

**BELLEVILLE HENDERSON  
CENTRAL SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2019**

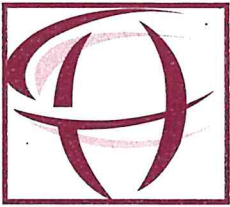
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Government Audit Quality Center  
Employee Benefit Plan Audit Quality Center

### **Independent Auditors' Report**

To the Board of Education  
Belleville Henderson 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 Belleville Henderson Central School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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.

#### ***Auditors' 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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



**Independent Auditors' Report**  
**(Continued)**

***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 Belleville Henderson Central School District, as of June 30, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the District's total OPEB liability and related ratios, the schedule of the local government's proportionate share of the net pension liability, and the schedule of the local government's share of contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Belleville Henderson 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, and Net Investment in Capital Assets are presented for additional analysis and are 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, and Net Investment in Capital Assets 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.



**Independent Auditors' Report**  
**(Continued)**

*Other Information – continued*

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, and Net Investment in Capital Assets are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019, on our consideration of Belleville Henderson 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 Belleville Henderson 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 Belleville Henderson Central School District's internal control over financial reporting and compliance.

*Crowley & Halloran CPAs P.C.*  
Watertown, NY  
September 25, 2019

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The following is a discussion and analysis of the Belleville Henderson Central School District's financial performance for the fiscal year ended June 30, 2019. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed, as well as a comparative analysis to prior year information. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section. Responsibility for the completeness and fairness of the information contained rests with the School District.

**Financial Highlights**

The District's purpose is to educate all students to high levels of academic performance while fostering positive growth in social/emotional behaviors and attitudes. The Board of Education is the governing body elected by the residents of the District. Its mission is to maintain certain standards of excellence set by the New York State Board of Regents. This has to be accomplished with the least economic impact to the local taxpayer. The following financial highlights are the District's attempt at completing this mission.

For the year ending June 30, 2019, total general revenues of \$9,638,762 was \$43,623 greater than the \$9,595,139 in net expenses. This increase of \$43,623 is added to the net position at the beginning of the year (after a restatement of \$238,313 increasing beginning net position) of \$(14,826,316) for an ending net position of \$(14,782,693).

Adjustments to beginning net positions were necessary for overstated depreciation in the amount of \$63,228, deferred outflows were understated \$48,645, compensated absences for sick days were overstated by \$88,878, and the bond premium amortization for the 2017B serial bonds was overstated by \$37,562 to align with interest expense. Accordingly, beginning net position was increased by \$238,313 for the net effect of these errors. Adjustments were made to the governmental fund statements increasing beginning fund balance in the amount of \$287,495 to remove sick time from compensated absences in the amount of \$279,959, expensing vacation compensated absences for vacation days in the period earned \$(15,467), and an overstated TRS accrual in the amount of \$23,003.

The District's portion of Assigned General Fund Balance designated to reduce real estate taxes in 2019-20 is \$695,000 or 29.2% of the General Fund Balances. The General Fund Unassigned Fund Balance is \$1,129,455 or 10.61% of the 2019 -20 budget.

The District employs about 130 full and part time employees. The district has two unions (Belleville Henderson Teachers Association and School Support Staff Association). The Belleville Henderson Teachers Association agreement will expire on June 30, 2020. The School Support Staff Association collective bargaining agreement was renewed and will now expire on June 30, 2023.

The District has maintained standards set by the New York State Education Department for the testing of their students to achieve mastery in certain core subjects at or above the levels set by the State Education Department for the year ending June 30, 2019.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

**Overview of Financial Statements**

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

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

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget and actual for the year.

