

**B**EAVER RIVER CENTRAL  
SCHOOL DISTRICT

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*FINANCIAL STATEMENTS*

June 30, 2018

# Table of Contents

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## BEAVER RIVER CENTRAL SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
AUDITED BASIC FINANCIAL STATEMENTS	19
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	19
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES	20
BALANCE SHEET - GOVERNMENTAL FUNDS	21
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	23
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	25
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	27
STATEMENT OF FIDUCIARY NET POSITION	29
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	30
NOTES TO AUDITED BASIC FINANCIAL STATEMENTS	31
REQUIRED SUPPLEMENTARY INFORMATION	78
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS	78
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND	79
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN	81
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - NYSLRS PENSION PLAN	82

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SUPPLEMENTARY INFORMATION _____	83
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND _____	83
SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES _____	84
COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS _____	85
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS _____	86
NET INVESTMENT IN CAPITAL ASSETS _____	87
FEDERAL AWARD PROGRAM INFORMATION _____	88
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> _____	89
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE _____	91
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS _____	94
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS _____	95
SCHEDULE OF FINDINGS AND QUESTIONED COSTS _____	97
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS _____	98
EXTRA CLASSROOM ACTIVITY FUNDS _____	99
INDEPENDENT AUDITOR’S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS _____	100
EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS _____	102
EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT _____	103



**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

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**BOARD OF EDUCATION  
BEAVER RIVER 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 Beaver River 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 Beaver River Central 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 from material misstatement.

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

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

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## ***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 Beaver River 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.

## ***Emphasis of Matter***

### *Change in Accounting Principle*

As discussed in Note 3 to the financial statements, for the year ended June 30, 2018 the District adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 (pages 5-17), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 78), Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund (pages 79-80), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) - NYSLRS Pension Plan (page 81) and Schedule of the District's Contributions - NYSLRS Pension Plan (page 82) 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.

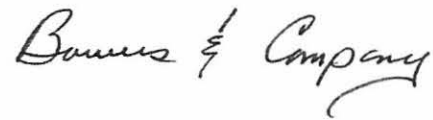
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beaver River Central School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital (pages 83-87) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards (page 94) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital (pages 83-87), and the Schedule of Federal Awards (page 94) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital (pages 83-87), and the Schedule of Federal Awards (page 94) are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2018 on our consideration of the Beaver River 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Beaver River Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaver River Central School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bowens & Company". The ampersand is stylized, and the word "Company" has a long, sweeping tail.

Watertown, New York  
October 4, 2018

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## BEAVER RIVER CENTRAL SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

#### INTRODUCTION

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The following is a discussion and analysis of the Beaver River Central School District of Beaver Falls, New York's financial performance for the fiscal year ended June 30, 2018. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the financial statement, which immediately follows this section.

#### FINANCIAL HIGHLIGHTS

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The district-wide financial position remained relatively stable, with combined total net position deficit of \$9.48 million as of June 30, 2018 compared to \$8.86 million as of June 30, 2017, as restated. Total revenues increased 6.22%, or \$0.99 million, while total expenses decreased 0.75%, or \$0.13 million at the district-wide level.

The major factor impacting the revenues for 2017-18 was an increase in the Building Aid portion of the State Formula Aid. This was associated with the District filing Final Cost Reports for Phases I and II of the building renovations project initiated in 2014. Final Cost Report for Phase III was submitted and will result in additional Building Aid in future years.

The District has undertaken a broad-scale renovation project, totaling approximately \$10 million, to update the district's building and grounds. Starting in the spring of 2014, the work was completed at the end of 2017. These improvements will greatly update and improve the efficiency of the District's heating, HVAC, and electrical systems and reduce future operational and maintenance expenditures. Final long-term financing was in place in June of 2018. Increases in Debt Services costs and increases in associated Building Aid revenue will occur as a result of the conclusion of the Capital Project.

The majority of other revenue sources remained unchanged, with increases of \$120,000 in Property Taxes and an increase of \$0.91 million in State Aid funding being the only notable changes. Increases in wages of approximately \$330,000 was the most notable change in costs, in addition to increases in the cost for Utilities, Supplies, BOCES services, Vehicle Fuels and Fringe Benefits remaining relatively unchanged, with the reduction in Debt Service as noted above.



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

FINANCIAL HIGHLIGHTS - Continued

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Additional Information on this District presentation is as follows:

- Overall student enrollment remained relatively stable from 867 in 2016-17 to 869 in 2017-18, after declining an average of about 2.0% annually over the five (5) years, from 2011-12 to 2015-16.
- The District's Full Property Values have increased approximately 3.0% over the past five (5) years.
- In the spring of 2014, the district started Phase I of a Capital Improvement Project, which will be approx. \$3.25M to replace the district's outdoor athletic facilities.
- In the spring of 2015, the district started Phase II of the Capital Improvement Project, which will be approx. \$4.5M to replace and upgrade the HVAC and renovation of classroom space in one of the district's Elementary wings.
- In the spring of 2017, the district started Phase III of the Capital Improvement Project, which was approximately \$2.0M to replace a portion of the roof on the school building, conclude the replacement of the HVAC systems and install a new emergency power generator.

OVERVIEW OF FINANCIAL STATEMENTS

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This annual report consists of three (3) parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two (2) statements are *district-wide* financial statements that both provide *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**


**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. The statements are followed by a section of required supplementary information (Supplemental Schedule SS-1) that further explains and supports the financial statements with a comparison of the District's budget and actual expenditures for the year.

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

<b>Table A-1</b>	<b>Major Features of the District-Wide and Fund Financial Statement</b>		
		<b>Fund Financial Statements</b>	
	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
<b>Required Financial Statements</b>	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. Statement of Changes in Fiduciary Net Position
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
<b>Type of Asset / Liability Information</b>	All assets and liabilities, both financial and capital, short term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
<b>Type of Inflow / Outflow Information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

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**District-Wide Statements**

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

The two district-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities – is one way to measure the financial health or position of the District.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

**Fund Financial Statements**

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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Fund Financial Statements – Continued

The District has two (2) kinds of funds:

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

The term "fund balance" refers to the particular fund's equity (Assets – Liabilities) in a similar manner to the way the term "net position" is used in the district-wide financial statements presentation.

Highlights of some of the District's larger funds are as follows:

General Fund – The General Fund had over \$4.234 million in assets consisting primarily of cash (\$2.948M) and aid monies due (\$369 thousand) from NYS. Liabilities (\$647 thousand) consisted primarily of obligations due to the Teachers Retirement System and Employee Retirement System (\$592 thousand). 64% of the District's revenues came from State and Federal sources and 30% from Real Property taxes. At June 30, 2018, the District showed an excess of revenues over expenditures in its General Fund of \$60,271 and total fund balance of \$3.588 million.

## BEAVER RIVER CENTRAL SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

#### OVERVIEW OF FINANCIAL STATEMENTS - Continued

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##### Fund Financial Statements – Continued

Highlights of some of the District's larger funds are as follows: - Continued

Special Aid Fund – The Special Aid fund had approximately \$155 thousand in assets at June 30, 2018, which consisted primarily of amounts due from State and Federal Aid. Liabilities consisted primarily of monies borrowed from the General Fund. During 2017-2018, revenues in the Special Aid Fund increased by approximately \$13 thousand (2.67%) from the prior year.

School Food Service Fund – The School Food Service Fund had \$74 thousand in assets at June 30, 2018, consisting primarily of cash, inventory and monies due from NYS. The School Food Service Fund had an excess of expenditures over revenues of approximately \$2,805 and total fund balance of \$66,989.

Capital Fund – The District had a Capital renovation project start in the 2013-14 year. Additional information on this project can be found in Schedule of Capital Projects Fund – Project Expenditures and Financing Resources of the Audited Financial Statements on page 84.

#### REPORTING THE SCHOOL DISTRICT AS A WHOLE

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Our analysis below focuses on the Net Position (*Table A-2*) and Changes in Net Position (*Table A-3*) of the District's governmental activities. The District's combined net position deficit decreased slightly, from \$8.86 million to \$9.48 million. This represents a \$0.62 million decrease in the statement of net position for the year, as restated. The overall deficit is largely due to the District's other postemployment benefit ("OPEB") liability. As of June 30, 2018, the OPEB liability was \$30.29 million compared to \$32.48 million reported at the close of the prior fiscal year, as restated. The restatement of the OPEB liability was due to the District implementing a change in accounting principle to comply with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, see Note 16 to the financial statements for additional information relating to the restatement. The overall decrease in net position in the current fiscal year is largely due to two factors. First, is the net change in the OPEB liability recognized in the current year which resulted in a positive change of \$2.187 million. The second is the net increase in deferred inflows of resources over deferred outflows of resources related to the OPEB liability of \$3.273 million. The net impact of these two items, of \$1.086 million, ultimately resulted in the current year decrease. See Note 13 for additional OPEB information. Table A-2 shows changes in Capital Assets, which reflects the completion of the renovation project; and changes in Restricted Net Position, which reflects increase in Board-designated Reserve Funds and Capital Fund allocation.

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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**REPORTING THE SCHOOL DISTRICT AS A WHOLE - Continued**

**Table A-2:** Condensed Statement of Net Position-Governmental Activities (In Millions)

<b>Condensed Statement of Net Position Comparison 2017-2018 and 2016-2017</b>			
	<b>Fiscal Year 2017 (Restated)</b>	<b>Fiscal Year 2018</b>	<b>Percent Change</b>
<b>Assets</b>			
Current and Other Assets	\$ 7.56	\$ 4.37	-42.20%
Capital Assets	26.37	27.67	4.93%
Net Pension Assets	-	0.24	-
<b>Total Assets</b>	<b>\$ 33.93</b>	<b>\$ 32.28</b>	<b>-4.86%</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 4.47</b>	<b>\$ 4.64</b>	<b>3.80%</b>
<b>Liabilities</b>			
Current Liabilities	\$ 10.78	\$ 1.56	-85.53%
Long-Term Liabilities	35.29	39.86	0.13
Net Pension Liability	0.91	0.22	(0.76)
<b>Total Liabilities</b>	<b>\$ 46.98</b>	<b>\$ 41.64</b>	<b>-11.37%</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 0.28</b>	<b>\$ 4.76</b>	<b>1600.00%</b>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 17.79	\$ 17.74	-0.28%
Restricted	1.18	1.41	19.49%
Unrestricted (Deficit)	(27.83)	(28.63)	2.87%
<b>Total Net Position</b>	<b>\$ (8.86)</b>	<b>\$ (9.48)</b>	<b>7.00%</b>

In addition to assets, the *Statement of Net Position* reports 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. Included in deferred outflows of resources in the current year is \$3.77 million related to the District's participation in the NYS TRS and ERS pension systems and \$87 thousand related to the District's OPEB Plan.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**REPORTING THE SCHOOL DISTRICT AS A WHOLE - Continued**

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. Included in deferred inflows of resources in the current year is \$1.45 million related to the District's participation in the NYS TRS and ERS pension systems and \$3.31 million related to the District's OPEB Plan.

