' Retirement System	23,024					23,024
Short-Term Notes Payables						
Bond Anticipation Note					7,814,000	7,814,000
Total Liabilities	<u>797,501</u>	<u>61,470</u>	<u>300,712</u>		<u>8,105,041</u>	<u>9,264,724</u>
<b>Fund Balances</b>						
Non-Spendable		5,194				5,194
Restricted	1,365,059			1,044,728		2,409,787
Assigned	612,199					612,199
Unassigned (Deficit)	472,830	(35,989)			(5,043,510)	(4,606,669)
Total Fund Balances (Deficit)	<u>2,450,088</u>	<u>(30,795)</u>		<u>1,044,728</u>	<u>(5,043,510)</u>	<u>(1,579,489)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,247,589</u>	<u>\$ 30,675</u>	<u>\$ 300,712</u>	<u>\$ 1,044,728</u>	<u>\$ 3,061,531</u>	<u>\$ 7,685,235</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**MADISON CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
June 30, 2018**

Total Governmental Fund Balances \$ (1,579,489)

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the School District as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	24,042,086
Accumulated Depreciation	<u>(7,425,076)</u>
	<u>16,617,010</u>

Proportionate share of long-term asset and liability associated with participation in state retirement system are not current financial resources or obligations and are not reported in the funds.

Net Pension Asset - Proportionate Share	144,922
Deferred Outflows - Pensions	2,144,810
Net Pension Liability - Proportionate Share	(71,015)
Deferred Inflows - Pensions	<u>(675,139)</u>
	<u>1,543,578</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	(835,000)
Energy Performance Contract	(1,290,745)
Accrued Interest on Bonds Payable	(12,629)
Other Postemployment Benefits	(26,321,431)
Deferred Outflows - OPEB	169,412
Retainage Payable	(256,467)
Compensated Absences Payable	<u>(204,117)</u>
	<u>(28,750,977)</u>

Total Net Position (Deficit) \$ (12,169,878)

**MADISON CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**ALL GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

	General	School Lunch	Special Aid	Debt Service	Capital	Total
<b>Revenues</b>						
Real Property Taxes	\$ 2,665,166	\$	\$	\$	\$	\$ 2,665,166
STAR and Other Real Property Tax Items	647,384					647,384
Charges for Services	129,409					129,409
Use of Money and Property	2,344	3		10,185		12,532
Premium on Debt				59,857		59,857
Sale of Property and Compensation for Loss	20,237					20,237
Miscellaneous	168,367	3,585	17,393			189,345
Interfund Revenues	7,946					7,946
State Aid	6,107,545	4,465	272,201		60,370	6,444,581
Federal Aid	23,201	128,198	360,495			511,894
School Lunch Sales		64,404				64,404
<b>Total Revenues</b>	<u>9,771,599</u>	<u>200,655</u>	<u>650,089</u>	<u>70,042</u>	<u>60,370</u>	<u>10,752,755</u>
<b>Expenditures</b>						
General Support	1,049,448		7,946		4,851,080	5,908,474
Instruction	4,231,053		545,210		442,609	5,218,872
Pupil Transportation	457,563		1,701			459,264
Food Service Program		174,849				174,849
Employee Benefits	2,457,113	43,395	98,413			2,598,921
Debt Service - Principal	905,815					905,815
Debt Service - Interest	245,039					245,039
<b>Total Expenditures</b>	<u>9,346,031</u>	<u>218,244</u>	<u>653,270</u>		<u>5,293,689</u>	<u>15,511,234</u>
Excess (Deficit) Revenues Over Expenditures	<u>425,568</u>	<u>(17,589)</u>	<u>(3,181)</u>	<u>70,042</u>	<u>(5,233,319)</u>	<u>(4,758,479)</u>
<b>Other Financing Sources (Uses)</b>						
BANs Redeemed from Appropriations					109,410	109,410
Transfers from Other Funds			3,181		350,000	353,181
Transfers to Other Funds	(353,181)					(353,181)
<b>Total Other Financing Sources (Uses)</b>	<u>(353,181)</u>		<u>3,181</u>		<u>459,410</u>	<u>109,410</u>
<b>Excess (Deficit) Revenues Over Expenditures and Other Financing Sources (Uses)</b>	<u>72,387</u>	<u>(17,589)</u>		<u>70,042</u>	<u>(4,773,909)</u>	<u>(4,649,069)</u>
<b>Fund Balance(Deficit), Beginning of Year</b>	<u>2,377,701</u>	<u>(13,206)</u>		<u>974,686</u>	<u>(269,601)</u>	<u>3,069,580</u>
<b>Fund Balances (Deficit), End of Year</b>	<u>\$ 2,450,088</u>	<u>\$ (30,795)</u>	<u>\$</u>	<u>\$ 1,044,728</u>	<u>\$ (5,043,510)</u>	<u>\$ (1,579,489)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**MADISON CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES AND  
EXPENDITURES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

Net Changes in Fund Balance - Total Governmental Funds \$ (4,649,069)

Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation and loss on disposal in the period.

	Depreciation Expense	(524,789)	
	Loss on Disposal	(15,244)	
	Capital Outlays	<u>5,432,453</u>	4,892,420

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

	Amortization of Bond Premium	12,750	
	Repayment Bond Principal	750,000	
	Energy Performance Contract	<u>46,405</u>	809,155

(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

	Teachers' Retirement System	6,887	
	Employees' Retirement System	<u>(57,040)</u>	(50,153)

Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

	Change in Accrued Interest on Serial Bonds	20,379	
	Change in Compensated Absences	(11,765)	
	Change in Other Postemployment Benefits	<u>(836,779)</u>	<u>(828,165)</u>

Change in Net Position Governmental Activities \$ 174,188

The Accompanying Notes are an Integral Part of These Financial Statements.