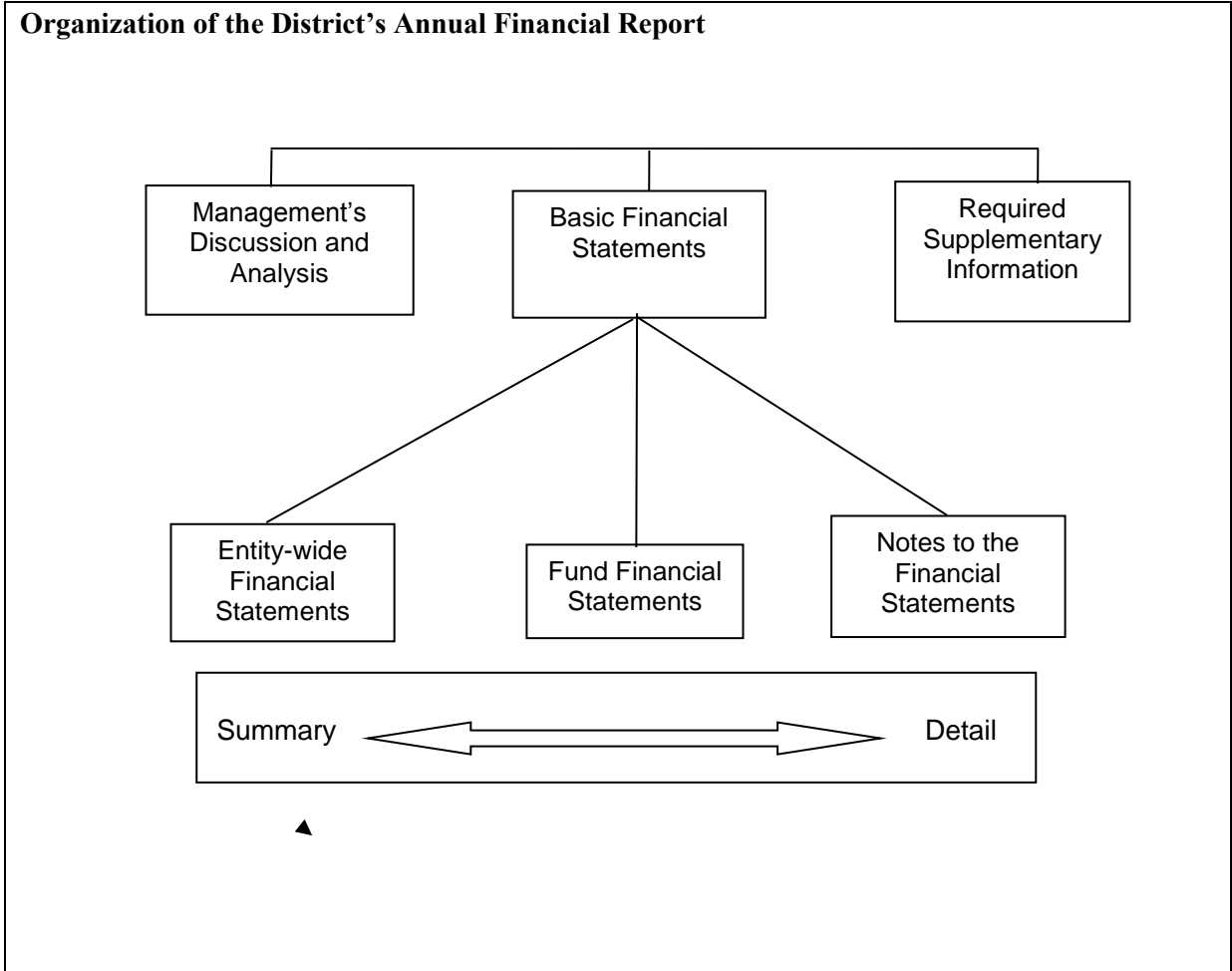
**Reclassifications**

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Restated amounts for the prior period adjustments are not reflected in the 2018 comparative balances.



**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

The chart below shows how the various parts of this annual report are arranged and related to one another.



The chart on the following page summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

**Major Features of the District-Wide and Fund Financial Statements**

<b>District-Wide</b>		<b>Fund Financial Statements</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>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
<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 debt	Generally, assets expected to be used up and liabilities that come due during the year or soon after; 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 revenue 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

**District-Wide Statements**

The District-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes all of the School 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 School District's *net position* and how it has changed. Net position – the difference between the School District's assets and liabilities – is one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

- To assess the School District's overall health, additional non-financial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities should be considered.

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

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds – not the School 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 bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the School 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School 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 School District excludes these assets to finance its operations.

### **Financial Analysis of the School District as a Whole**

Net position may serve over time as a useful indicator of a government's financial position. In the District's case, liabilities and deferred inflows exceeded assets and deferred outflows by \$14,782,693 at the close of the fiscal year. This represents a \$281,936 increase in net position for the year, including the prior year restatement of \$238,313. The largest portion of the School District's net assets reflects its investment in capital assets, less any related outstanding debt used to acquire those assets.

The schedule below summarizes the School District's net position. The complete Statement of Net Position can be found in the School District's basic financial statements on page 19.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

**Condensed Statement of Net Position**

	<u>Governmental Activities and Total School District</u>			
	<u>2019</u>	<u>2018</u> *	<u>\$ Change</u>	<u>% Change</u>
Current and Other Assets	\$ 3,954,609	\$ 4,196,720	\$ (242,111)	(5.8%)
Capital & Pension Asset	<u>18,345,847</u>	<u>17,733,165</u>	<u>612,682</u>	<u>3.5%</u>
Total Assets	<u>22,300,456</u>	<u>21,929,885</u>	<u>370,571</u>	<u>1.7%</u>
Deferred Outflows of Resources	<u>2,537,831</u>	<u>2,718,105</u>	<u>(180,274)</u>	<u>(6.6%)</u>
Long-Term Liabilities	34,790,708	34,948,832	(158,124)	(0.5%)
Other Liabilities	<u>1,180,417</u>	<u>825,033</u>	<u>355,384</u>	<u>43.1%</u>
Total Liabilities	<u>35,971,125</u>	<u>35,773,865</u>	<u>197,260</u>	<u>0.6%</u>
Deferred Inflows of Resources	<u>3,649,855</u>	<u>3,938,754</u>	<u>(288,899)</u>	<u>(7.3%)</u>
Net Position				
Net Investment in Capital Assets	11,877,987	10,832,538	1,045,449	9.7%
Restricted	757,800	707,707	50,093	7.1%
Unrestricted	<u>(27,418,480)</u>	<u>(26,604,874)</u>	<u>(813,606)</u>	<u>(3.1%)</u>
Total Net Position (Deficit)	<u>\$ (14,782,693)</u>	<u>\$ (15,064,629)</u>	<u>\$ 281,936</u>	<u>1.9%</u>

\*A prior period adjustments was necessary increasing beginning net position by \$238,313 for errors in accumulated depreciation, compensated absences, deferred outflows, and bond premium amortization, 2018 balances have not been adjusted to reflect these changes.