**Table A-3:** Changes in Net Position from Operating Results District-Wide (In Millions)

<b>Condensed Statement of Activities</b>			
<b>Comparison 2017-2018 and 2016-2017</b>			
	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Percent</b>
	<b>2017*</b>	<b>2018</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 0.22	\$ 0.26	18.18%
Operating Grants	0.80	0.82	2.50%
General Revenues			
Property Taxes	5.20	5.32	2.31%
State Formula Aid	9.31	10.22	9.77%
Medicaid Reimbursements	0.02	0.02	0.00%
Gain on Disposition of Property	-	0.01	-
Other	0.36	0.25	-30.56%
<b>Total Revenues</b>	<u>\$ 15.91</u>	<u>\$ 16.90</u>	<u>6.22%</u>
<b>Expenses</b>			
General Support	2.94	3.22	9.52%
Instruction	11.91	12.04	1.09%
Pupil Transportation	1.63	1.37	-15.95%
Debt Service - Interest	0.27	0.29	7.41%
School Food Service Program	0.59	0.60	1.69%
<b>Total Expenses</b>	<u>\$ 17.34</u>	<u>\$ 17.52</u>	<u>1.04%</u>
<b>Decrease in Net Position</b>	<u>\$ (1.43)</u>	<u>\$ (0.62)</u>	<u>-56.64%</u>

\*2016-2017 Statement of Activity information has not been restated as the required information from GASB 75 is only available for fiscal year ending June 30, 2018 and forward.

BEAVER RIVER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

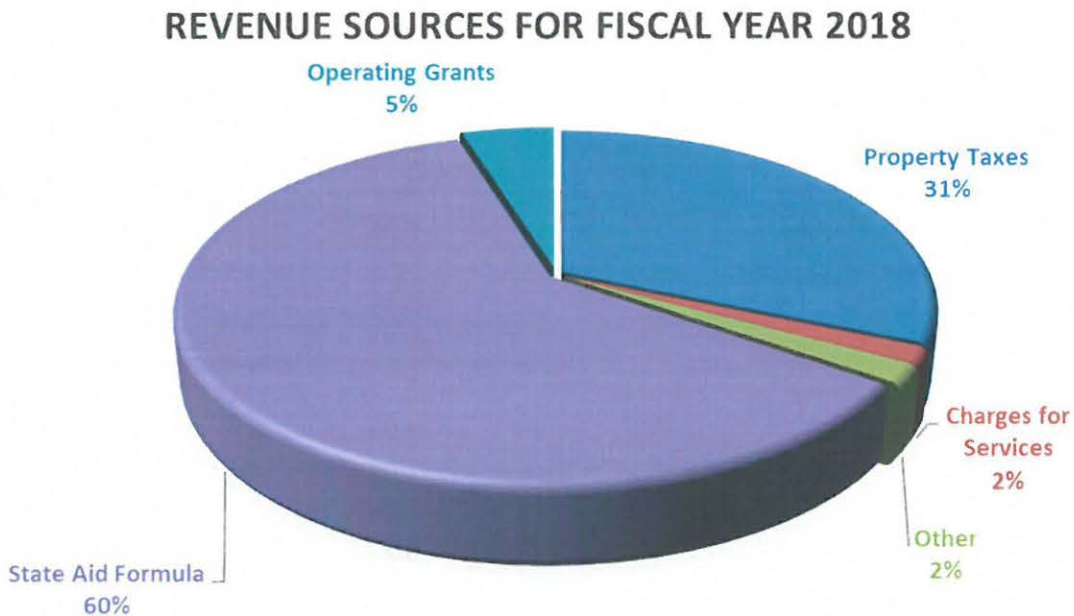
REPORTING THE SCHOOL DISTRICT AS A WHOLE - Continued

The District's total revenues increased approximately 6.22% (*Table A-3*), while the total costs of all programs and services increased by approximately 1.04%.

The District's total fiscal year 2018 revenues totaled \$16.90 million. Property taxes and state formula aid accounted for most of the District's revenue by contributing 31 cents and 60 cents respectively, of every dollar raised (See *Table A-4*). The remainder came from fees charged for services, operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$17.52 million for fiscal year 2018. Out of this total, 80 percent are predominately related to instruction, school lunch and transporting students (*See Table A-5*). General support and other District business activities account for the remaining 20 percent of total costs.

**Table A-4:** Sources of Revenues for Fiscal Year 2018



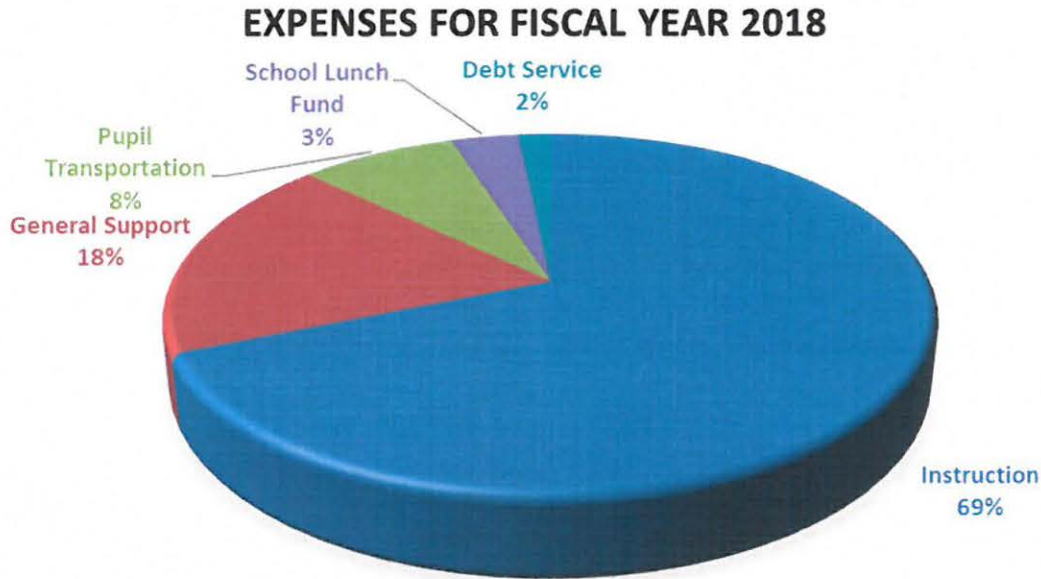


MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

REPORTING THE SCHOOL DISTRICT AS A WHOLE - Continued

Table A-5: Expenses for Fiscal Year 2018



GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the budget several times. These budget amendments fall into three (3) categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances (correcting the estimate amounts in the budget adopted May 2017).
- Changes made to accounts for significant events.
- Increases in appropriations preventing budget overruns.

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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**GENERAL FUND BUDGETARY HIGHLIGHTS - Continued**

Significant variances between budget and actual are as follows:

**Revenues:**

- Overall revenues received in 2017-18 were 1.39% higher than budgeted.
- Although the New York State imposed Tax Levy Limit calculation would allow for a higher tax levy increase, the District has maintained a 2% annual increase in the local Tax Levy.
- State Aid funding increased as a result of an increase in Building Aid as the District filed final cost reports for Phase I and II of the 2014 Capital Projects. Actual overall State Educational Aid revenues were within \$65,000 of the budgeted levels.

**Expenditures:**

- General Support was \$0.150 million less than budget due to lower costs than budgeted for utilities, operations of the plant and plant maintenance.
- Instruction was \$0.380 million less than budget due to lower costs for instructional salaries, contractual items, materials and supplies and for BOCES services resulting from lower than anticipated enrollment in Occupational Education.
- Pupil transportation was \$0.156 million less than budget due to declining fuel costs and lower cost for repairs and maintenance of the District's bus fleet.
- Employee benefits were \$74 thousand less than budget due to declining retirement costs.

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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

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**Capital Assets**

By the end of fiscal year 2018, the District had invested \$44.776 million in a broad range of capital assets, including land, improvements, buildings, furniture, equipment, and vehicles.

**Table A-6: Capital Assets at Year End (In thousands)**

<b>Category</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2018</b>	<b>Percent Change</b>
Land	\$ 124	\$ 124	0.00%
Construction in Progress	1,278	478	-62.60%
Buildings & Improvements	36,481	39,103	7.19%
Furniture & Equipment	5,036	5,071	0.69%
<b>Total</b>	<b>\$ 42,919</b>	<b>\$ 44,776</b>	<b>4.33%</b>

**Long-term Debt**

At year-end, the District had \$40.87 million in general obligation and other long-term debt outstanding versus \$ 36.35 million last year, an increase of 12.45%.

**Table A-7: Outstanding Long-Term Debt (In thousands)**

<b>Category</b>	<b>Fiscal Year 2017, as Restated</b>	<b>Fiscal Year 2018</b>	<b>Percent Change</b>
General Obligation Bonds	\$ 2,359	\$ 9,928	320.86%
Other Long-Term Liabilities	33,986	30,942	-8.96%
<b>Total</b>	<b>\$ 36,345</b>	<b>\$ 40,870</b>	<b>12.45%</b>

The District's general obligation bond rating continues to carry a rating of *Aa3* (Moody's) and *AA-* (S&P). The state limits the amount of general obligation debt that Non-City School Districts can issue up to 10% of the full value of all taxable property within the District's geographic limits. The District's outstanding general obligation debt is below the \$51.156 million state-imposed limit.

More detailed information about the District's outstanding debt is presented in the Note 9 of the Financial Statements.

## **BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

#### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District was re-classified as a "High-Needs" district, which was reflected in an increase in the base State Formula Aid starting in 2013-14 and balance forward.
- The District has maintained a steady property tax increase of 2.0% since 2012-13.
- Another concern the District is facing is the age of its building. In May 2013, voters authorized a \$11.249 million Capital Project, to address some of the building issues. Work on the approved renovations began in the Spring of 2014, with all work being completed at the end of 2017 at a final cost of \$9.934 million. The District anticipates presenting another Capital Project proposition to its voters in the near future to make additional improvements in their building to maintain the safety of students and staff.
- The 2018-19 General Fund budget contains a 3.78% increase over the 2017-18 budget.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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The financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances of the District's accountability with the money it receives. If you have any questions about this report or need additional financial information, contact:

Beaver River Central School  
Attn: District Treasurer  
PO Box 179  
9508 Artz Road  
Beaver Falls, New York 13305  
(315) 346-1211

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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**AUDITED BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

June 30, 2018

<b>ASSETS</b>	
Cash and Cash Equivalents	
Unrestricted	\$ 2,007,728
Restricted	1,375,941
Receivables	
State and Federal Aid	945,550
Due From Fiduciary Funds	16
Other	560
Inventories	33,789
Prepaid Expenses	11,778
Net Pension Asset - Proportionate Share	235,556
Capital Assets, Net	27,668,649
<b>TOTAL ASSETS</b>	<b>\$ 32,279,567</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	\$ 3,769,115
Other Postemployment Benefits	870,710
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,639,825</b>
<b>LIABILITIES</b>	
Payables	
Accounts Payable	\$ 137,935
Accrued Liabilities	17,099
Accrued Interest on Bonds Payable	21,687
Due to Teachers' Retirement System	515,222
Due to Employees' Retirement System	77,180
Unearned Credits	
Overpayments and Collections in Advance	1,019
Long-Term Liabilities	
Due and Payable Within One Year	
Bonds Payable, Net of Unamortized Premium	790,148
Due and Payable After One Year	
Bonds Payable, Net of Unamortized Premium	9,138,126
Compensated Absences Payable	426,497
Other Postemployment Benefits Payable	30,294,224
Net Pension Liability - Proportionate Share	220,807
<b>TOTAL LIABILITIES</b>	<b>\$ 41,639,944</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	\$ 1,447,448
Other Postemployment Benefits	3,313,129
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 4,760,577</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 17,740,375
Restricted	1,413,518
Unrestricted (Deficit)	(28,635,022)
<b>TOTAL NET POSITION</b>	<b>\$ (9,481,129)</b>