**MADISON CENTRAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2018**

	Private Purpose	
	Trusts	Agency
<b>Assets</b>		
Cash and Cash Equivalents - Unrestricted	\$	\$ 114,795
Cash and Cash Equivalents - Restricted	<u>31,473</u>	
Total Assets	<u>\$ 31,473</u>	<u>\$ 114,795</u>
<b>Liabilities</b>		
Accrued Liabilities		\$ 68,829
Due to Other Funds		3
Extraclassroom Activity Balances		<u>45,963</u>
Total Liabilities		<u>\$ 114,795</u>
<b>Net Position</b>		
Restricted for Scholarships	<u>\$ 31,473</u>	
Total Net Position	<u>31,473</u>	
<b>Total Liabilities and Net Position</b>	<u>\$ 31,473</u>	

The Accompanying Notes are an Integral Part of These Financial Statements.

**MADISON CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Year Ended June 30, 2018**

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	Private Purpose Trusts
<b>Additions</b>	
Investment Income	\$          6
Gifts and Contributions	<u>          5,450</u>
Total Additions	<u>          5,456</u>
<b>Deductions</b>	
Scholarships and Awards	<u>          4,986</u>
<b>Change in Net Position</b>	470
<b>Net Position, Beginning of Year</b>	<u>          31,003</u>
<b>Net Position, End of Year</b>	<u><u>          31,473</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**MADISON CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Madison Central School District (the School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as it applies to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the School District are described below:

***Reporting Entity***

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of seven members. 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 School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal members.

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

**(a) *Extraclassroom Activity Funds***

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

***Joint Venture***

The School District is a component district in Madison Oneida Board of Cooperative Education Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

Financial statements for the BOCES are available from the BOCES' administrative office at Madison Oneida BOCES, 4937 Spring Rd, Verona, NY 13221.



**MADISON CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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***Basis of Presentation***

***(a) District-Wide Statements***

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School 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, and depreciation expense for the year, are allocated to functional areas in proportion to their expenditures. 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.

***(b) Fund Financial Statements***

The fund statements provide information about the School 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 funds of the School District are displayed as major funds. The School District reports the following governmental funds:

***General Fund:*** This is the School District's primary operating fund used to account for and report all financial resources not accounted for in another fund.

***Special Revenue Funds:***

***Special Aid Fund:*** This fund accounts for and reports the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes.

***School Lunch Fund:*** This fund is used to account for and report transactions of the School District's lunch and breakfast programs.

***Debt Service Fund:*** This fund accounts for and reports financial resources that are restricted to expenditures for principal and interest. Debt service funds should be used to report resources if legally mandated.

***Capital Project Fund:*** This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

***(c) Fiduciary Funds***

This fund is used to account for and report fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide financial statements, because their resources do not belong to the School 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 and report 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 School District or representatives of the donors may serve on committees to determine who benefits.

**MADISON CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

***Measurement Focus and Basis of Accounting***

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other postemployment benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

***Accrued Liabilities and Long-Term Obligations***

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 a timely manner and 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 fund 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 fund financial statements when due.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

***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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of OPEB liabilities, encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

**MADISON CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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***Cash and Cash Equivalents***

The School 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. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. 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 Districts.

***Property Taxes***

Real property taxes are levied annually by the Board of Education and become a lien no later than September 1. Taxes are collected during the period September 1 to October 31. The counties of Madison and Oneida subsequently enforce uncollected real property taxes. The Counties pay an amount representing uncollected real property taxes transmitted to the counties for enforcement to the School District no later than the following April 1.

***Receivables***

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

***Interfund Transactions***

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School District typically loans resources between funds for the purpose of providing cash flow. These interfund 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.

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions during the year ended June 30, 2018, is shown in Note 14 to the financial statements.

***Capital Assets***

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2003. For assets acquired prior to July 1, 2003, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

The School District uses capitalization thresholds of \$1,000, (the dollar value above which asset acquisitions are added to the capital asset accounts). The School District uses the straight-line method of depreciation over the following estimated useful lives of capital assets reported in the District-wide statements:

	Depreciation Lives	Method
Land Improvements	20 Years	Straight Line
Buildings and Improvements	20-50 Years	Straight Line
Furniture, Equipment, and Vehicles	5-20 Years	Straight Line

***Inventories***

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

Purchases of inventory items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

**MADISON CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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***Deferred Outflow of Resources***

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

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position or balance sheet 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 or fund balance 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 one item that qualifies for reporting in this category. This 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 proportion share of total contributions to the pension systems not included in pension expense.

***Vested Employee Benefits – Compensated Absences***

The School District employees are granted vacation in varying amounts, based primarily on length of service and service position.

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB, an accrual for accumulated sick leave is included in the compensated absences liability at year end. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the fund statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources.

***Other Benefits***

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State Employees' Retirement System.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 10).

***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 funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes to be converted to long-term financing within five years after the original issue date.

**MADISON CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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***Unearned Revenue***

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

***Equity classifications***

***(a) District-Wide Financial Statements***

In the District-Wide statements there are three classes of Net Position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted Net Position – reports Net Position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – reports all other Net Position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

***(b) Fund Statements***

The following classifications describe the relative strength of the spending constraints:

***Non-spendable***

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. This category consists of the inventories in the School Lunch Fund.

***Restricted Resources***

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the District's policy is to use restricted resources only when appropriated by the Board of Education. When an expenditure is incurred for purposes for which both restricted and unrestricted Net Position are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements. The School District has established the following restricted fund balances:

● ***Unemployment Insurance Reserve***

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the General Fund.

● ***Reserve for Employee Benefit Accrued Liability***

The purpose of this account is to reserve funds for the payment of any accrued employee benefit due an employee upon termination service. This reserve fund may be established by a majority vote of the board of education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

**MADISON CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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- ***Liability Reserve***

According to Education Law §1709(8) (c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts with a population under 125,000. This reserve is accounted for in the General Fund.

- ***Reserve for Retirement Contribution***

According to General Municipal Law §6-r, this reserve must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

- ***Reserve for Tax Certiorari***

This reserve is used to accumulate funds to pay judgments and claims resulting from tax certiorari proceedings. Voter approval is not required provided that the monies held do not exceed the anticipated needs of the School District. If no voter approval is obtained, then any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

- ***Capital Fund***

This fund is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction or major repair of capital facilities.