In general, current assets are those assets that are available to satisfy current obligations, and current liabilities are those liabilities that will be paid within one year. Current assets consist primarily of cash equivalents of \$2,641,592, inventories of \$16,388, and accounts receivable of \$10,624, as well \$413,111 due from state and federal, and due from other governments receivables of \$116,488. The District has restricted cash in the amount of \$756,062.

The deferred outflow of resources consists of the deferred charge on pension of \$1,847,585 and OPEB of \$690,246.

Current liabilities consist principally of accounts payable totaling \$462,263 and retainage held from the construction project of \$19,858, as well as accrued expenses of \$16,904, due to other governments of \$18,987, and due to ERS and TRS retirement systems totaling \$358,096, and the current portion of long-term debt totaling \$620,000.

The deferred inflow of resources consists of the deferred charge on pension of \$490,297 and OPEB of \$3,159,558.

The Statement of Activities and Changes in Net Position show the cost of program services net of charges for services and grants offsetting those services. General revenues including tax revenue, investment earnings and unrestricted state and federal aid must support the net cost of the District's programs.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

The following schedule summarizes the District's activities. The complete Statement of Activities can be found in the District's basic financial statements on page 20.

**Condensed Net Position from Operating Results**

	<u>Governmental Activities and Total School District</u>			
	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 79,488	\$ 87,425	\$ (7,937)	(9.1%)
Operating Grants and Contributions	709,823	747,909	(38,086)	(5.1%)
General Revenues				
Property Taxes and Other Tax Items	4,476,994	4,306,108	170,886	4.0%
State Formula Aid	4,939,210	4,878,569	60,641	1.2%
Federal Aid	46,957	25,922	21,035	81.1%
Interest Earnings	682	46,871	(46,189)	(98.5%)
Miscellaneous	<u>174,919</u>	<u>223,504</u>	<u>(48,585)</u>	<u>(21.7%)</u>
<b>Total Revenues and Special Items</b>	<u>10,428,073</u>	<u>10,316,308</u>	<u>111,765</u>	<u>1.1%</u>
<b>Expenses</b>				
General Support	2,157,970	1,715,899	422,071	25.8%
Instruction	7,032,852	8,582,640	(1,549,788)	(18.1%)
Transportation	861,061	955,873	(94,812)	(9.9%)
Debt Service - Interest	191,397	369,037	(177,640)	(48.1%)
Food Service	<u>141,170</u>	<u>238,832</u>	<u>(97,662)</u>	<u>(40.9%)</u>
<b>Total Expenses</b>	<u>10,384,450</u>	<u>11,862,281</u>	<u>(1,477,831)</u>	<u>(12.5%)</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 43,623</u>	<u>\$ (1,545,973)</u>	<u>\$ 1,589,596</u>	<u>102.8%</u>

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

**Governmental Activities**

The following analysis compares the total cost of services provided by the District in relation to the net cost of providing the service after considering program service revenues generated and program operating grants.

**Net Cost of Governmental Activities**

	Total Cost of Services			%	Net Cost of Services			%
	2019	2018	Change		2019	2018	Change	
General Support	\$ 2,157,970	\$ 1,715,899	25.8%	\$ 2,157,970	\$ 1,715,899	25.8%		
Instruction	7,032,852	8,582,640	(18.1%)	6,495,735	7,990,281	(18.7%)		
Pupil Transportation	861,061	955,873	(9.9%)	861,061	955,873	(9.9%)		
Debt Service - Interest	191,397	369,037	(48.1%)	191,397	369,037	(48.1%)		
Food Service	<u>141,170</u>	<u>238,832</u>	(40.9%)	<u>(111,024)</u>	<u>(4,143)</u>	(2579.8%)		
<b>Total</b>	<b>\$ <u>10,384,450</u></b>	<b>\$ <u>11,862,281</u></b>	<b>(12.5%)</b>	<b>\$ <u>9,595,139</u></b>	<b>\$ <u>11,026,947</u></b>	<b>(13.0%)</b>		

The District strives to control and reduce cost for our taxpayers, while maintaining program and staffing appropriate for current enrollment.