See notes to audited basic financial statements.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES**

Year Ended June 30, 2018

		<u>Program Revenues</u>		<u>Net (Expenses)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenues and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
<b>FUNCTIONS/PROGRAMS</b>				
General Support	\$ 3,225,264	\$ -	\$ -	\$ (3,225,264)
Instruction	12,042,193	37,813	489,275	(11,515,105)
Pupil Transportation	1,373,925	-	-	(1,373,925)
Debt Service - Interest	288,620	-	-	(288,620)
School Food Service Program	597,079	220,765	327,585	(48,729)
Total Functions and Programs	<u>\$ 17,527,081</u>	<u>\$ 258,578</u>	<u>\$ 816,860</u>	<u>(16,451,643)</u>
<b>GENERAL REVENUES</b>				
Real Property Taxes				4,629,579
Other Tax Items				686,040
Use of Money and Property				15,229
Sale of Property and Compensation for Loss				11,654
Gain on Disposition of Property				3,050
State Sources				10,215,670
Medicaid Reimbursements				22,858
Miscellaneous				245,451
Total General Revenues				<u>15,829,531</u>
Change in Net Position				(622,112)
Net Position - Beginning of Year, as Restated				<u>(8,859,017)</u>
Net Position - End of Year				<u>\$ (9,481,129)</u>

See notes to audited basic financial statements.

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**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2018

	<u>General</u>	<u>Capital Projects - Smart Schools</u>
<b>ASSETS</b>		
Cash and Cash Equivalents		
Unrestricted	\$ 1,572,050	\$ -
Restricted	1,375,941	-
Receivables		
Due From Other Funds	904,546	-
Due From Fiduciary Funds	16	-
State and Federal Aid	369,319	421,411
Other	560	-
Inventories	-	-
Prepaid Expenditures	11,778	-
<b>TOTAL ASSETS</b>	<u>\$ 4,234,210</u>	<u>\$ 421,411</u>
<b>LIABILITIES</b>		
Payables		
Accounts Payable	\$ 6,067	\$ -
Accrued Liabilities	9,931	-
Due to Other Funds	37,196	421,411
Due to Teachers' Retirement System	515,222	-
Due to Employees' Retirement System	77,180	-
Unearned Credits		
Overpayments and Collections in Advance	1,019	-
Total Liabilities	<u>646,615</u>	<u>421,411</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned Revenue	-	421,411
Total Deferred Inflows of Resources	<u>-</u>	<u>421,411</u>
<b>FUND BALANCES</b>		
Nonspendable	11,778	-
Restricted	1,375,941	-
Assigned	1,000,000	-
Unassigned (Deficit)	1,199,876	(421,411)
Total Fund Balances (Deficits)	<u>3,587,595</u>	<u>(421,411)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 4,234,210</u>	<u>\$ 421,411</u>



**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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<u>Capital Projects - Campus-Wide</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 395,310	\$ 40,368	\$ 2,007,728
-	-	1,375,941
-	37,577	942,123
-	-	16
-	154,820	945,550
-	-	560
-	33,789	33,789
-	-	11,778
<u>\$ 395,310</u>	<u>\$ 266,554</u>	<u>\$ 5,317,485</u>
\$ 131,868	\$ -	\$ 137,935
-	7,168	17,099
328,696	154,820	942,123
-	-	515,222
-	-	77,180
-	-	1,019
<u>460,564</u>	<u>161,988</u>	<u>1,690,578</u>
-	-	421,411
-	-	421,411
-	33,789	45,567
-	37,577	1,413,518
-	33,200	1,033,200
(65,254)	-	713,211
<u>(65,254)</u>	<u>104,566</u>	<u>3,205,496</u>
<u>\$ 395,310</u>	<u>\$ 266,554</u>	<u>\$ 5,317,485</u>

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See notes to audited basic financial statements.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2018

**Total Fund Balance - Governmental Funds** \$ 3,205,496

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Net Pension Asset - Proportionate Share - TRS		235,556
Net Pension Liability - Proportionate Share - ERS		(220,807)

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consists of:

Other Postemployment Benefits	\$ 3,313,129	
Pensions	<u>1,447,448</u>	(4,760,577)

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	\$ 870,710	
Pensions	<u>3,769,115</u>	4,639,825

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. Therefore, deferred inflows of resources are not reported on the Statement of Net Position.

421,411

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:

The Cost of Capital Assets is	\$ 44,776,671	
Accumulated Depreciation is	<u>(17,108,022)</u>	27,668,649

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

Bonds Payable	\$ 8,871,262	
Accrued Interest Payable	21,687	
Compensated Absences Payable	426,497	
Other Postemployment Benefits Payable	30,294,224	
Premium on Bond Issue	<u>1,057,012</u>	(40,670,682)

**Total Net Position - Governmental Activities** \$ (9,481,129)

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS**

Year Ended June 30, 2018

	<u>General</u>	<u>Capital Projects - Smart Schools</u>
<b>REVENUES</b>		
Real Property Taxes	\$ 4,629,579	\$ -
Other Tax Items	686,040	-
Charges for Services	37,813	-
Use of Money and Property	14,977	-
Sale of Property and Compensation for Loss	14,704	-
State Sources	9,794,259	-
Medicaid Reimbursement	22,858	-
Federal Sources	-	-
Surplus Food	-	-
Sales - School Food Service	-	-
Miscellaneous	245,451	-
Total Revenues	<u>15,445,681</u>	<u>-</u>
<b>EXPENDITURES</b>		
General Support	1,899,509	-
Instruction	7,790,650	-
Pupil Transportation	729,461	-
Employee Benefits	3,614,267	-
Debt Service:		
Principal	1,061,125	-
Interest	195,510	-
Cost of Sales	-	-
Capital Outlay	-	380,997
Total Expenditures	<u>15,290,522</u>	<u>380,997</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>155,159</u>	<u>(380,997)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>		
Premium on Debt Issuance	-	-
Bond Issuance Costs	-	-
Proceeds from Debt	-	-
BAN Redeemed from Appropriations	-	-
Operating Transfers In	-	-
Operating Transfers (Out)	(94,888)	-
Total Other Financing Sources and (Uses)	<u>(94,888)</u>	<u>-</u>
Net Change in Fund Balances	60,271	(380,997)
Fund Balances (Deficit) - Beginning of Year	<u>3,527,324</u>	<u>(40,414)</u>
Fund Balances (Deficit) - End of Year	<u>\$ 3,587,595</u>	<u>\$ (421,411)</u>

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

<b>Capital Projects - Campus-Wide</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 4,629,579
-	-	686,040
-	-	37,813
-	252	15,229
-	-	14,704
-	61,330	9,855,589
-	-	22,858
-	715,275	715,275
-	40,255	40,255
-	220,765	220,765
-	-	245,451
<u>-</u>	<u>1,037,877</u>	<u>16,483,558</u>
-	242,954	2,142,463
-	493,364	8,284,014
-	-	729,461
-	103,923	3,718,190
-	830,000	1,891,125
-	89,496	285,006
-	214,380	214,380
<u>1,441,794</u>	<u>306,262</u>	<u>2,129,053</u>
<u>1,441,794</u>	<u>2,280,379</u>	<u>19,393,692</u>
<u>(1,441,794)</u>	<u>(1,242,502)</u>	<u>(2,910,134)</u>
-	980,096	980,096
-	(150,096)	(150,096)
6,720,000	306,262	7,026,262
1,462,242	-	1,462,242
80,703	14,185	94,888
-	-	(94,888)
<u>8,262,945</u>	<u>1,150,447</u>	<u>9,318,504</u>
6,821,151	(92,055)	6,408,370
<u>(6,886,405)</u>	<u>196,621</u>	<u>(3,202,874)</u>
<u>\$ (65,254)</u>	<u>\$ 104,566</u>	<u>\$ 3,205,496</u>

See notes to audited basic financial statements.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF  
ACTIVITIES**

Year Ended June 30, 2018

**Net Change in Fund Balances - Total Governmental Funds** \$ 6,408,370

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position assets with an initial, individual cost of more than \$1,000 are capitalized and in the Statement of Activities, the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, net of related gains on disposal of capital assets.

Capital Outlays	\$	2,253,010	
Depreciation Expense		<u>(958,091)</u>	1,294,919

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt payments made in the current period. 428,883

Proceeds of long-term debt, including premium on issuance, are recorded as an other financing source for governmental funds but are not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt including premium received in the current year. (8,006,358)

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences relating to Smart School Bond Funding is reported as revenue in the Statement of Activities and a deferred inflow in the governmental funds, and therefore not reported as revenue in the governmental funds. 421,411

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest reported in the Statement of Activities is increased by the increase in accrued interest on bonds and amortization of premium on bond issue. (3,614)

In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay) and special termination benefits (early retirement) --are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 30,537

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See notes to audited basic financial statements.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF  
ACTIVITIES - CONTINUED**

Year Ended June 30, 2018

On the Statement of Activities, the actual and projected long-term expenditures for post employment benefits and related deferred outflows/inflows are reported whereas on the governmental funds only the actual expenditures are recorded for postemployment benefits. (1,086,550)

(Increases) decreases in proportionate share of net pension asset (liability) and related deferred outflows/inflows 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	\$ (100,224)	
Employees' Retirement System	<u>(9,486)</u>	<u>(109,710)</u>
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ (622,112)</u></b>

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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2018

	<b>Private Purpose Trusts</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash and Cash Equivalents		
Unrestricted	\$ 28,525	\$ 266,490
Total Assets	<u>\$ 28,525</u>	<u>\$ 266,490</u>
<b>LIABILITIES</b>		
Extra Classroom Activity Balances	\$ -	\$ 67,917
Due to Governmental Funds	-	16
Other Liabilities	-	198,557
Total Liabilities	<u>-</u>	<u>\$ 266,490</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>\$ 28,525</u>	

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See notes to audited basic financial statements.



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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Year Ended June 30, 2018

	<b>Private Purpose Trusts</b>
<b>ADDITIONS</b>	
Gifts and Contributions	\$ 26,846
Interest Earnings	<u>1</u>
Total Additions	26,847
<b>DEDUCTIONS</b>	
Scholarships and Awards	<u>29,570</u>
Change in Net Position	(2,723)
Net Position - Beginning of Year	<u>31,248</u>
Net Position - End of Year	<u><u>\$ 28,525</u></u>

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See notes to audited basic financial statements.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of Beaver River Central School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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. Significant accounting principles and policies used by the District are described below:

**Reporting Entity**

The District is governed by the laws of New York State. The 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 District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extra Classroom Activity Funds

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Joint Venture**

The District is one of 18 component school districts in the Jefferson-Lewis-Hamilton-Herkimer-Oneida Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that 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.