- ***Debt Service***

This fund is used to account for and report the financial resources that are restricted to pay debt service. The funds include unused debt proceeds and interest and earnings on the temporary investment of debt proceeds.

- ***Reserve for Endowments and Scholarships***

This reserve is used to account for various endowment and scholarship awards. This reserve is accounted for in the Fiduciary Fund.

### ***Unrestricted Resources***

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless School District has provided otherwise in its commitment or assignment actions.

- ***Committed*** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2018.
- ***Assigned*** – Includes amounts that are constrained by the School District’s intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) the designated official, such as the District’s Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes. All encumbrances, other than capital fund, are classified as Assigned Fund Balance in the applicable fund. The amount appropriated for the subsequent year’s budget of the General fund is also classified as Assigned Fund Balance in the General Fund.
- ***Unassigned*** – Includes all other fund Net Position that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

**MADISON CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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***Changes in Accounting Standards***

- GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the period ending June 30, 2018. This Statement requires that the District recognize the full amount of the OPEB liability on the District-wide Statement of Net Position.

***Future Changes in Accounting Standards***

- GASB Statement No. 84 – Fiduciary Activities      Effective for the year ended June 30, 2020
- GASB Statement No. 87 – Leases                      Effective for the year ended June 30, 2021

The school district will evaluate the impact these pronouncements may have on its financial statements and will implement it as applicable and when material.

**2. DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS**

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

***Total Fund Balances of Governmental Funds Compared to Net Position of Governmental Activities***

Total fund balances of the School District’s governmental funds differ from “Net Position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

***Statement of Revenues, Expenditures, and Changes in Fund Balance Compared to Statement of Activities***

Differences between the governmental funds’ Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of six broad categories.

***(a) Long-Term Revenue Differences***

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

***(b) Capital Related Differences***

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

***(c) Long-Term Debt Transaction Differences***

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

***(d) Employee Benefit Allocation***

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Equity based on the requirements of New York State. These costs have been allocated based on total salary expense for each function.

**MADISON CENTRAL SCHOOL DISTRICT  
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*(e) Pension differences*

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

*(f) OPEB differences*

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

**3. STEWARDSHIP AND COMPLIANCE**

***Budgetary Procedures and Budgetary Accounting***

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

The budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

**Change from Adopted Budget to Revised Budget**

Adopted Budget	\$ 10,083,581
Add: Prior Year's Encumbrances	<u>134,393</u>
Original Budget	<u>10,217,974</u>
Add: Transfer to Capital Fund	350,000
Bus Proposition May 2018	<u>226,620</u>
Final Budget	<u>\$ 10,794,594</u>

***Encumbrances***

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are generally presented as assigned fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

***NYS Real Property Tax Cap***

Chapter 97 of the Laws of 2011 established a property tax levy limit (generally referred to as the tax cap) that restricts the amount of property taxes local governments (including school districts) can levy. The tax levy for the 2017-2018 school year was within the NYS Tax Cap Limit. The excess, including interest earned, must be deducted from the prior year levy to begin the calculation of the coming year's tax levy limit.



**MADISON CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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***Fund Balance Limitations***

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.

At June 30, 2018, the School District had an unassigned fund balance of \$472,830, which is approximately 4.75% of the 2018-2019 budget.

**4. PARTICIPATION IN BOCES**

During the year ended June 30, 2018, the District was billed \$1,576,711 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$570,870. Financial statements for the BOCES are available from the BOCES administrative office.

During the year ended June 30, 2018, the School District issued no debt on behalf of BOCES. However, during 2014, the BOCES issued \$6,450,000 in Revenue Lease Bonds with the Dormitory Authority of the State of New York (DASNY). These bonds will be repaid by the component districts of the BOCES as a lease payment included in the administrative budget of the BOCES over the term of the bonds. During 2018, \$850,000 in principal payments were made and the outstanding balance at June 30, 2018, was \$4,030,000.

**5. CUSTODIAL AND CONCENTRATION OF CREDIT RISK**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes.

As of June 30, 2018, the School District's total bank balances of \$6,834,852 were entirely collateralized or insured by the Federal Insurance Deposit Corporation. Of this amount, \$750,000 of the deposits were covered by FDIC and \$6,084,852 of the deposits were collateralized with securities held by the pledging financial institution or in its trust department or an agent in the School District's name.

***Restricted Cash and Cash Equivalents***

Restricted cash and cash equivalents of \$1,365,059 in the General Fund represents the following:

	Amount
Unemployment Insurance	\$ 196,871
Employee Benefit Accrued Liability	665,420
Liability	433,597
Retirement Contribution	69,171
Total	\$ 1,365,059

Restricted cash of \$1,044,284 in the Debt Service Fund represents funds restricted for debt service of outstanding serial bonds.

Restricted cash of \$2,811,531 in the Capital Fund represents amounts restricted for approved capital projects.

Restricted cash of \$31,473 in the fiduciary funds represents funds gifted to the School District for scholarships to students. The funds are held in the Expendable Trust Fund.

**MADISON CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 165,000	\$	\$	\$ 165,000
Construction in Progress	568,821	5,503,652		6,072,473
Total	733,821	5,503,652		6,237,473
<b>Capital Assets Being Depreciated</b>				
Land Improvements	503,189			503,189
Buildings and Improvements	14,736,815			14,736,815
Furniture, Equipment and Vehicles	2,520,032	185,268	140,691	2,564,609
Total	17,760,036	185,268	140,691	17,804,613
<b>Accumulated Depreciation</b>				
Land Improvements	502,249	207		502,456
Buildings and Improvements	4,949,998	309,779		5,259,777
Furniture, Equipment and Vehicles	1,573,487	214,803	125,447	1,662,843
Total	7,025,734	524,789	125,447	7,425,076
<b>Net Capital Assets Being Depreciated</b>	10,734,302	(339,521)	15,244	10,379,537
<b>Net Capital Assets</b>	\$ 11,468,123	\$ 5,164,131	\$ 15,244	\$ 16,617,010