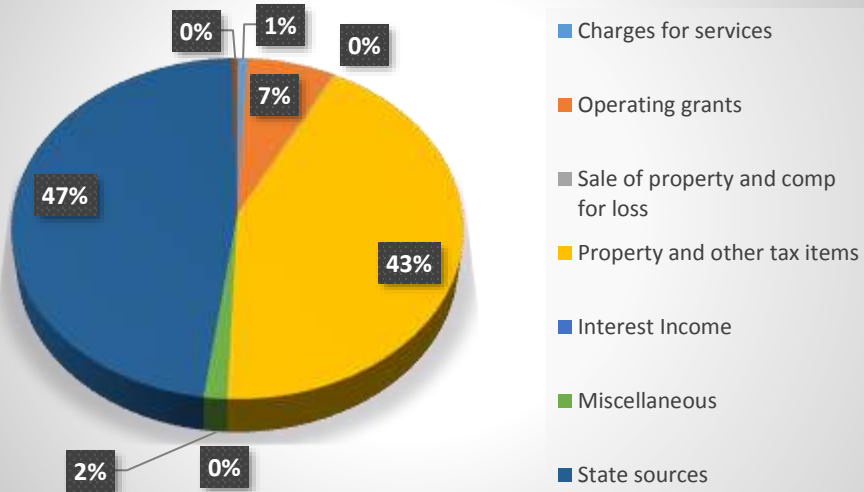
The District is heavily dependent on both property tax revenue and state and federal aid for its funding. State and federal sources and Operating grants combined account for 55% of total revenues. Property tax revenue accounted for 43% of total revenues received for the year. These two areas make up for 97.5% of total revenues received in the 2018-19 school year.

Instruction accounts for 67.7%, general support accounts for 20.8%, and pupil transportation is 8.3% of the total expenses of the District. Interest expense is 1.8% and the school lunch program is 1.4%. Expenses decreased \$1,477,831 overall. Instruction decreased \$1,549,788 from the prior year, pupil transportation decreased \$94,812, interest expense decreased \$177,640 and the school lunch program decreased \$97,662. General support increased \$442,071.

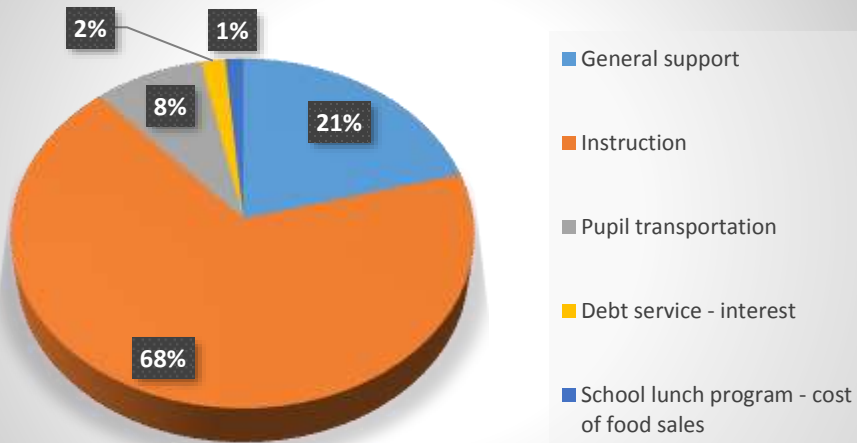
The financial statements also include the activity of the Special Aid and School Lunch Funds, which are primarily funded by state and federal aid and food sales.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

**2018-19 Revenues**



**2018-19 Expenses**



**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

**General Fund Budgetary Highlights**

The District's budget of \$10,358,011 for 2018-19 was approved by voters. The District's total budget increase for 2018-19 was \$733,347 or a 7.62% increase from the prior year budget.

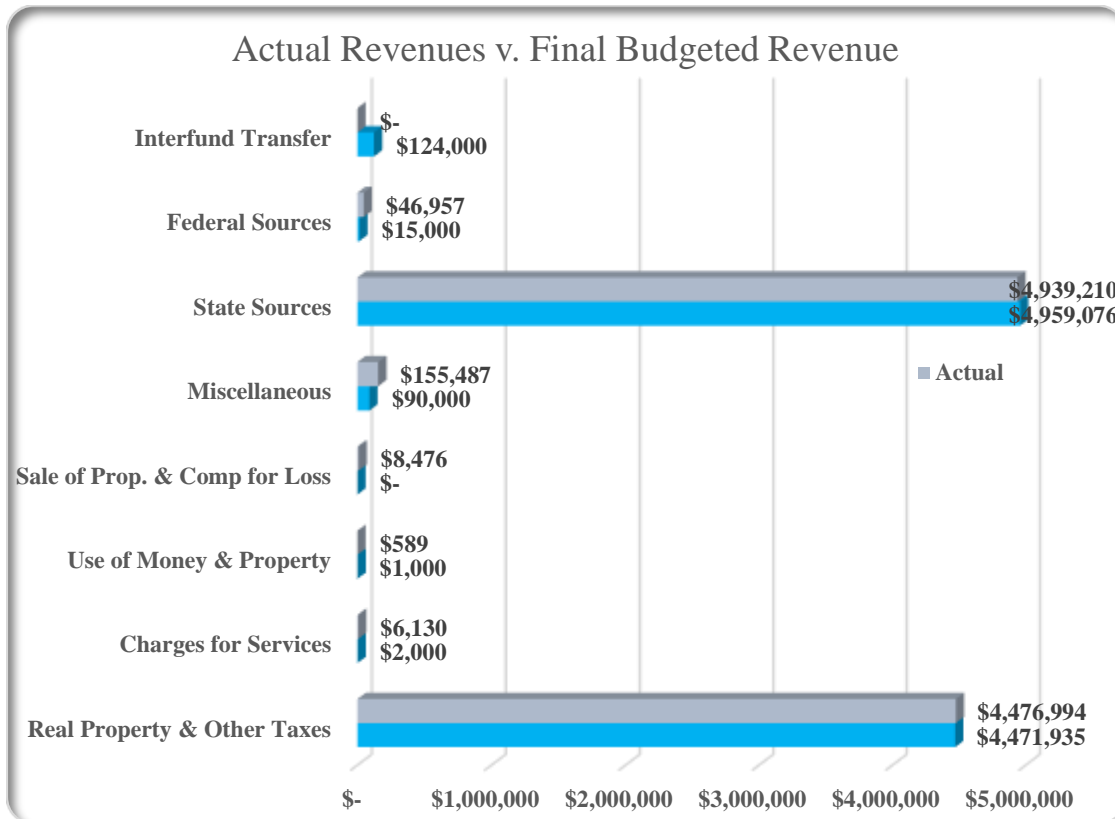
The District appropriated \$695,000 of the fund balance; \$600,000 was to reduce taxes for the year ending June 30, 2019 and \$95,000 was to appropriate money to the ERS Reserve. Unspent appropriations provide cash flow at year-end when state aid is uncertain. Without this balance, the District would have to borrow funds at year-end to meet its obligations.