During the year, the District was billed \$2,653,427 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$854,197. This represents state aid distributions of \$651,226 and 2017 fund balance returned to schools of \$202,971.

Financial statements for the BOCES are available from the BOCES administrative office.

**Basis of Presentation**

District-Wide Statements

The *Statement of Net Position* and the *Statement of Activities* present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State and Federal aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Basis of Presentation – Continued**

The *Statement of Net Position* presents the financial position of the District at fiscal year-end. The *Statement of Activities* presents a comparison between direct program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Statements

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

The District reports the following governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.

School Food Service Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Basis of Presentation – Continued**

Debt Service Fund: This fund accounts for the accumulations of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

The District reports the following fiduciary funds:

Fiduciary Funds: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used.

There are two classes of fiduciary funds:

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

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

**Measurement Focus and Basis of Accounting**

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

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Measurement Focus and Basis of Accounting - Continued**

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

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

**Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1, 2017, and became a lien on August 7, 2017. Taxes are collected during the period September 1, 2017 to November 1, 2017.

Uncollected real property taxes are subsequently enforced by the County of Lewis, in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

**Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with the associated legal requirements, many of which are described elsewhere in these Notes.

**Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The 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.

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Interfund Transactions – Continued**

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

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

**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 encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

**Cash and Cash Equivalents**

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

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

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

**Accounts Receivable**

Accounts receivable 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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Inventories and Prepaid Items**

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

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A prepaid item was recorded in the General Fund in the amount of \$11,778, which represents the District's contribution to the School and Municipal Energy Cooperative of WNY ("SMEC"). Contributions made by member districts are recorded by SMEC as a current liability, and members are allocated a share of the organization's net assets based on each participant share of premiums paid for that year.

**Other Assets**

In the district-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

**Capital Assets**

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to July 1, 2002, 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Capital Assets – Continued**

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

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Site Improvements	\$ 25,000	SL	50 Years
Buildings	50,000	SL	50 Years
Building Improvements	25,000	SL	20 Years
Furniture and Equipment	1,000	SL	5 - 20 Years

The District does not possess any infrastructure.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. First is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension 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's contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Deferred Outflows and Inflows of Resources – Continued**

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 three items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting and is reported as unavailable revenue – Smart Schools – grant monies. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

**Unearned Revenue**

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

**Vested Employee Benefits**

Compensated Absences

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

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

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Vested Employee Benefits – Continued**

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. 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. These amounts are expensed on a pay-as-you-go basis.

**Other Benefits**

District employees participate in the New York State Employees' Retirement System and the New York State Teacher's Retirement System.

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become 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 post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

**Short-Term Debt**

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Short-Term Debt – Continued**

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 be converted to long-term financing within five years after the original issue date.

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

**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.

**Equity Classifications**

District-Wide 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

**Equity Classifications – Continued**

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

**Unrestricted Net Position** – reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund Statements

In the fund basis statements there are five classifications of fund balance:

**Nonspendable** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of \$33,789, and SMEC prepaid contribution of \$11,778 recorded in the General Fund.

**Restricted** – 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. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

**Debt Service**

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Equity Classifications – Continued**

**Insurance**

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

**Repairs**

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

**Retirement Contributions**

According to General Municipal Law §6-r, 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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Equity Classifications - Continued**

**Workers' Compensation**

According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. 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. This reserve is accounted for in the General Fund.

**Unemployment Insurance**

According to General Municipal Law §6-m, must be 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. This reserve is accounted for in the General Fund.

**Employee Benefit Accrued Liability**

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

**Capital**

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set for in §3651 of the Education Law. This reserve is accounted for in the General Fund.

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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Equity Classifications – Continued**

Restricted fund balance includes the following at June 30, 2018:

General Fund	
Insurance	\$ 38,155
Repairs	41,087
Unemployment Insurance	87,496
Employee Benefit Accrued Liability	186,491
Capital	579,476
Retirement Contributions	251,903
Workers' Compensation	191,333
Debt Service Fund	<u>37,577</u>
Total Restricted Funds	<u><u>\$ 1,413,518</u></u>

**Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2018.

**Assigned** - Includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

**Unassigned** - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.



NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

**Equity Classifications – Continued**

Unassigned Fund Balance

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the 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, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

Order of Use of Fund Balance

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2018, the District implemented the following new statement issued by GASB:

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018.

**Future Changes in Accounting Standards**

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Future Changes in Accounting Standards – Continued**

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

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

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

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES  
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE  
STATEMENTS – Continued**

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**Statement of Revenues, Expenditures, and Changes in Fund Balances vs. Statement of Activities**

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

1. Long-Term Revenue Differences

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

2. Capital Related Differences

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

3. Long-Term Debt Transaction Differences

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

4. Pension Differences

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

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For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Postemployment Benefits (OPEB) liabilities, OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB. See Note 16 for the financial statement impact of the implementation of the statement.

**NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental fund for which legal (appropriated) budgets are adopted:

The voters of the 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) that 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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year: Insurance Recoveries made in the current year for the amount of \$10,970 for the network servers.

Budgets are 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.

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 4 - STEWARDSHIP, COMPLIANCE, AND  
ACCOUNTABILITY - Continued**

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**Budgets – Continued**

Special Revenue Funds have not been included in the comparison because they do not have a legally authorized (appropriated) budget.

**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 presented as restrictions or assignments of 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.

**Other**

The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include a current appropriated fund balance for subsequent year expenditures for the year-ended June 30, 2018 in the amount of \$1,000,000. This appropriation will bring the balance of unreserved undesignated fund balance closer to 4%.

The Capital Projects Fund had a deficit balance of \$486,665. This will be eliminated when the District obtains funding from the Smart Schools Bond Act, and when the 2018-2019 mini project and the future capital project are funded by an interfund transfer or by bonding.

**NOTE 5 - CASH AND CASH EQUIVALENTS - CUSTODIAL  
CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE,  
AND FOREIGN CURRENCY RISKS**

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**Cash**

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

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 5 - CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS - Continued**

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**Cash - Continued**

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$ <u>          -</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ <u>  1,151,395</u>

Deposits at year-end were fully collateralized.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$1,375,941 within the governmental funds.

This District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

**Investment Pool**

The District participated in a multi-municipal cooperative investment pool agreement pursuant to New York State General municipal Law Article 5-G, §119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. At June 30, 2018, the District held \$2,380,728 in the General Fund through the cooperative classified as unrestricted and restricted cash.

The above amount represents the cost of the investment pool shares and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of NY Class.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 6 -RECEIVABLES**

Receivables at year-end are as follows:

Description	General	Special Aid	Capital	Total
			Projects - Smart Schools	
Other Receivable	\$ 560	\$ -	\$ -	\$ 560
State and Federal Aid Receivable	369,319	154,820	421,411	945,550
<b>Total</b>	<b>\$ 369,879</b>	<b>\$ 154,820</b>	<b>\$ 421,411</b>	<b>\$ 946,110</b>

District management has deemed the amounts to be fully collectible.

**NOTE 7 - CAPITAL ASSETS**

Capital asset balances and activity as of June 30, 2018 were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 124,334	\$ -	\$ -	\$ 124,334
Construction-in-Progress	1,277,659	1,822,791	(2,622,188)	478,262
Total Nondepreciable Assets	1,401,993	1,822,791	(2,622,188)	602,596
Capital Assets That Are Depreciated:				
Buildings & Improvements	36,480,957	-	2,622,188	39,103,145
Furniture and Equipment	5,035,680	430,219	(394,969)	5,070,930
Total Depreciable Assets	41,516,637	430,219	2,227,219	44,174,075
Less: Accumulated Depreciation				
Buildings & Improvements	13,140,903	608,041	-	13,748,944
Furniture and Equipment	3,403,997	350,050	(394,969)	3,359,078
Total Accumulated Depreciation	16,544,900	958,091	(394,969)	17,108,022
Total Depreciated Assets, Net	24,971,737	(527,872)	2,622,188	27,066,053
Capital Assets, Net	\$ 26,373,730	\$ 1,294,919	\$ -	\$ 27,668,649

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 7 - CAPITAL ASSETS - Continued**

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Depreciation expense was charged to governmental functions as follows:

General Support	\$	636,893
Instruction		33,474
Pupil Transportation		285,326
School Food Service Fund		2,398
	<u>\$</u>	<u>958,091</u>

**NOTE 8 - SHORT-TERM DEBT OBLIGATIONS**

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Transactions in short-term debt for the year are summarized below:

	<b>Maturity</b>	<b>Interest Rate</b>	<b>Beginning Balance</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance</b>
BAN	6/29/2018	2.25%	<u>\$ 9,255,000</u>	<u>\$ -</u>	<u>\$ 9,255,000</u>	<u>\$ -</u>

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

Interest Paid	\$	208,238
Less: Interest Accrued in the Prior Year		-
Plus: Interest Accrued in the Current Year		-
Total Expense	<u>\$</u>	<u>208,238</u>



**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 9 - LONG-TERM DEBT OBLIGATIONS**

Long-term liability balances and activity for the year are summarized below:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
Bonds and Notes Payable					
General Obligation Debt					
Serial Bonds	\$ 2,273,883	\$ 7,026,262	\$ 428,883	\$ 8,871,262	\$ 716,262
Premium on Bonds	85,463	980,096	8,547	1,057,012	73,886
Total Bonds & Notes Payable	<u>2,359,346</u>	<u>8,006,358</u>	<u>437,430</u>	<u>9,928,274</u>	<u>790,148</u>
Other Liabilities					
Compensated Absences Payable	457,034	-	30,537	426,497	-
Other Postemployment Benefits Liability, as Restated	32,481,231	-	2,187,007	30,294,224	-
Net Pension Liability - Proportionate Share	<u>1,047,537</u>	<u>-</u>	<u>826,730</u>	<u>220,807</u>	<u>-</u>
Total Other Liabilities	<u>33,985,802</u>	<u>-</u>	<u>3,044,274</u>	<u>30,941,528</u>	<u>-</u>
Total Governmental Activities	<u>\$ 36,345,148</u>	<u>\$ 8,006,358</u>	<u>\$ 3,481,704</u>	<u>\$ 40,869,802</u>	<u>\$ 790,148</u>

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

Existing serial and statutory bond obligations:

<b>Description</b>	<b>Issue Date</b>	<b>Final Maturity</b>	<b>Interest Rate (%)</b>	<b>Balance</b>
Refunding Series A	10/26/10	03/15/20	3.0 - 5.0	\$ 100,000
Serial Bond	06/15/12	06/15/27	3.0 - 5.0	1,095,000
Serial Bond	10/01/13	10/01/18	2.125 - 2.375	70,000
Serial Bond	10/14/14	10/01/19	1.85-1.875	135,000
Serial Bond	10/09/15	10/01/20	1.88	185,000
Serial Bond	10/14/16	10/01/21	1.18	260,000
Serial Bond	10/13/17	10/01/22	0.5-2.85	306,262
Serial Bond	06/07/18	06/15/33	5.0	6,720,000
				<u>\$ 8,871,262</u>

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 9 - LONG-TERM DEBT OBLIGATIONS - Continued**

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The following is a summary of debt service requirements at year-end June 30:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 716,262	\$ 511,578	\$ 1,227,840
2020	785,000	378,836	1,163,836
2021	690,000	349,693	1,039,693
2022	665,000	321,578	986,578
2023	620,000	293,089	913,089
2024-2027	<u>5,395,000</u>	<u>1,324,700</u>	<u>6,719,700</u>
Total	<u>\$ 8,871,262</u>	<u>\$ 3,179,474</u>	<u>\$ 12,050,736</u>

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

Interest Paid	\$ 76,768
Less: Interest Accrued in the Prior Year	(9,526)
Plus: Interest Accrued in the Current Year	21,687
Less: Amortization of Bond Premium	<u>(8,547)</u>
Total Expense	<u>\$ 80,382</u>

**NOTE 10 - PENSION PLANS**

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**General Information**

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

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**Teachers' Retirement System (TRS) Plan Description**

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

**Employees' Retirement System (ERS) Plan Description**

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSION PLANS - Continued

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**TRS Benefits Provided**

Benefits

The benefits provided to members of the System are established by 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 are subdivided into the following six classes:

*Tier 1*

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

*Tier 2*

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

*Tier 3*

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

*Tier 4*

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

*Tier 5*

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

*Tier 6*

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

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**TRS Benefits Provided – Continued**

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

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**TRS Benefits Provided – Continued**

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2017 is 1.2% compared to 1.0% paid beginning September 2016. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

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**ERS Benefits Provided**

Benefits

The System provides retirement benefits as well as death and disability benefits.

*Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

*Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 3, 4 and 5 is 62.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSION PLANS - Continued

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**ERS Benefits Provided – Continued**

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the 5 highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent of the average of the previous 4 years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

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**ERS Benefits Provided – Continued**

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regard less of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one- half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

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**Funding Policies**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The District chose to prepay the required contributions by December 15, 2017 and received an overall discount of \$2,419).

The District's share of the required contributions, based on covered payroll paid for the current and two preceding years, were:

	<b>NYSTRS</b>	<b>NYSERS</b>
2017-2018	\$ 575,561	\$ 284,785
2016-2017	623,556	272,426
2015-2016	788,230	291,497

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised.

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

At June 30, 2018, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

**Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued**

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2018	June 30, 2017
District's Proportionate Share of the Net Pension		
Asset (Liability)	\$ (220,807)	\$ 235,556
District's Portion (%) of the Plan's Total		
Net Pension Asset (Liability)	0.0068416%	0.030990%
Change in Proportion (%) Since the Prior		
Measurement Date	0.0006690%	0.000515%

For the year ended June 30, 2018, the District recognized pension expense of \$9,486 for ERS and \$100,224 for TRS. At June 30, 2018, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 78,755	\$ 193,805	\$ 65,080	\$ 91,841
Changes of Assumptions	146,414	2,396,832	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	320,705	-	633,040	554,803
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	73,286	-	8,643	94,041
District's Contributions Subsequent to the Measurement Date	77,180	482,138	-	-
<b>Total</b>	<u>\$ 696,340</u>	<u>\$ 3,072,775</u>	<u>\$ 706,763</u>	<u>\$ 740,685</u>

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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

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**Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued**

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

	<b>ERS</b>	<b>TRS</b>
2019	\$ 72,132	\$ 39,756
2020	51,790	619,374
2021	(147,499)	439,038
2022	(64,026)	97,899
2023	-	437,718
Thereafter	-	216,167

**Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2018	June 30, 2017
Actuarial Valuation Date	April 1, 2017	June 30, 2016
Interest Rate	7.00%	7.25%
Salary Scale	3.8%	1.9% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation Rate	2.5%	2.5%

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

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**Actuarial Assumptions – Continued**

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

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

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

Measurement Date	<b>ERS</b>	<b>TRS</b>
Asset Type	March 31, 2018	June 30, 2017
Domestic Equity	4.55%	5.90%
International Equity	6.35%	7.40%
Private Equity	7.50%	
Real Estate	5.55%	4.30%
Absolute Return Strategies	3.75%	
Opportunistic Portfolio	5.68%	
Real Assets	5.29%	
Bonds and Mortgages	1.31%	
Cash	-0.25%	
Inflation - Indexed Bonds	1.25%	
Alternative Investments		9.00%
Domestic Fixed Income Securities		1.60%
Global Fixed Income Securities		1.30%
Short-Term		0.60%
Mortgages		2.80%
High-Yield Fixed Income Securities		3.90%

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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

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**Discount Rate**

The discount rate used to calculate the total pension asset (liability) was 7.00% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.00% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00% for ERS and 6.25% for TRS) or 1-percentage point higher (8.00% for ERS and 8.25% for TRS) than the current rate:

<b>ERS</b>	<b>1% Decrease (6.00%)</b>	<b>Current Assumption (7.00%)</b>	<b>1% Increase (8.00%)</b>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (1,670,688)	\$ (220,807)	\$ 1,005,734

<b>TRS</b>	<b>1% Decrease (6.25%)</b>	<b>Current Assumption (7.25%)</b>	<b>1% Increase (8.25%)</b>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (4,057,939)	\$ 235,556	\$ 3,831,146

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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 - PENSION PLANS - Continued**

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**Pension Plan Fiduciary Net Position**

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

	<u>ERS</u>	(In Thousands) <u>TRS</u>	<u>Total</u>
Measurement Date	March 31, 2018	June 30, 2017	
Employer's Total Pension Asset (Liability)	\$ (183,400,590)	\$ (114,708,261)	\$ (298,108,851)
Plan Net Position	<u>180,173,145</u>	<u>115,468,360</u>	<u>295,641,505</u>
Employer's Net Pension Asset (Liability)	<u>\$ (3,227,445)</u>	<u>\$ 760,099</u>	<u>\$ (2,467,346)</u>
Ratio of Plan Net Position to the			
Employer's Total Pension Asset (Liability)	98.24%	100.66%	

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$77,180. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$515,222.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 11 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS**

Interfund balances at June 30, 2018 are as follows:

	<b>Interfund</b>		<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Revenues</b>	<b>Expenditures</b>
General	\$ 904,562	\$ 37,196	\$ -	\$ 94,888
Special Aid	-	154,820	5,477	-
School Food Service	-	-	8,708	-
Debt Service	37,577	-	-	-
Capital Projects - Smart Schools	-	421,411	-	-
Capital Projects - Campus-Wide	-	328,696	80,703	-
Total Governmental Funds	<u>942,139</u>	<u>942,123</u>	<u>94,888</u>	<u>94,888</u>
Fiduciary	<u>-</u>	<u>16</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 942,139</u></u>	<u><u>\$ 942,139</u></u>	<u><u>\$ 94,888</u></u>	<u><u>\$ 94,888</u></u>

The District typically transfers resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advances funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the Debt Service Fund upon completion.



**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 12 – FUND BALANCE EQUITY**

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2018:

	General	Capital Projects - Smart Schools	Capital Projects - Campus-Wide	Non-Major Funds	Total Governmental Funds
Non-Spendable					
Prepaid Expenditures	\$ 11,778	\$ -	\$ -	\$ -	\$ 11,778
School Food Service Inventory	-	-	-	33,789	33,789
Restricted					
Retirement Contributions	251,903	-	-	-	251,903
Workers' Compensation	191,333	-	-	-	191,333
Unemployment Insurance	87,496	-	-	-	87,496
Debt Service	-	-	-	37,577	37,577
Insurance	38,155	-	-	-	38,155
Employee Benefit					
Accrued Liability	186,491	-	-	-	186,491
Repairs	41,087	-	-	-	41,087
Capital	579,476	-	-	-	579,476
Assigned					
Designated for Next Fiscal					
Year	1,000,000	-	-	-	1,000,000
School Food Service Fund	-	-	-	33,200	33,200
Unassigned					
Capital Fund	-	(421,411)	(65,254)	-	(486,665)
General Fund	1,199,876	-	-	-	1,199,876
Total Governmental					
Fund Balance (Deficit)	<u>\$ 3,587,595</u>	<u>\$ (421,411)</u>	<u>\$ (65,254)</u>	<u>\$ 104,566</u>	<u>\$ 3,205,496</u>

**NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS**

**General Information about the OPEB Plan**

*Plan Description* – The District’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 13 - POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS - Continued**

**General Information about the OPEB Plan – Continued**

*Benefits Provided* – The District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

*Employees Covered by Benefit Terms* – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	161
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	112
Total Covered Employees	273

The District participates in the Jefferson-Lewis Et. Al. Employees’ Healthcare Plan (the Plan). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2018 the District recognized \$1,035,606 for its share of insurance premiums for currently enrolled retirees.

Eligible teachers and administrators are those who are at least age 55 with 10 years of service. Employees must also be eligible to retire under the ERS or TRS:

- Surviving spouses are permitted to continue coverage after the death of the retiree but are responsible for paying 100% of the plan premium.
- Participants retired prior to July 1, 2007 have varying contribution percentages based on individual contract. Participants retired after July 1, 2007 pay 10% of the individual premium for single contract and 20% of the family premium for a dual contract.
- Medicare Part B premiums are not reimbursed.
- Retiree medical and prescription drug benefits are provided through the Provider Choice POS Plan and the Traditional Plan.
  - The Provider Choice POS Plan is a self-insured POS plan offered through the Plan.
  - The Traditional Plan is a self-insured indemnity plan offered through the Plan.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 13 - POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

**Total OPEB Liability**

The District has obtained an actuarial valuation report as of June 30, 2018 which indicates that the total liability for other postemployment benefits is \$30,294,224 which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2017 and was determined by actuarial valuation as of July 1, 2016.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Actuarial Methods and Assumptions**

Measurement Date	06/30/17
Rate of Compensation Increase	3.5%
Inflation Rate	2.25%
Discount Rate	3.56%

**Assumed Pre-65 Medical Trend Rates at June 30**

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.25%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

**Assumed Post-65 Medical Trend Rates at June 30**

Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.25%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

**Assumed Prescription Drug Trend Rates at June 30**

Health Care Cost Trend Rate Assumed for Next Fiscal Year	10.50%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 13 - POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS - Continued**

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**Total OPEB Liability - Continued**

**Additional Information**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (in Years)	6.229
Method used to determine Actuarial Value of Assets	N/A

The discount rate was based on the Fidelity General Obligation 20-year AA Municipal Bond Index as of June 30, 2017.