Depreciation expense was allocated to governmental functions as follows:

<u>Function/Program</u>	
General Support	\$ 52,479
Instruction	339,952
Pupil Transportation	131,197
School Lunch	1,161
Total Depreciation	\$ 524,789

**7. SHORT-TERM NOTES PAYABLE**

The School District had Bond Anticipation Note (BAN) activity for the year ended June 30, 2018, as follows:

<u>Description</u>	Outstanding Beginning Balance	Issued	Paid	Outstanding Ending Balance
Governmental Activities				
Reconstruction and Renovation	\$ 500,000	\$ 7,423,410	\$ 109,410	\$ 7,814,000

The School District had an outstanding Bond Anticipation Note at June 30, 2018, as follows:

<u>Payable From/Description</u>	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Outstanding Amount
General Fund					
Reconstruction and Renovation	8/16/17	\$ 7,814,000	8/16/18	2.00	\$ 7,814,000

**MADISON CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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Total BAN interest for the year was as follows:

Interest Paid	\$ 5,650
Less: Interest Accrued in the Prior Year	0
Plus: Interest Accrued in the Current Year	<u>135,877</u>
Total Interest Expense on Short-Term Debt	<u>\$ 141,527</u>

**8. NONCURRENT LIABILITIES**

Noncurrent liability balances and activity are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Government Activities</b>						
Bond Payable	\$ 1,585,000		\$	\$ 750,000	\$ 835,000	\$ 125,000
Premium of Bonds	12,750			12,750		
Installment Purchase Debt	<u>1,337,150</u>			<u>46,405</u>	<u>1,290,745</u>	<u>88,394</u>
	<u>2,934,900</u>			<u>809,155</u>	<u>2,125,745</u>	<u>213,394</u>
<b>Other Liabilities</b>						
Compensated Absences	192,352		11,765		204,117	
OPEB Liability	<u>5,804,618</u>	<u>19,510,622</u>	<u>1,974,608</u>	<u>968,417</u>	<u>26,321,431</u>	
	<u>5,996,970</u>	<u>19,510,622</u>	<u>1,986,373</u>	<u>968,417</u>	<u>26,525,548</u>	
Total Noncurrent Liabilities	<u>\$ 8,931,870</u>	<u>\$ 19,510,622</u>	<u>\$ 1,986,373</u>	<u>\$ 1,777,572</u>	<u>\$ 28,651,293</u>	<u>\$ 213,394</u>

Serial Bonds – The School 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. The long-term liabilities are full faith and credit debt of the local government. The provision to be made in the General Fund’s future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Interest on long and short-term debt for the year was composed of:

Interest Paid	\$ 109,162
Amortization of Bond Premium	(12,750)
Less: Interest Accrued in the Prior Year	(33,008)
Plus: Interest Accrued in the Current Year	<u>148,506</u>
Total Interest Expense on Long-Term Debt	<u>\$ 211,910</u>

The following is a statement of serial bonds outstanding:

<u>Payable From/Description</u>	<u>Date of Original Issue</u>	<u>Original Amount</u>	<u>Date of Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
<b>Serial Bonds Payable</b>					
<b>General Fund</b>					
School Renovations	5/1/2009	\$ 1,769,400	5/1/2024	3.25-4.00	<u>\$ 835,000</u>

**MADISON CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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Principal and interest payments due on long term debt are as follows:

	Serial Bonds		Installment Purchase Debt	
	Principal	Interest	Principal	Interest
2019	\$ 125,000	\$ 32,606	\$ 88,394	\$ 44,029
2020	130,000	28,075	91,489	40,935
2021	135,000	23,200	94,691	37,732
2022	140,000	17,800	98,005	34,418
2023	150,000	12,200	101,435	30,988
2024-2028	155,000	6,200	562,983	99,133
2029-2030			253,748	11,101
Total	<u>\$ 835,000</u>	<u>\$ 120,081</u>	<u>\$ 1,290,745</u>	<u>\$ 298,336</u>

***Other Debt – Installment Purchase Debt - Energy Performance Contract***

The Madison Central School District entered into an energy performance contract during the year ended June 30, 2014 for a total amount of \$1,523,561. The contract is defined in Section 9-102(4) of the New York State Energy Law as: “an agreement for the provision of energy services, including but not limited to electricity, heating, ventilation, cooling, steam, or hot water, in which a person agrees to install, maintain, or manage energy systems or equipment to improve the energy efficiency of, or produce energy in connection with a building or facility in exchange for a portion of the energy savings or revenues.” The agreement required annual payments over 15 years of \$132,423, including interest at 3.47% per annum. The contract is accounted for as a capital lease. The total net present value of the lease at June 30, 2018, is \$1,290,745. See above for the future minimum lease payments on this debt.

***Compensated Absences***

Compensated absences represent the value of earned and unused portion of the liability for compensated absences.

**9. PENSION PLANS**

**A. New York State and Local Employees’ Retirement System (ERS)**

***(a) Plan Description***

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

The Net Position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. 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 School District also participates in the Public Employees’ Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](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.

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**(b) Contributions**

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 are required to contribute 3% of their annual salary for their entire working career. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2018, were paid.

The required contributions for the current year and two preceding years were:

	Amount
2016	\$ 109,490
2017	\$ 87,769
2018	\$ 89,840

**(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the School District reported a liability of \$71,015 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018 and 2017, the School District's proportion was 0.0022004% and 0.002325%, respectively.