**Revenues**

Revenues from Local, State, and Federal Sources amounted to \$12,091 more than final budget figures. The District also received \$155,487 in miscellaneous revenues consisting mainly of refunds of prior year BOCES, and other prior year expenditures.

Actual general fund revenues, including transfers from other funds, were below budgeted amounts by \$29,168 for the school year ending June 30, 2019.

The following graph depicts actual revenues in comparison with final budgeted revenues. Refer to supplemental schedule in the financial statements for more detailed information.





**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

**Expenditures**

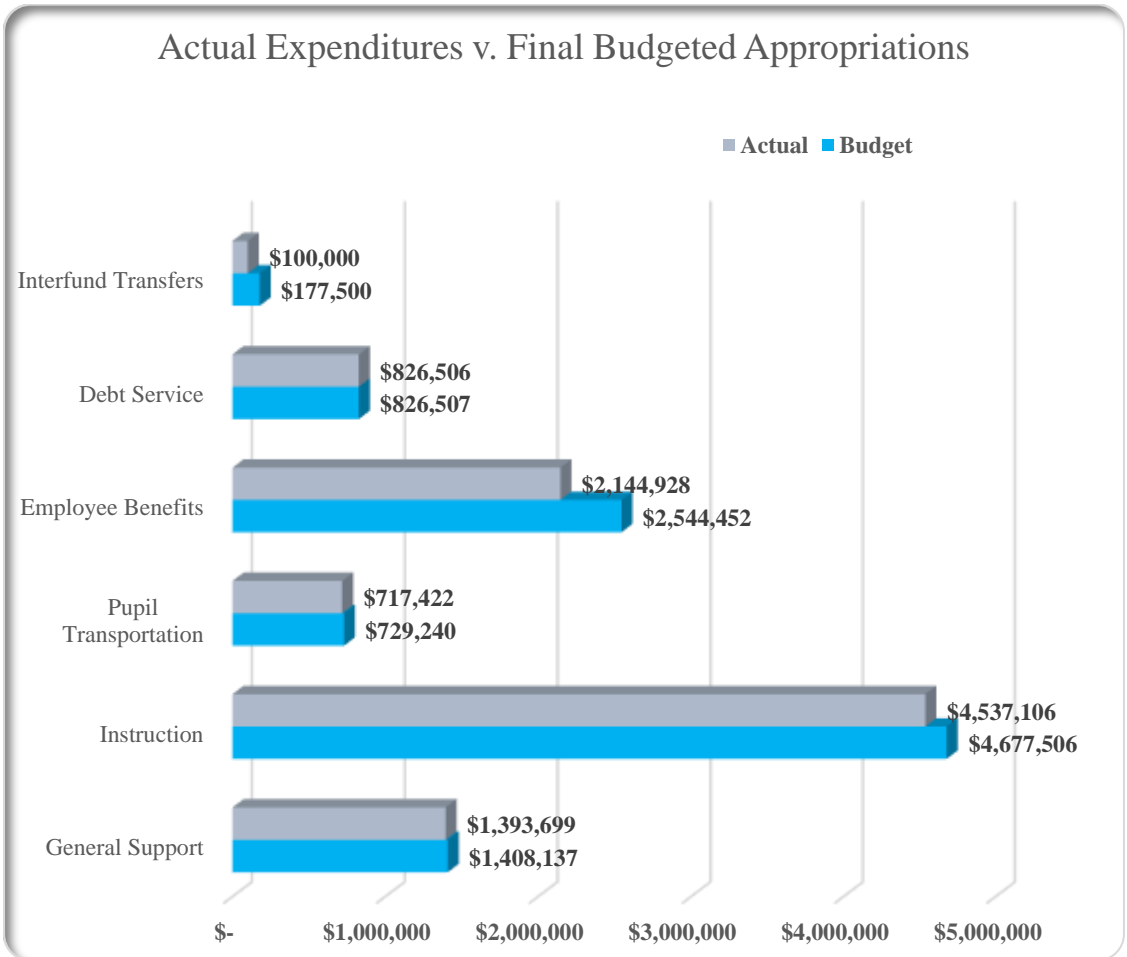
The District overestimated budget appropriations for the following reasons. Total General Support was \$14,438 under budget, due to overestimation of unforeseen price increases, and tighter control exercised over material, supply and contractual expenditures, other administrative costs were less than budgeted and some charges were reallocated. Total Instruction was \$140,400 under budget due to reduction in salary costs (new staff hired at a rate lower than anticipated), allocation of costs to grants, lower BOCES costs and lower material supply expenses due to tighter control over expenditures.