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvement scale on a fully generational basis.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

**Changes in the Total OPEB Liability**

Balance at June 30, 2017, as Restated	\$ 32,481,231
Changes for the Year	
Service Cost	991,977
Interest	965,283
Changes of Assumptions or Other Inputs	(3,313,129)
Benefit Payments	<u>(831,138)</u>
Net Changes	<u>(2,187,007)</u>
Balance at June 30, 2018	<u><u>\$ 30,294,224</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent as of July 1, 2016 to 3.56 percent as of June 30, 2017.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 13 - POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS - Continued**

**Changes in the Total OPEB Liability - Continued**

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total OPEB Liability	<u>\$ 35,695,700</u>	<u>\$ 30,294,224</u>	<u>\$ 25,976,976</u>

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 2.886 percent) or 1 percentage point higher (trend decreasing to 4.886 percent) than the current healthcare cost trend rate:

	1% Decrease (Trend Less 1% Decreasing to 2.886%)	Healthcare Cost Trend Rates (Trend Decreasing to 3.886%)	1% Increase (Trend Plus 1% Decreasing to 4.886%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total OPEB Liability	<u>\$ 25,397,616</u>	<u>\$ 30,294,224</u>	<u>\$ 36,624,764</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,086,550. 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
Changes of Assumptions or Other Inputs	\$ -	\$ 3,313,129
Benefit Payments Subsequent to the Measurement Date	<u>870,710</u>	<u>-</u>
	<u>\$ 870,710</u>	<u>\$ 3,313,129</u>

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**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 13 - POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS - Continued**

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**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB - Continued**

District benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,

2019	\$ (531,888)
2020	(531,888)
2021	(531,888)
2022	(531,888)
2023	(531,888)
Thereafter	<u>(653,689)</u>
	<u>\$ (3,313,129)</u>

**NOTE 14 - RISK MANAGEMENT**

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**General**

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. 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.

**Pooled Non-Risk-Retained**

The District participates in the Jefferson-Lewis Et. Al. School Employees' Healthcare Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of sixteen individual governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to \$750,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$750,000 limit and the District has essentially transferred all related risk to the pool.

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 14 - RISK MANAGEMENT - Continued**

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**Pooled Non-Risk-Retained - Continued**

The District participates in the Jefferson-Lewis Et. Al. School Employees' Healthcare Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of sixteen individual governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to \$750,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$750,000 limit and the District has essentially transferred all related risk to the pool.

The District participates in the Black River Valley School Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is \$0.

**NOTE 15 - CONTINGENCIES AND COMMITMENTS**

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The 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 years' experience, the District's administration believes disallowances, if any, will be immaterial.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 16 – RESTATEMENT OF NET POSITION**

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Due to the District's implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, a one-time prior-period adjustment of \$20,263,310 must be made to the beginning net position to reflect the transition from GASB 45 to GASB 75 as of July 1, 2017. The impact of this change does not flow through the annual OPEB expense calculation. The following details the change in the District's beginning of year net position due to the GASB 75 implementation:

Net Position Beginning of Year, as Previously Stated	\$ 11,404,293
<b>GASB Statement No. 75 Adjustments</b>	
Net Increase in Total OPEB Liability - GASB 75 Implementation	(21,094,448)
Deferred Outflows at July 1, 2017 - Benefit Payments Subsequent to Measurement Date	<u>831,138</u>
Net Position Beginning of Year, as Restated	<u><u>\$ (8,859,017)</u></u>

**NOTE 17 - SUBSEQUENT EVENTS**

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Subsequent events have been evaluated through October 4, 2018, which is the date of the issuance of the financial statements



**BEAVER RIVER CENTRAL SCHOOL DISTRICT****REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

Year Ended June 30, 2018

**Total OPEB Liability**

Service Cost	\$ 991,977
Interest	965,283
Changes in Assumptions or Other Inputs	(3,313,129)
Benefit Payments	(831,138)
<b>Net Change in Total OPEB Liability</b>	<u>(2,187,007)</u>
<b>Total OPEB Liability - Beginning, as Restated</b>	<u>32,481,231</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 30,294,224</u>
<b>Covered Payroll</b>	\$ 7,076,576
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	428.09%

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.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2018

	<b>Original Budget</b>	<b>Final Budget</b>
<b>REVENUES</b>		
Local Sources		
Real Property Taxes	\$ 5,243,878	\$ 5,243,878
Other Tax Items	50,781	50,781
Charges for Services	8,875	8,875
Use of Money and Property	2,500	2,500
Sale of Property and Compensation for Loss	1,000	11,970
Miscellaneous	170,000	170,000
Total Local Sources	<u>5,477,034</u>	<u>5,488,004</u>
State Sources	9,730,285	9,730,285
Medicaid Reimbursements	15,000	15,000
Total Revenues	<u>15,222,319</u>	<u>15,233,289</u>
<b>EXPENDITURES</b>		
General Support		
Board of Education	24,242	23,492
Central Administration	175,757	176,407
Finance	219,795	220,595
Staff	60,862	63,862
Central Services	1,295,408	1,278,878
Special Items	286,434	286,434
Total General Support	<u>2,062,498</u>	<u>2,049,668</u>
Instruction		
Instruction, Administration and Improvement	469,427	473,627
Teaching - Regular School	4,167,548	4,161,448
Programs for Children with Handicapping Conditions	1,884,516	1,693,016
Occupational Education	639,380	639,380
Teaching - Special School	2,010	2,010
Instructional Media	391,533	403,533
Pupil Services	734,229	797,429
Total Instruction	<u>8,288,643</u>	<u>8,170,443</u>
Pupil Transportation	893,778	885,778
Employee Benefits	3,787,866	3,687,866
Debt Service	1,010,733	1,260,733
Total Expenditures	<u>16,043,518</u>	<u>16,054,488</u>
<b>OTHER FINANCING USES</b>		
Operating Transfers to Other Funds	200,000	200,000
Total Expenditures and Other Financing Uses	<u>16,243,518</u>	<u>16,254,488</u>
Net Change in Fund Balance	(1,021,199)	(1,021,199)
Fund Balances - Beginning of Year	3,527,324	3,527,324
Fund Balances - End of Year	<u>\$ 2,506,125</u>	<u>\$ 2,506,125</u>

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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Actual		Final Budget Variance With Actual		Final Budget Variance with Actual and Encumbrances
\$ 4,629,579		\$ (614,299)		
686,040		635,259		
37,813		28,938		
14,977		12,477		
14,704		2,734		
245,451		75,451		
5,628,564		140,560		
9,794,259		63,974		
22,858		7,858		
15,445,681		212,392		
	<b>Year-End Encumbrances</b>			
18,473	\$ -			5,019
165,219	-			11,188
205,410	-			15,185
59,319	-			4,543
1,159,533	-			119,345
291,555	-			(5,121)
1,899,509	-			150,159
448,760	-			24,867
4,037,249	-			124,199
1,588,266	-			104,750
615,865	-			23,515
750	-			1,260
363,576	-			39,957
736,184	-			61,245
7,790,650	-			379,793
729,461	-			156,317
3,614,267	-			73,599
1,256,635	-			4,098
15,290,522	-			763,966
94,888	-			105,112
15,385,410	\$ -			\$ 869,078
60,271				
3,527,324				
\$ 3,587,595				

**Note to Required Supplementary Information Budget Basis of Accounting:** Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

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See paragraph on supplementary schedules included in independent auditor's report.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN**

**LAST FOUR FISCAL YEARS**

June 30, 2018

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Teachers' Retirement System (TRS)</b>				
District's Proportion of the Net Pension Asset (Liability)	0.030990%	0.030475%	0.029934%	0.285950%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 235,556	\$ (326,935)	\$ 3,109,169	\$ 3,185,304
District's Covered Payroll	\$ 4,953,058	\$ 4,787,260	\$ 4,520,191	\$ 4,264,497
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>4.76%</u>	<u>6.83%</u>	<u>68.78%</u>	<u>74.69%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	100.66%	99.01%	110.46%	111.48%
<b>Employees' Retirement System (ERS)</b>				
District's Proportion of the Net Pension Asset (Liability)	0.0068416%	0.0061726%	0.0065266%	0.0062028%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (220,807)	\$ (579,994)	\$ (1,047,537)	\$ (209,544)
District's Covered Payroll	\$ 1,961,723	\$ 1,848,826	\$ 1,731,710	\$ 1,755,132
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>11.26%</u>	<u>31.37%</u>	<u>60.49%</u>	<u>11.94%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	98.24%	94.70%	90.68%	97.95%

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.

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See paragraph on supplementary schedules included in independent auditor's report.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - NYSLRS PENSION PLAN**  
**LAST FOUR FISCAL YEARS**  
 Ended June 30, 2018

	2018	2017	2016	2015
<b>Teachers' Retirement System (TRS)</b>				
Contractually Required Contribution	\$ 575,561	\$ 623,556	\$ 788,230	\$ 686,388
Contributions in Relation to the Contractually Required Contribution	<u>575,561</u>	<u>623,556</u>	<u>788,230</u>	<u>688,388</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 4,953,058	\$ 4,787,260	\$ 4,520,191	\$ 4,264,497
Contributions as a Percentage of Covered Payroll	11.62%	13.03%	17.44%	16.14%
<b>Employees' Retirement System (ERS)</b>				
Contractually Required Contribution	\$ 284,785	\$ 272,426	\$ 291,497	\$ 345,778
Contributions in Relation to the Contractually Required Contribution	<u>284,785</u>	<u>272,426</u>	<u>291,497</u>	<u>345,778</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,961,723	\$ 1,848,826	\$ 1,731,710	\$ 1,755,132
Contributions as a Percentage of Covered Payroll	14.52%	14.74%	16.83%	19.70%

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.

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See paragraph on supplementary schedules included in independent auditor's report.

BEAVER RIVER CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND**

June 30, 2018

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 16,222,319
Add: Prior Year's Encumbrances	<u>21,199</u>
Original Budget	16,243,518
Budget Revision:	
Received for Insurance Recoveries	<u>10,970</u>
Final Budget	<u><u>\$ 16,254,488</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2018-2019 Voter Approved Expenditure Budget	<u>\$ 16,860,126</u>
Maximum Allowed 4% of 2018-2019 Budget	<u>\$ 674,405</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 1,000,000
Unassigned Fund Balance	<u>1,199,876</u>
Total Unrestricted Fund Balance	<u>2,199,876</u>
Less:	
Appropriated Fund Balance	1,000,000
Encumbrances Included in Assigned Fund Balance	-
Total Adjustments	<u>1,000,000</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 1,199,876</u>
Actual Percentage	<u>7.12%</u>

See paragraph on supplementary schedules included in independent auditor's report.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES**

Year Ended June 30, 2018

Project Title	Expenditures					Methods of Financing						Fund Balance (Deficit) 6/30/2018
	Original Appropriation	Revised Appropriation	Prior Year	Current Year	Total	Unexpended Balance	BANS Redeemed From Appropriations	Proceeds Of Obligations	State Aid	Local Sources	Total	
Renovations and Improvements	\$ 7,406,401	\$ 7,477,686	\$ 5,634,226	\$ 1,335,088	\$ 6,969,314	\$ 508,372	\$ 1,462,242	\$ 5,460,703	\$ -	\$ 18,064	\$ 6,941,009	\$ (28,305)
Renovations and Improvements	2,025,000	2,025,000	2,024,545	-	2,024,545	455	-	1,712,711	311,809	25	2,024,545	-
Renovations and Improvements	88,600	88,600	10,946	69,757	80,703	7,897	-	-	-	80,703	80,703	-
Renovations and Improvements	100,000	100,000	-	36,764	36,764	63,236	-	-	-	-	-	(36,764)
Renovations and Improvements	100,000	100,000	-	185	185	99,815	-	-	-	-	-	(185)
Smart Schools Project	875,448	875,448	40,414	380,997	421,411	454,037	-	-	-	-	-	(421,411)
Athletic Fields	3,842,784	3,842,784	2,951,142	-	2,951,142	891,642	-	1,201,142	-	1,750,000	2,951,142	-
Pool Repair	80,400	80,400	58,637	-	58,637	21,763	-	58,637	-	-	58,637	-
Buses	306,262	306,262	-	306,262	306,262	-	-	306,262	-	-	306,262	-
<b>Totals</b>	<b>\$ 14,824,895</b>	<b>\$ 14,896,180</b>	<b>\$ 10,719,910</b>	<b>\$ 2,129,053</b>	<b>\$ 12,848,963</b>	<b>\$ 2,047,217</b>	<b>\$ 1,462,242</b>	<b>\$ 8,739,455</b>	<b>\$ 311,809</b>	<b>\$ 1,848,792</b>	<b>\$ 12,362,298</b>	<b>\$ (486,665)</b>