For the year ended June 30, 2018, the School District recognized pension expense of \$82,849. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,329	\$ 20,931
Change of assumptions	47,089	
Net difference between projected and actual earnings on Pensions plan investments	103,144	203,596
Changes in proportion and differences between contributions and proportionate share of contributions	6,202	11,832
Contributions subsequent to the measurement date	23,024	
Total	\$ 204,788	\$ 236,359

\$23,024 was reported as deferred outflows of resources related to pensions resulting from School 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, 2018.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 12,197
2019	\$ 11,436
2020	\$ (53,545)
2021	\$ (24,683)
2022	\$ 0
Thereafter	\$ 0

**(d) Actuarial Assumptions**

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2017 valuation are as follows:

Investment rate of return (net of investment expense, including inflation)	7.00%
Cost of Living Adjustments	1.30%
Salary scale	3.80%
Inflation rate	2.50%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term expected 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	36%	4.55%
International equity	14%	6.35%
Private equity	10%	7.50%
Real estate	10%	5.55%
Absolute return strategies	2%	3.75%
Opportunistic portfolio	3%	5.68%
Real assets	3%	5.29%
Bonds and mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.25%
	<u>100%</u>	

The real rate of return is net of the long-term inflation assumption of 2.50%

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**(e) Discount Rate**

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

**(f) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease 6.0%	Current Assumption 7.0%	1% Increase 8.0%
Proportionate share of the net pension liability (assets)	\$ 537,230	\$ 71,015	\$ (323,460)

**(g) Pension Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

**(h) Payables to the Pension Plan**

The School District has recorded an amount due to ERS in amount of \$23,024 at June 30, 2018. This amount represents the three months of the School District's fiscal year that will be covered in the ERS 2018-2019 billing cycle and has been accrued as an expenditure in the current year.

**B. New York State Teachers' Retirement System (TRS)**

**(a) Plan Description**

The School District participates in the New York Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten-member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at [www.nystrs.org](http://www.nystrs.org).

**(b) Contributions**

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the

**MADISON CENTRAL SCHOOL DISTRICT  
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System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

The required employer contributions for the current year and two preceding years were:

		Amount
2016	\$	505,670
2017	\$	354,103
2018	\$	322,090

**(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the School District reported a net liability/(asset) of (\$144,922) for its proportionate share of the net pension liability(asset). The Net Pension Asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017 and 2016, the School District's proportion was 0.019066% and 0.019458%, respectively.

For the year ended June 30, 2018, the School District recognized a pension expense of \$362,212. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 119,235	\$ 56,503
Changes of assumptions	1,474,605	
Net difference between projected and actual earnings on Pensions plan investments		341,332
Changes in proportion and differences between contributions and proportionate share of contributions	24,092	40,945
Contributions subsequent to the measurement date	322,090	
Total	\$ 1,940,022	\$ 438,780

Amounts reported as deferred outflows/inflows of resources related to pensions resulting from School District contributions subsequent to the measurement date, if any, will be recognized as a reduction of the net pension asset. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



**MADISON CENTRAL SCHOOL DISTRICT  
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For the Year ended June 30,	Amount
2018	\$ 31,399
2019	387,997
2020	277,049
2021	67,170
2022	276,237
Thereafter	139,300

**(d) Actuarial Assumptions**

The total pension liability at June 30, 2017 measurement date was determined by using an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the June 30, 2016 valuation were as follows:

Investment Rate of Return	7.25% compounded annually, net of pension plan investment expense, including inflation.
Salary scale	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.5% compounded annually.
Inflation rate	2.5%

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period of July 1, 2009 and June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

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Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation date of June 30, 2017 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	35.0%	5.9%
International equity	18.0%	7.4%
Real estate	11.0%	4.3%
Private Equities	8.0%	9.0%
Domestic fixed income securities	16.0%	1.6%
Global fixed income securities	2.0%	1.3%
High-yield fixed income securities	1.0%	3.9%
Mortgages	8.0%	2.8%
Short-term	1.0%	0.6%
	<u>100.0%</u>	

\* Real rates of return are net of the long-term inflation assumption of 2.2% for 2017.

**(e) Discount Rate**

The discount rate used to calculate the total pension asset/liability at June 30, 2017 was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's 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.

**(f) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

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

	1% Decrease 6.25%	Current Assumption 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability (assets)	\$ 2,496,570	\$ (144,922)	\$(2,357,039)

**(g) Pension Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

**(h) Payables to the Pension Plan**

The School District has recorded an amount due to TRS in amount of \$322,090 (excluding the employees contribution) in the General Fund at June 30, 2018. This amount represents employer contributions for the 2017-2018 fiscal year that will be made in 2018-2019 and has been accrued as an expenditure in the current year.

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**10. POSTEMPLOYMENT HEALTH CARE BENEFITS**

**(a) *Plan Description***

The School District administers the Madison Retiree Medical Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit plan. The plans are single-employer defined benefit OPEB plans administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board.

The Plan does not issue a standalone publicly available financial report since no assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

**(b) *Benefits Provided***

The School District provides medical and prescription drug benefits to its eligible retirees. Dental, vision, and life insurance benefits are available with select classes of employees. The benefit levels, employee contributions and employer contributions are governed by the School District's contractual agreements. The Plans can be amended by action of the School District through agreements with the bargaining units.

- Plan Types – The School District provides medical, Medicare Part B, dental, and vision benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a regional health insurance consortium.
- Eligibility – Employees are required to reach age 55 and have 10 years of service to the district to qualify for benefits.
- Benefit Cost Sharing – The School District pays from 90% to 95% of the retiree's benefits depending on the employee group. The School District also reimburses the employee and dependent spouse for the full cost of Medicare Part B.
- Spouse Benefit – The School District contributes towards the cost of eligible spouses during the retiree's lifetime.
- Surviving Spouse Benefit – The spouse will be required to pay 100% of the cost of coverage one year after the death of a retiree.

**(c) *Employees Covered by Benefit Terms***

	Total
Inactive employees currently receiving benefit payments	63
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	75
Total	138

**(d) *Total OPEB Liability***

The District's total OPEB liability of \$26,321,431 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2016.