Pupil transportation was \$11,818 under budget as cost of fuel did not increase as much as budgeted, garage utilities did not increase as much as anticipated and bus repairs were an uncertainty when the budget was constructed. In addition, tighter control was exercised over materials and supply expenditures. Employee benefits were \$399,524 under budget due to decreased utilization during the school year in health insurance, fewer new staff taking health insurance than budgeted, and higher rates used for Employees' Retirement System (the higher Tier 4 rates are used for budgeting purposes, as opposed to those who are actually in a lower Tier 6).

The underestimated General Fund actual revenues of \$29,168 and underspent budgeted appropriations of \$643,681 are used to fund appropriations for the subsequent year. The District had appropriated \$695,000 for the 2018-19 school year which was 6.5% of the budget. These appropriations are currently part of the Assigned Fund Balance of which the District anticipates using \$600,000 of its fund balance for the 2019-20 school year to offset reductions in State Aid and increased expenses. This portion of the Assigned Fund Balance needs to be maintained to help the District with cash flow at the end of the school year. The only way Assigned Fund Balance can be lowered without raising the tax levy (which is now subject to restrictions on the maximum allowable tax levy) in the subsequent year is to increase other revenues such as State Aid or reduce appropriations.

The following graph depicts actual expenditures in comparison with the final budgeted appropriations. Refer to the supplemental schedules in the financial statements for more detailed information.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**



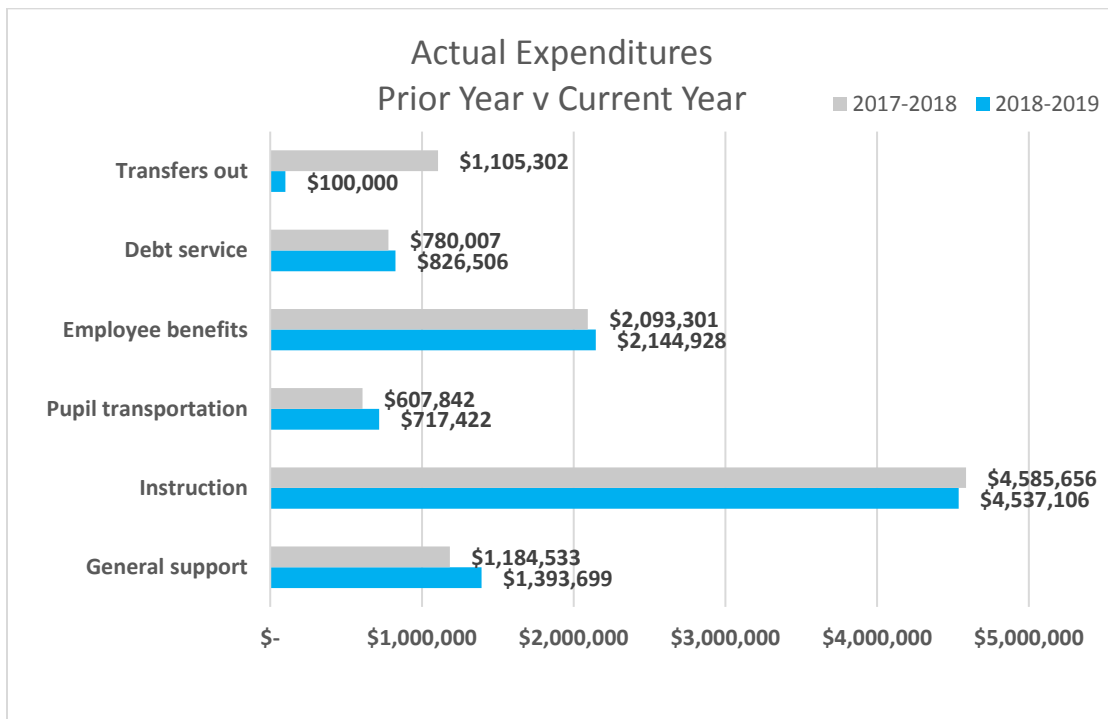
**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

**Analysis of the School District's Funds**

**General Fund**

The General Fund is used to operate the school's daily educational and transportation programs and maintain the buildings and grounds of the facility for continued use. This is the only fund that relies on real property taxes for a portion of funding. Actual property taxes paid (less STAR Reimbursement) amounts to 42.9% of total General Fund.