See paragraph on supplementary schedules included in independent auditor's report.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**

June 30, 2018

	<u>Special Aid</u>	<u>School Food Service</u>	<u>Debt Service</u>	<u>Capital Projects - Buses</u>	<u>Total Non-Major Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents					
Unrestricted	\$ -	\$ 40,368	\$ -	\$ -	\$ 40,368
Receivables					
Due From Other Funds	-	-	37,577	-	37,577
State and Federal Aid	154,820	-	-	-	154,820
Inventories	-	33,789	-	-	33,789
<b>TOTAL ASSETS</b>	<u>\$ 154,820</u>	<u>\$ 74,157</u>	<u>\$ 37,577</u>	<u>\$ -</u>	<u>\$ 266,554</u>
<b>LIABILITIES</b>					
Payables					
Accrued Liabilities	\$ -	\$ 7,168	\$ -	\$ -	\$ 7,168
Due to Other Funds	154,820	-	-	-	154,820
Total Liabilities	<u>154,820</u>	<u>7,168</u>	<u>-</u>	<u>-</u>	<u>161,988</u>
<b>FUND BALANCES</b>					
Nonspendable	-	33,789	-	-	33,789
Restricted	-	-	37,577	-	37,577
Assigned	-	33,200	-	-	33,200
Total Fund Balances	<u>-</u>	<u>66,989</u>	<u>37,577</u>	<u>-</u>	<u>104,566</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 154,820</u>	<u>\$ 74,157</u>	<u>\$ 37,577</u>	<u>\$ -</u>	<u>\$ 266,554</u>

See paragraph on supplementary schedules included in independent auditor's report.



**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2018

	<u>Special Aid</u>	<u>School Food Service</u>	<u>Debt Service</u>	<u>Capital Projects - Buses</u>	<u>Total Non- Major Funds</u>
<b>REVENUES</b>					
Use of Money and Property	\$ -	\$ 6	\$ 246	\$ -	\$ 252
State Sources	49,328	12,002	-	-	61,330
Federal Sources	439,947	275,328	-	-	715,275
Surplus Food	-	40,255	-	-	40,255
Sales - School Food Service	-	220,765	-	-	220,765
Total Revenues	<u>489,275</u>	<u>548,356</u>	<u>246</u>	<u>-</u>	<u>1,037,877</u>
<b>EXPENDITURES</b>					
General Support	-	242,954	-	-	242,954
Instruction	493,364	-	-	-	493,364
Employee Benefits	1,388	102,535	-	-	103,923
Debt Service:					
Principal	-	-	830,000	-	830,000
Interest	-	-	89,496	-	89,496
Cost of Sales	-	214,380	-	-	214,380
Capital Outlay	-	-	-	306,262	306,262
Total Expenditures	<u>494,752</u>	<u>559,869</u>	<u>919,496</u>	<u>306,262</u>	<u>2,280,379</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,477)</u>	<u>(11,513)</u>	<u>(919,250)</u>	<u>(306,262)</u>	<u>(1,242,502)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Premium on Debt Issuance	-	-	980,096	-	980,096
Bond Issuance Costs	-	-	(150,096)	-	(150,096)
Proceeds from Debt	-	-	-	306,262	306,262
Operating Transfers In	5,477	8,708	-	-	14,185
Total Other Financing Sources and (Uses)	<u>5,477</u>	<u>8,708</u>	<u>830,000</u>	<u>306,262</u>	<u>1,150,447</u>
Net Change in Fund Balances	-	(2,805)	(89,250)	-	(92,055)
Fund Balances - Beginning of Year	-	69,794	126,827	-	196,621
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 66,989</u>	<u>\$ 37,577</u>	<u>\$ -</u>	<u>\$ 104,566</u>

See paragraph on supplementary schedules included in independent auditor's report.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NET INVESTMENT IN CAPITAL ASSETS**

Year Ended June 30, 2018

Capital Assets, Net		\$ 27,668,649
Deduct:		
Premium on Bonds Payable	\$ 1,057,012	
Short-Term Portion of Bonds Payable	716,262	
Long-Term Portion of Bonds Payable	<u>8,155,000</u>	<u>9,928,274</u>
Net Investment in Capital Assets		<u>\$ 17,740,375</u>

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See paragraph on supplementary schedules included in independent auditor's report.

**FEDERAL AWARD PROGRAM INFORMATION**



**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

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**BOARD OF EDUCATION  
BEAVER RIVER 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 Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beaver River 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 Beaver River Central School District's basic financial statements and have issued our report thereon dated October 4, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Beaver River 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 the Beaver River Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Beaver River 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

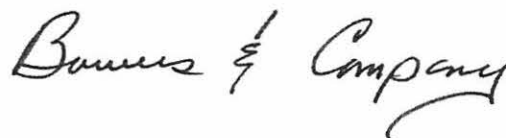
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Beaver River 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned to the right of the main text block.

Watertown, New York  
October 4, 2018



**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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**BOARD OF EDUCATION  
BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**Report on Compliance for Each Major Federal Program**

We have audited the Beaver River Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Beaver River Central School District's major federal programs for the year ended June 30, 2018. Beaver River Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Beaver River Central School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Beaver River Central School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Beaver River Central School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Beaver River Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of the Beaver River Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Beaver River Central School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Beaver River Central School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Bowers & Company*

Watertown, New York  
October 4, 2018



**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2018

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE</b>	<b>CFDA Number</b>	<b>Agency or Pass-Through Number</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Education</u></b>			
<b>Passed-Through NYS Education Department:</b>			
Title I- Grants to Local Educational Agencies	84.010	0021-18-1235	<u>\$ 188,267</u>
Special Education Cluster:			
Special Education Grants to States	84.027	0032-18-0332	194,482
Special Education Preschool Grants	84.173	0033-18-0332	<u>5,850</u>
Total Special Education Cluster			<u>200,332</u>
Improving Teacher Quality State Grants	84.367	0147-18-1235	<u>51,348</u>
Total Passed Through NYS Education Department			<u>439,947</u>
Total U.S. Department of Education			<u>439,947</u>
<b><u>U. S. Department of Agriculture</u></b>			
<b>Passed-Through NYS Education Department:</b>			
Child Nutrition Cluster			
Non-Cash Assistance (food distribution)			
National School Lunch Program	10.555		<u>40,255</u>
Non-Cash Assistance Subtotal			<u>40,255</u>
Cash Assistance			
School Breakfast Program	10.553		46,346
National School Lunch Program	10.555		<u>228,982</u>
Cash Assistance Subtotal			<u>275,328</u>
Total Child Nutrition Cluster			<u>315,583</u>
Total Passed Through NYS Education Department			<u>315,583</u>
Total U.S. Department of Agriculture			<u>315,583</u>
<b>Total Federal Assistance</b>			<u><u>\$ 755,530</u></u>

See paragraph to supplementary schedules included in independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain federal award programs have been charged with indirect costs, based upon a rate established by New York State, the District has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance applied to overall expenditures.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable programs and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

**NOTE 2 - SUBRECIPIENTS**

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No amounts were provided to subrecipients.

**NOTE 3 – OTHER DISCLOSURES**

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No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2018

**NOTE 4 – NON-MONETARY FEDERAL PROGRAM**

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The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$40,255 of commodities under the National School Lunch Program (CFDA 10.555)

At June 30, 2018, the District had food commodities totaling \$2,936 in inventory.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2018

**NOTE A - SUMMARY OF AUDITOR'S RESULTS**

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1. The auditor's report expresses an unmodified opinion on the basic financial statements of Beaver River Central School District.
2. No significant deficiencies were disclosed during the audit of the basic financial statements of Beaver River Central School District.
3. No instances of noncompliance material to the financial statements of Beaver River Central School District, which would be required to be reported in accordance with the *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs of Beaver River Central School District.
5. The auditor's report on compliance for the major federal award programs for Beaver River Central School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a) related to the major federal award programs for Beaver River Central School District.
7. The Programs tested as major programs include:
  - U.S. Department of Agriculture
  
  - Passed Through NYS Education Department
    - Child Nutrition Cluster
      - School Breakfast Program 10.553
      - National School Lunch Program 10.555
8. The Threshold for distinguishing between Types A and B programs was \$750,000.
9. Beaver River Central School District was determined **NOT** to be a low-risk auditee.

**NOTE B - FINDINGS – FINANCIAL STATEMENT AUDIT**

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There were no findings to report.

**NOTE C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

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There were no findings to report.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

June 30, 2018

**NOTE A - FINDINGS – FINANCIAL STATEMENT AUDIT**

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There were no prior year findings.

**NOTE B - FINDINGS AND QUESTIONED COSTS - MAJOR  
FEDERAL AWARD PROGRAMS AUDIT**

---

There were no prior year findings.

**EXTRA CLASSROOM ACTIVITY FUNDS**



**BOWERS & COMPANY  
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**INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS**

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**BOARD OF EDUCATION  
BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**Report on the Financial Statement**

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Beaver River Central School District for the year ended June 30, 2018, and the related note to the financial statement.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Beaver River Central School District for the year ended June 30, 2018, in accordance with the cash basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Banner & Company*

Watertown, New York  
October 4, 2018



**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

**EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

Year Ended June 30, 2018

	<b>Cash Balances 7/1/2017</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Cash Balances 6/30/2018</b>
Class of:				
2018	\$ 9,969	\$ 11,538	\$ 21,507	\$ -
2019	8,700	17,329	8,408	17,621
2020	4,928	8,444	3,007	10,365
2021	-	3,092	-	3,092
Art Club	251	1,936	1,882	305
Band	2,170	10,210	10,510	1,870
Beaverian	2,696	6,023	7,722	997
Elementary Student Council	6,219	4,237	3,350	7,106
Family, Career and Community Leaders of America	68	-	-	68
Future Farmers of America	2,653	26,026	28,042	637
Future Teachers of America	3,377	1,575	2,211	2,741
High School Student Council	3,231	1,716	1,191	3,756
Middle School Student Council	5,084	16,556	10,510	11,130
Music Theater Production	900	4,200	3,109	1,991
National Honor Society	1,406	3,509	3,019	1,896
Spanish Club	2,306	-	327	1,979
Trap Shooting Club	323	14,900	14,002	1,221
Drama Club	872	9,679	9,891	660
Youth Advisory Council	1,358	1,642	2,822	178
New York State Sales Tax	206	2,116	2,018	304
<b>Total</b>	<b>\$ 56,717</b>	<b>\$ 144,728</b>	<b>\$ 133,528</b>	<b>\$ 67,917</b>

See note to financial statement.