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**(e) Changes in the Total OPEB Liability**

Changes in the District's total OPEB liability were as follows:

	Total OPEB Liability
Balances, June 30, 2017	\$ 25,315,240
Changes recognized for the year:	
Service cost	1,009,929
Interest on Total OPEB Liability	775,336
Differences between expected and actual experience	189,343
Change in assumptions and other inputs	
Benefit payments	(968,417)
Net changes	1,006,191
Balances, June 30, 2018	\$ 26,321,431

**(f) Sensitivity of the total OPEB liability to changes in the discount rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.00 percent) or 1 percentage-point higher (4.00 percent) than the current discount rate:

	1% Decrease 2.00%	Current Assumption 3.00%	1% Increase 4.00%
Total OPEB liability	\$ 31,283,540	\$ 26,321,431	\$ 22,416,530

**(g) 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 (6.50 declining to 3.50 percent) or 1 percentage-point higher (8.50 declining to 5.50 percent) than the current healthcare cost trend rate:

	1% Decrease	Current Assumption	1% Increase
Total OPEB liability	\$ 22,349,704	\$ 26,321,431	\$ 32,107,243

Sensitivity analysis for healthcare cost inflation (trend) rate is illustrated as of end of year.

**MADISON CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,805,196. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual experience	169,412	
Changes in Benefit Terms		
Contributions subsequent to the measurement date		
Total	\$ 169,412	\$ 0

Contributions subsequent to the measurement date will be recognized in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Amount
2019	\$ 19,931
2020	19,931
2021	19,931
2022	19,931
2023	19,931
Thereafter	69,757

**MADISON CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**(i) Actuarial Methods and Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2018, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Valuation Date	July 1, 2016
Measurement Date	June 30, 2018
Reporting Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal - Level Percent of Pay Cost Method
Plan Type	Single Employer Defined Benefit Plan
Inflation Rate	2.60%
Wage Inflation	3.20%
Salary increases, including wage inflation	10.47% to 3.20%
Medical Trend Rates	7.50% in 2016, decreasing 0.5% per year to an ultimate
Medicare Part B Trend Rates	4.50%
Dental/Vision Trend Rates	4.50%
Discount Rate	3.00%
	(based on the S&P Municipal Bond 20-year Municipal Bond Index for bonds with an average rating of AA/Aa or higher)
Mortality Rates	Mortality rates were based on the Society of Actuaries' Scale MP-2014 adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2016

There were no changes in assumptions from the prior measurement date.

**Discount Rate** – The selected discount rate of 3.00% is based on the prescribed discount interest rate methodology under GASB 75 based on an average of three 20-year bond indices (S&P-20 Municipal Bond Index) as of June 30, 2018.

**Cash Flows** – The cash flows into and out of the Plan are expected to be consistent with the above assumptions and Plan descriptions of participant contributions.

**11. RISK MANAGEMENT**

***General Information***

The School District is exposed to various risks of loss related to tax certioraris, torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. Except for tax certiorari, these risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years. Sufficient reserves exist to cover any unfavorable settlements of the tax certiorari. The School District continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance.

***Workers' Compensation Pool***

Madison Central School District participates with 33 other school districts in the Madison-Oneida-Herkimer Consortium for its workers' compensation insurance coverage. Entities joining the plan must remain members for a minimum of one year; a member may withdraw from the plan after that time by submitting a notice of withdrawal 30 days prior to the plan's year end. 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

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losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured. The plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims' costs depend on complex factors, the process used in computing claims' liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) 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 are made. The Consortium is a shared-risk public entity risk pool, whereby each district pays annual premiums based on the expected aggregate claims for all enrollees. Paid claims are also accounted for in the aggregate with individual district activity not being traced separately. Due to this arrangement, a possible contingent liability exists for Madison Central School District as a result of the possibility that any participating school district may have actual claims less than the annual premium and try to recover its portion due to it through the Consortium participants. During the current year, the School District paid \$23,134 in net fees.

The School District continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance.

**12. FUND BALANCE**

(a) The following is a summary of the change in General fund restricted reserve funds during the year ended June 30, 2018:

Reserve	Beginning Balance	Increases	Decreases	Ending Balance
Unemployment Insurance	\$ 196,832	\$ 39	\$	\$ 196,871
Employee Benefit Accrued Liability	684,645	1,025	20,250	665,420
Liability	432,949	648		433,597
Retirement Contribution	70,756	101	1,686	69,171
Tax Certiorari	90,135	135	90,270	
<b>Total General Fund Restricted</b>	<b>\$ 1,475,317</b>	<b>\$ 1,948</b>	<b>\$ 112,206</b>	<b>\$ 1,365,059</b>

(b) The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet at June 30, 2018:

	General	School Lunch	Debt Service	Capital	Total
<b>Nonspendable</b>					
Reserve for Inventory	\$	\$ 5,194	\$	\$	\$ 5,194
<b>Restricted</b>					
Unemployment Insurance	196,871				196,871
Employee Benefit Accrued Liability	665,420				665,420
Liability	433,597				433,597
Retirement Contribution	69,171				69,171
Debt Service			1,044,728		1,044,728
<b>Total Restricted</b>	<b>1,365,059</b>		<b>1,044,728</b>		<b>2,409,787</b>
<b>Assigned</b>					
Encumbrances	314,927				314,927
Appropriated for Subsequent Year's Budget	297,272				297,272
<b>Total Assigned</b>	<b>612,199</b>				<b>612,199</b>
<b>Unassigned</b>	<b>472,830</b>	<b>(35,989)</b>		<b>(5,043,510)</b>	<b>(4,606,669)</b>
<b>Total Fund Equity</b>	<b>\$ 2,450,088</b>	<b>\$ (30,795)</b>	<b>\$ 1,044,728</b>	<b>\$ (5,043,510)</b>	<b>\$ (1,579,489)</b>

**MADISON CENTRAL SCHOOL DISTRICT**  
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**13. CONTINGENCIES AND COMMITMENTS**

*Potential Grantor Liability*

The School District has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial.

*Construction Commitments*

The School District had an open capital project during the year ended June 30, 2018, with awarded contracts in the total amount of \$8,576,909. The total remaining of these construction commitments at June 30, 2018 was \$3,704,028.