The following graph depicts the actual general expenditures in the current year compared to the prior year.



**Special Aid Fund**

The District receives State and Federal grants, which fund specific academic activities. These grants are written for specific purposes and include reading improvement, staff development, technology improvements and needs related to students with disabilities.

**Debt Service Fund**

This fund is used to accumulate interest on capital fund proceeds earned during building projects. These funds have to be used to reduce the debt in the general fund in subsequent years. These funds will be transferred into the general fund in the future when needed.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

**School Lunch Fund**

The School Lunch Program is under this category and is funded through State and Federal aid along with sale of lunch and breakfast items. The School Lunch Program showed a \$14,483 loss for the year ending June 30, 2019.

**Capital Assets and Debt Administration**

At the end of the fiscal year 2019, the School District had \$18,042,987 invested in land, buildings, furniture and equipment, and vehicles. The following table compares fiscal 2019 balances to 2018.

**Capital Assets**

	<u>Governmental Activities and Total School District</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
Land	\$ 138,065	\$ 138,065	\$ -	0.0%
Construction in Progress	796,739	94,583	702,156	742.4%
Buildings (net of depreciation)	16,191,136	16,682,887	(491,751)	(2.9%)
Vehicles, Equipment and Furniture (net of depreciation)	<u>917,046</u>	<u>745,231</u>	<u>171,815</u>	23.1%
Total	<u>\$ 18,042,987</u>	<u>\$17,660,766</u>	<u>\$ 382,220</u>	2.2%

Capital Assets include depreciation expense of \$670,592. Fully depreciated vehicles were disposed of totaling \$91,288.

During fiscal year 2019, the District made three bus purchases, reducing the cost of these purchases by trading-in two older vehicles. Additional expenditures were made on the capital projects of \$702,156. The District also purchased \$109,708 of other equipment.

**Long-Term Liabilities**

	<u>Governmental Activities and Total School District</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
General Obligation Bonds	\$ 6,165,000	\$ 6,765,000	\$ (600,000)	(8.9%)
Other Post-employment Benefits	28,179,126	27,825,611	353,515	1.3%
Compensated Absences	231,682	279,959	(48,277)	(17.2%)
Pension Liabilities	<u>214,900</u>	<u>78,262</u>	<u>136,638</u>	<u>174.6%</u>
Total	<u>\$ 40,169,424</u>	<u>\$15,263,316</u>	<u>\$ (158,124)</u>	<u>(0.5%)</u>

General Obligation Bonds: The District paid \$600,000 in scheduled principal payments on the Serial Bonds.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

**Factors Bearing on the District's Future**

With the following observations, the District can only project what future financial changes will be by how the history of budget and school operations have been in the District.

The contract for the Belleville Henderson Teachers Association expires June 30, 2020. This contract includes increases of 3.00% for 2016-17, 3.00% for 2017-18, 3.10% for 2018-19 and 3.10% for 2019-20.

The contract for the Belleville Henderson Support Staff expires June 30, 2023. This contract includes an increase of 3% annually for the length of the contract.

The contract increase in payroll will have a proportional increase in employee benefit costs for Social Security, Medicare and Teachers retirement (TRS) and employee (ERS) costs. Overall, the District's Medical insurance premiums have increased 2% for 2018-2019 and 4% for 2019-2020.

In the current year, State Aid provided 54.6% of the District's general revenues which was a slight increase from the previous year and was due to reinstatement of most of the remaining Gap elimination adjustment that reduced aid in prior years. This year, the Pre-K funding was the same for 2018-19 which put a further strain on the general fund to cover the costs to maintain the program for our students.

As technology continues to impact society, the curriculum must change so that students are prepared for a career and lifestyle beyond the public school setting and have the supports and services for this curriculum. These changes will require expenditures that will increase budgeted costs.

**Contacting the School District's Financial Management**

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

Mr. Stephen Magovney  
School Business Manager  
Belleville Henderson Central School District  
8372 County Route 75  
Adams, NY 13605

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Total Governmental Funds
<b>ASSETS</b>	
Unrestricted Cash	\$ 2,641,592
Restricted Cash	756,062
Due from Fiduciary Funds	344
Due from Other Governments	116,488
Due from State and Federal	413,111
Other Receivables	10,624
Prepaid Expenditures	-
Inventories	16,388
Capital Assets, Net	18,042,987
Net Pension Asset-Proportionate Share	302,860
<b>Total Assets</b>	<b>22,300,456</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB (GASB 75)	690,246
Pensions	1,847,585
<b>Total Deferred Outflows of Resources</b>	<b>2,537,831</b>
<b>LIABILITIES</b>	
Accounts Payable	462,263
Accrued Liabilities	16,904
Retainage	19,858
Due to Other Governments	18,987
Due to Teachers' Retirement System	319,420
Due to Employees' Retirement System	38,676
Bond Anticipation Notes Payable	-
Other Liabilities	304,309
Long-term Liabilities	
Due and Payable Within One Year	
Bonds Payable and Other Debt	620,000
Due and Payable After One Year	
Compensated Absences Payable	231,682
Bonds Payable and Other Debt	5,545,000
Other Postemployment Benefits	28,179,126
Net Pension Liability - Proportionate Share	214,900
<b>Total Liabilities</b>	<b>35,971,125</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB (GASB 75)	3,159,558
Pensions	490,297
<b>Total Deferred Inflows of Resources</b>	<b>3,649,855</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	11,877,987
Restricted	757,800
Unrestricted	(27,418,480)
<b>Total Net Position</b>	<b>\$ (14,782,693)</b>

The accompanying notes are an integral part of these financial statements.