**BEAVER RIVER CENTRAL SCHOOL DISTRICT**

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**EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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The Extra Classroom Activity Funds of the Beaver River Central School District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management.

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



**BOWERS & COMPANY**  
**CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

To the Board of Education  
Beaver River Central School District

In planning and performing our audit of the financial statements of Beaver River Central School District for the year ended June 30, 2018 we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and recommendations regarding the matters.

**Condition: Non-Compliance with Real Property Tax Law**

The School District did not comply with Section 1318 of the Real Property Tax Law which required that no more than four percent of the subsequent year's expenditures be retained as unappropriated from the June 30, 2018 balance.

**Recommendation**

We recommend school officials review fund balance during the budget process to ensure compliance with Real Property Tax Law.

**Management's Response**

The District is committed to adjusting the District's unrestricted fund balance to comply with RPTL statutory limits and to do so in a manner that benefits District taxpayers; such as, surplus funds as a financing source, funding one-time expenditures and/or funding needed reserves.

The District has implemented a plan to reduce the unrestricted fund balance to levels within the statutory limit by utilizing fund balance to offset the local share of a capital improvement project and by establishing a capital reserve to fund future capital projects.

### **Condition: Extra Classroom Activity Fund Testing Exceptions**

During our testing of receipts and disbursements in the Extra Classroom Activity Funds, we noted the following:

- 7 out of 10 receipts tested, did not include sufficient documentation to support the amount of deposit. The support was not attached to the deposit receipt to verify accuracy of deposit amount.

### **Recommendation**

We recommend that documentation to support the deposits should be attached to the deposit receipts or readily available upon audit request. Review of the NYSED pamphlet, "The Safeguarding, Accounting, and Auditing of Extra Classroom Activity Funds", is recommended at the beginning of each school year with faculty advisors and student treasurers to refresh their understanding of the requirements relating to maintaining an Extra Classroom club or class.

### **Management's Response**

The District continually strives to assure that recordkeeping related to Extra Classroom activities are in accordance with the NYSED standards. To address areas identified pertaining to the administration of clubs and their activities, the Chief Faculty Advisor (High School Principal) will annually conduct an orientation meeting at the beginning of each school year with all appointed advisors regarding current regulations pertaining to Extra Classroom activities. All areas, particularly the determination of sales taxability for each fund raising event will be addressed.

We appreciate the opportunity to conduct the audit and would like to express our thanks to the staff for the fine cooperation extended to us during the course of the audit.

*Bowers & Company*

Watertown, New York  
October 4, 2018



**BOWERS & COMPANY**  
**CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

October 4, 2018

To the President and Members  
of the Board of Education of the  
Beaver River Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beaver River Central School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Beaver River Central School District are described in Note 1 to the financial statements.

Beaver River Central School District adopted all new applicable accounting standards issued by the Governmental Accounting Standards Board (GASB). As described in Note 3 to the financial statements, Beaver River Central School District changed accounting policies related to reporting for postemployment benefits by adopting Statement of Governmental Accounting Standards No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the cumulative effect of the accounting change as of July 1, 2017 is to report additional other postemployment benefit liability in the amount of \$21,094,448 and additional deferred outflows of resources in the amount of \$831,138 on the governmental activities Statement of Net Position with a corresponding reduction in net position of \$20,263,310 on the Statement of Activities and Changes in Net Position.

We noted no transactions entered into by Beaver River Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the depreciation expense is based on estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatement*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 4, 2018.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

We applied certain limited procedures to *Management’s Discussion and Analysis, the Schedule of Change in the District’s Total OPEB Liability and Related Ratios, the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund, the Schedule of the District’s Proportionate Share of the Net Pension Asset (Liability) - NYSLRS Pension Plan, and the Schedule of the District’s Contributions - NYSLRS Pension Plan*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on *the Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, the Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, Net Investments in Capital Assets, and Schedule of Expenditures of Federal Awards* and related notes, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

President and Board of Education  
Beaver River Central School District  
October 4, 2018  
Page 4

Restriction on Use

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

Very truly yours,

*Bowers & Company*



Client: 06000105.100 - Beaver River Central School District  
 Engagement: 18 Audit - Beaver River Central School District  
 Period Ending: 6/30/2018  
 Trial Balance: H-02.01 - Capital Projects Fund TB Database  
 Workpaper: H-03.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
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**Adjusting Journal Entries JE # 1**

To reclassify BOND Proceeds from Bond issuance at year -end

H626	BAN PAYABLE		7,550,000.00	
H05710	PROCEEDS OF BONDS			6,720,000.00
H5731	BANs Redeemed from Appropriations			830,000.00
<b>Total</b>			<b><u>7,550,000.00</u></b>	<b><u>7,550,000.00</u></b>

**Adjusting Journal Entries JE # 3**

To remove interfund balance sheet accounts within same fund

HB630	DUE TO OTHER FUNDS		36,949.00	
HG630	DUE TO OTHER FUNDS		23,903.00	
HS630	DUE TO OTHER FUNDS		351,546.00	
H391	DUE FROM OTHER FUNDS			412,398.00
<b>Total</b>			<b><u>412,398.00</u></b>	<b><u>412,398.00</u></b>

**Adjusting Journal Entries JE # 4**

To adjust BANs redeemed from proceeds to equal budgeted amount in GF...

H630	DUE TO OTHER FUNDS		632,242.00	
H5731	BANs Redeemed from Appropriations			632,242.00
<b>Total</b>			<b><u>632,242.00</u></b>	<b><u>632,242.00</u></b>

**Adjusting Journal Entries JE # 6**

H600

To record additional payables during search relating to Smart Bonds project

HS 1620.293	IMPROVEMENTS TO FACILITIES		64,571.00	
HS 2110.245	ARCHITECTUAL AND ENGINEERING		5,294.00	
H600	ACCOUNTS PAYABLE			69,865.00
<b>Total</b>			<b><u>69,865.00</u></b>	<b><u>69,865.00</u></b>

**Adjusting Journal Entries JE # 7**

HS1620.2

To record receivable and deferred inflow relating to Smart Bond funding

HS410	State Aid Receivable		421,411.00	
HS691	Deferred Inflows			421,411.00
<b>Total</b>			<b><u>421,411.00</u></b>	<b><u>421,411.00</u></b>

Client: 06000105.100 - Beaver River Central School District  
 Engagement: 18 Audit - Beaver River Central School District  
 Period Ending: 6/30/2018  
 Trial Balance: V-02.01 - Debt Service Fund TB Database  
 Workpaper: V-03.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To record Ban pymt to reduce the due from account to the proper amount				
V9731.600	BAN-PRINCIPAL		830,000.00	
V00391	DUE FROM OTHER FUNDS			830,000.00
<b>Total</b>			<b>830,000.00</b>	<b>830,000.00</b>

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 2</b>				
To record bond issuance activity from 6/29 issuance				
V00391	DUE FROM OTHER FUNDS	H5710	197,758.00	
V1380.4	Cost of Bond Issuance		150,096.00	
V9731.600	BAN-PRINCIPAL		750,983.00	
V00884	RESERVE FOR DEBT			89,496.00
V02710	PREMIUM ON ISSUANCE			980,096.00
V9731.700	BAN-INTEREST EXPENSE			29,245.00
<b>Total</b>			<b>1,098,837.00</b>	<b>1,098,837.00</b>

Client: 06000105.100 - Beaver River Central School District  
 Engagement: 18 Audit - Beaver River Central School District  
 Period Ending: 6/30/2018  
 Trial Balance: TA-02.01 - Agency Fund TB Database  
 Workpaper: TA-03.01 - TA Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
To close out CY revenues and receivable balances to Hospitalization as accounts are only used to make it easier to bill retirees./DJK				
TA141.0	RETIREE INSURANCE PREMIUMS - MEDICAL	TB	208,885.00	
TA141.5	RETIREE INSURANCE PREMIUMS - DENTAL		5,792.00	
TA240.1	INTEREST INCOME		14.00	
TA380	ACCOUNTS RECEIVABLE		112,489.00	
TA020	HOSPITALIZATION			327,180.00
<b>Total</b>			<b>327,180.00</b>	<b>327,180.00</b>

Client: 06000105.100 - Beaver River Central School District  
 Engagement: 18 Audit - Beaver River Central School District  
 Period Ending: 6/30/2018  
 Trial Balance: TE-02.01 - Private-Purpose Trust Fund TB Database  
 Workpaper: TE-03.00 - TE Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
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**Adjusting Journal Entries**

**Adjusting Journal Entries JE # 2**

TE092

To clear out beginning of the year activity that was incorrectly posted to fund balance accounts./DJK

TE277.0	HEALTH/AG. SCHOLARSHIPS		14,745.00	
TE298.9.4	HEALTH/AG. SCHOLARSHIPS		13,375.00	
TE092.50	HEALTH/AG SCHOLARSHIP			4,870.00
TE277.0	HEALTH/AG. SCHOLARSHIPS			23,250.00
<b>Total</b>			<b>28,120.00</b>	<b>28,120.00</b>

**Adjusting Journal Entries JE # 3**

To reverse reclass entry that was incorrectly posted./DJK

TE277.0	HEALTH/AG. SCHOLARSHIPS		13,375.00	
TE298.9.4	HEALTH/AG. SCHOLARSHIPS			13,375.00
<b>Total</b>			<b>13,375.00</b>	<b>13,375.00</b>

Client: 06000105.100 - Beaver River Central School District  
 Engagement: 18 Audit - Beaver River Central School District  
 Period Ending: 6/30/2018  
 Trial Balance: K-02.01 - Non-Current Governmental Assets TB Database  
 Workpaper: K-03.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
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**Adjusting Journal Entries**

**Adjusting Journal Entries JE # 1**

To Record Pension asset and deferred outflows /CAK

K00108	Net Pension Asset - Proportionate Share		235,556.00	
K496	Deferred Outflows of Resources, Pension		3,769,115.00	
K496.1	Deferred Outflows of Resources, OPEB		870,710.00	
K00159	Total Non-Current Governmental Assets			4,875,381.00
<b>Total</b>			<b>4,875,381.00</b>	<b>4,875,381.00</b>

Client: 06000105.100 - Beaver River Central School District  
 Engagement: 18 Audit - Beaver River Central School District  
 Period Ending: 6/30/2018  
 Trial Balance: W-02.01 - Non-Current Governmental Liabilities TB Database  
 Workpaper: W-03.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
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**Adjusting Journal Entries**

**Adjusting Journal Entries JE # 1**

To record premium in bonds payable /CAK

W00129	Total Non-Current Governmental Liabilities		980,096.00	
W00628	Bonds Payable			980,096.00
<b>Total</b>			<b><u>980,096.00</u></b>	<b><u>980,096.00</u></b>

**Adjusting Journal Entries JE # 2**

To record Deferred inflows on Pension and OPEB as well as net pension liability /CAK

W00129	Total Non-Current Governmental Liabilities		4,981,384.00	
W00638	Net Pension Liability - Proportionate Share			220,807.00
W00697.1	Deferred Inflows of Resources, Pensions			1,447,448.00
W00697.2	Deferred Inflows of Resources, OPEB			3,313,129.00
<b>Total</b>			<b><u>4,981,384.00</u></b>	<b><u>4,981,384.00</u></b>