*Encumbrances*

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. At June 30, 2018, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. The General Fund encumbrances are reflected as part of the assigned fund balance. The other encumbrances are not reflected on the fund financial statements because the assignment would result in a negative unassigned fund balance. Significant encumbrances included in governmental fund balances are as follows:

	General Fund
Encumbrances	
General Support	\$ 13,690
Instruction	74,616
Pupil Transportation	226,621
Total Encumbrances	\$ 314,927

**14. INTERFUND TRANSACTIONS**

The following is a summary of the Interfund Transactions for the year ended June 30, 2018:

Fund	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 61,581	\$ 250,514	\$	\$ 353,181
School Lunch		61,327		
Special Aid	514	251	3,181	
Debt Service	444			
Capital Fund	250,000	444	350,000	
Trust and Agency		3		
Total	\$ 312,539	\$ 312,539	\$ 353,181	\$ 353,181

- The Interfund receivables and payables exist for cash flow purposes. The balances are considered current and expected to be repaid during the next fiscal year.
- The District transferred \$3,181 from the General Fund to the Special Fund to fund the Summer School Program for Students with Disabilities.
- The District transferred \$350,000 from the General Fund to the Capital Fund for a voter approved capital project.

**16. Prior Period Adjustment – Cumulative Effect of a Change in Accounting Principle**

**Other Post Employee Benefits Other Than Pension**

A prior period adjustment of \$19,510,622 has been reflected in the government wide financial statements to increase beginning net OPEB liability to implement GASB 75 which more accurately reflects the liability at June 30, 2017.



**MADISON CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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**17. Deficit Fund Balance – Capital Fund**

The Capital Fund had a deficit fund balance at June 30, 2018 of \$5,043,510. The deficit is due to the current capital project being funded with a short-term bond anticipation note. The deficit will be eliminated as the when the note is either repaid with current appropriations or refinance with long-term debt.

**18. Deficit Fund Balance – School Lunch**

The School Lunch Fund had a deficit fund balance at June 30, 2018 of \$30,795. The deficit will be eliminated through future operations or a subsidy from the General Fund.

**19. Net Position Deficit – District-Wide**

The District-wide Net Position had total net position deficit of \$12,169,878. The deficit is primarily the result of the implementation of GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which required the recognition of an unfunded liability of \$26,321,431 at June 30, 2018. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.

**MADISON CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
<b>Revenues</b>					
<b>Local Sources</b>					
Real Property Taxes	\$ 2,619,000	\$ 2,619,000	\$ 2,665,166		\$ 46,166
STAR and Other Real Property Tax Items	687,800	687,800	647,384		(40,416)
Charges for Services	25,000	25,000	129,409		104,409
Use of Money and Property	3,000	3,000	2,344		(656)
Sale of Property and Compensation for Loss			20,237		20,237
Miscellaneous	129,356	129,356	168,367		39,011
Interfund Revenues			7,946		7,946
State Aid	6,154,425	6,154,425	6,107,545		(46,880)
Federal Aid			23,201		23,201
<b>Total Revenues</b>	<u>9,618,581</u>	<u>9,618,581</u>	<u>9,771,599</u>		<u>153,018</u>
<b>Other Financing Sources</b>					
Transfers from Other Funds	225,000	225,000			(225,000)
Appropriated Reserve	90,000	90,000			(90,000)
Appropriated Fund Balance	284,393	861,013			(861,013)
<b>Total Revenues and Other Financing Sources</b>	<u>\$ 10,217,974</u>	<u>\$ 10,794,594</u>	<u>9,771,599</u>		<u>\$ (1,022,995)</u>
<b>Expenditures</b>					
<b>General Support</b>					
Board of Education	\$ 8,318	\$ 8,318	7,363		\$ 955
Central Administration	162,965	162,965	162,258		707
Finance	182,817	184,198	179,148		5,050
Staff	41,430	40,049	27,186		12,863
Central Services	602,831	599,156	551,951	13,690	33,515
Special Items	123,829	123,829	121,542		2,287
<b>Total General Support</b>	<u>1,122,190</u>	<u>1,118,515</u>	<u>1,049,448</u>	<u>13,690</u>	<u>55,377</u>
<b>Instruction</b>					
Instruction, Administration, and Improvement	234,633	234,633	226,738		7,895
Teaching - Regular School	2,079,083	2,162,219	2,090,802	48,307	23,110
Programs for Children With Special Needs	1,195,411	1,103,686	1,043,954	18,125	41,607
Occupational Education	326,768	327,062	302,373	1,412	23,277
Teaching - Special School	177,172	173,080	105,026		68,054
Instructional Media	163,316	179,778	166,224	6,772	6,782
Pupil Services	308,990	308,590	295,936		12,654
<b>Total Instruction</b>	<u>4,485,373</u>	<u>4,489,048</u>	<u>4,231,053</u>	<u>74,616</u>	<u>183,379</u>
Pupil Transportation	544,833	771,453	457,563	226,621	87,269
Employee Benefits	3,059,700	2,862,642	2,457,113		405,529
Debt Service - Principal	829,576	830,576	796,405		34,171
Debt Service - Interest	176,302	369,179	354,449		14,730
<b>Total Expenditures</b>	<u>10,217,974</u>	<u>10,441,413</u>	<u>9,346,031</u>	<u>314,927</u>	<u>780,455</u>
<b>Other Financing Uses</b>					
Transfers to Other Funds		353,181	353,181		
<b>Total Expenditures</b>	<u>\$ 10,217,974</u>	<u>\$ 10,794,594</u>	<u>9,699,212</u>	<u>\$ 314,927</u>	<u>\$ 780,455</u>
<b>Net Change in Fund Balances</b>			72,387		
<b>Fund Balances - Beginning of Year</b>			<u>2,377,701</u>		
<b>Fund Balances - End of Year</b>			<u>\$ 2,450,088</u>		

Notes to Required Supplementary Information:

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

The budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

See Independent Auditor's Report.

**MADISON CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**For the Year Ended June 30, 2018**

	<b>2018 *</b>
Measurement Date	6/30/2018
Total OPEB Liability	
Service cost	\$ 1,009,929
Interest on Total OPEB Liability	775,336
Change in assumptions and other inputs	
Differences between expected and actual experience in the measurement of the total OPEB liability	189,343
Benefit payments	(968,417)
Net change in total OPEB Liability	1,006,191
Total OPEB Liability - Beginning	25,315,240
Total OPEB Liability - Ending	\$ 26,321,431
Covered payroll	\$ 3,734,280
Total OPEB Liability as a percentage of covered payroll	705%

\* 10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

**Notes to Required Supplementary Information:**

The District's net OPEB liability is not funded. Therefore, the liability is the net position of the plan. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

**Actuarial Assumptions**

The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 10 to the financial statements.

**Changes to Assumptions -**

There were no changes in assumptions from the prior measurement date.

**MADISON CENTRAL SCHOOL DISTRICT  
SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS  
For the Year Ended June 30, 2018**

**ERS Pension Plan**

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 89,840	\$ 87,769	\$ 109,490	\$ 94,997	\$ 125,136	\$ 120,308
Contributions in Relation to the Contractually Required Contribution	89,840	87,769	109,490	94,997	125,136	120,308
Contribution Deficiency (Excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
School District's Covered-ERS Employee Payroll	\$ 634,102	\$ 626,632	\$ 579,149	\$ 523,198	\$ 604,505	\$ 592,415
Contributions as a Percentage of Covered-Employee Payroll	14.17%	14.01%	18.91%	18.16%	20.70%	20.31%

**TRS Pension Plan**

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 322,090	\$ 354,103	\$ 505,670	\$ 432,291	\$ 313,363	\$ 324,541
Contributions in Relation to the Contractually Required Contribution	322,090	354,103	505,670	432,291	313,363	324,541
Contribution Deficiency (Excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
School District's Covered-TRS Employee Payroll	\$ 3,286,633	\$ 3,021,357	\$ 3,813,499	\$ 2,466,007	\$ 1,928,388	\$ 2,741,056
Contributions as a Percentage of Covered-Employee Payroll	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

Information is presented only for the years available.

**MADISON CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**For the Year Ended June 30, 2018**

**ERS Pension Plan**

	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.002200%	0.002325%	0.002360%	0.002544%	0.002728%
District's proportionate share of the net pension liability (asset)	\$ 71,015	\$ 218,435	\$ 378,835	\$ 76,158	\$ 101,871
District's covered-employee payroll	\$ 634,102	\$ 626,632	\$ 579,149	\$ 523,198	\$ 604,505
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.20%	34.86%	65.41%	14.56%	16.85%
Plan fiduciary net position as a percentage of total pension assets	98.24%	94.70%	90.70%	97.90%	97.20%

**TRS Pension Plan**

	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.019066%	0.0019458%	0.019203%	0.018009%	0.018069%
District's proportionate share of the net pension liability (asset)	\$ (144,922)	\$ 208,402	\$ (1,994,611)	\$ (2,006,123)	\$ (118,937)
District's covered-employee payroll	\$ 3,021,357	\$ 3,813,499	\$ 2,466,007	\$ 1,928,388	\$ 2,741,056
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(4.80%)	5.46%	(80.88%)	(104.03%)	(4.34%)
Plan fiduciary net position as a percentage of total pension assets	100.66%	99.01%	110.46%	111.48%	100.70%

Information is presented only for the years available.

**MADISON CENTRAL SCHOOL DISTRICT  
SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET  
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION  
For the Year Ended June 30, 2018**

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**Change from Adopted Budget to Revised Budget**

Adopted Budget	\$ 10,083,581
Add: Prior Year's Encumbrances	<u>134,393</u>
Original Budget	10,217,974
Add: Transfer to Capital Fund	350,000
Bus Proposition May 2018	<u>226,620</u>
Final Budget	<u>\$ 10,794,594</u>

**Section 1318 of Real Property Tax Law Limit Calculation**

2018-19 voter-approved expenditure budget	<u>\$ 9,945,818</u>
<b>Maximum allowed (4% of 2018-19 budget)</b>	<u><b>\$ 397,833</b></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law :	
Unrestricted fund balance:	
Assigned fund balance	\$ 612,199
Unassigned fund balance	<u>472,830</u>
Total unrestricted fund balance	<u>1,085,029</u>
Less:	
Appropriated fund balance	297,272
Encumbrances included in committed and assigned fund balance	<u>314,927</u>
Total adjustments	<u>612,199</u>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law</b>	<u><b>\$ 472,830</b></u>
<b>Actual Percentage</b>	<b>4.75%</b>

**MADISON CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2018**

PROJECT TITLE	Original Authorization	Revised Authorization	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing		Fund Balance (Deficit) June 30, 2018	
			Prior Years	Current Year			Federal and State Aid	Local Sources		
2015-16 School Improvement	\$ 9,978,000	\$ 9,978,000	\$ 569,601	\$ 5,247,184	\$ 4,161,215	\$	\$ 13,865	\$ 759,410	\$ 773,275	\$ (5,043,510)
Smart Schools Bond Act	498,604	498,604	193,126	46,505	258,973		239,631		239,631	
<b>Totals</b>	<u>\$ 10,476,604</u>	<u>\$ 10,476,604</u>	<u>\$ 762,727</u>	<u>\$ 5,293,689</u>	<u>\$ 4,420,188</u>	<u>\$</u>	<u>\$ 253,496</u>	<u>\$ 759,410</u>	<u>\$ 1,012,906</u>	<u>\$ (5,043,510)</u>

**MADISON CENTRAL SCHOOL DISTRICT  
NET INVESTMENT IN CAPITAL ASSETS  
For the Year Ended June 30, 2018**

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Capital Assets, Net	\$ 16,617,010
Add:	
Capital Cash Unexpended	2,811,531
Capital Fund Accounts Payable	<u>(290,597)</u>
Total Additions	<u>2,520,934</u>
Deduct:	
Bond Anticipation Notes	7,814,000
Serial Bonds Payable	835,000
Installment Purchase Debt	<u>1,290,745</u>
	<u>9,939,745</u>
Net Investment in Capital Assets	<u>\$ 9,198,199</u>

See Independent Auditor's Report.