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS</b>				
General Support	\$ 2,157,970	\$ -	\$ -	\$ (2,157,970)
Instruction	7,032,852	6,130	530,987	(6,495,735)
Pupil Transportation	861,061	-	-	(861,061)
Community Services	-	-	-	-
Interest Expense	191,397	-	-	(191,397)
School Lunch Program	141,170	73,358	178,836	111,024
	<b>Total Functions and Programs</b>	<b>\$ 79,488</b>	<b>\$ 709,823</b>	<b>(9,595,139)</b>
<b>GENERAL REVENUES</b>				
Real Property Taxes				4,150,730
Other Tax Items				326,264
Interest Income				682
Use of Money and Property				-
Sale of Property & Compensation for Loss				15,976
Miscellaneous				158,943
State Sources				4,939,210
Federal Sources				46,957
				<b>Total General Revenues and Special Items</b>
				<b>9,638,762</b>
				<b>Changes in Net Position</b>
				<b>43,623</b>
				<b>Net Position - Beginning of Year As Previously Stated</b>
				(15,064,629)
				<b>Restatement</b>
				238,313
				<b>Net Position - Beginning of Year Restated</b>
				(14,826,316)
				<b>Net Position - End of year</b>
				<b>\$(14,782,693)</b>

The accompanying notes are an integral part of these financial statements.

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	Governmental Fund Types						Total Governmental Funds
	General	Special Aid	School Food Service	Debt Service	Capital	Other Non-major	
<b>ASSETS</b>							
Unrestricted Cash	\$ 1,676,396	\$ -	\$ 147,463	\$ -	\$ 817,733	\$ -	\$ 2,641,592
Restricted Cash	602,771	-	-	153,291	-	-	756,062
Due from Other Funds	241,937	-	-	1,848	-	-	243,785
Due from Fiduciary Funds	344	-	-	-	-	-	344
Due from Other Governments	116,488	-	-	-	-	-	116,488
Due from State and Federal	101,381	288,527	15,087	-	8,116	-	413,111
Other Receivables	10,624	-	-	-	-	-	10,624
Prepaid Expenditures	-	-	-	-	-	-	-
Inventories	-	-	16,388	-	-	-	16,388
<b>Total Assets</b>	<u>2,749,941</u>	<u>288,527</u>	<u>178,938</u>	<u>155,139</u>	<u>825,849</u>	<u>-</u>	<u>4,198,394</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Outflows of Resources	-	-	-	-	-	-	-
<b>Total Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Accounts Payable	9,735	-	-	-	452,528	-	462,263
Accrued Liabilities	16,769	-	135	-	-	-	16,904
Due to Other Funds	1,783	234,094	7,776	-	132	-	243,785
Due to Other Governments	-	18,726	261	-	-	-	18,987
Due to Teachers' Retirement System	283,713	35,707	-	-	-	-	319,420
Due to Employees' Retirement System	36,164	-	2,512	-	-	-	38,676
Bond Anticipation Notes Payable	-	-	-	-	-	-	-
Compensated Absences	24,661	-	-	-	-	-	24,661
Other Liabilities	-	-	1,485	-	-	-	1,485
<b>Total Liabilities</b>	<u>372,825</u>	<u>288,527</u>	<u>12,169</u>	<u>-</u>	<u>452,660</u>	<u>-</u>	<u>1,126,181</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Inflows of Resources	-	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:							
Non-spendable	-	-	16,388	-	-	-	16,388
Restricted	602,661	-	-	155,139	-	-	757,800
Committed	-	-	-	-	-	-	-
Assigned	695,000	-	150,381	-	373,189	-	1,218,570
Unassigned	1,079,455	-	-	-	-	-	1,079,455
<b>Total Fund Balance</b>	<u>2,377,116</u>	<u>-</u>	<u>166,769</u>	<u>155,139</u>	<u>373,189</u>	<u>-</u>	<u>3,072,213</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u>\$ 2,749,941</u>	<u>\$ 288,527</u>	<u>\$ 178,938</u>	<u>\$ 155,139</u>	<u>\$ 825,849</u>	<u>\$ -</u>	<u>\$ 4,198,394</u>

The accompanying notes are an integral part of these financial statements.



**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Unrestricted Cash	\$ 2,641,592	\$ -	\$ -	\$ 2,641,592
Restricted Cash	756,062	-	-	756,062
Due from Other Funds	243,785	-	(243,785)	-
Due from Fiduciary Funds	344	-	-	344
Due from Other Governments	116,488	-	-	116,488
Due from State and Federal	413,111	-	-	413,111
Other Receivables	10,624	-	-	10,624
Prepaid Expenditures	-	-	-	-
Inventories	16,388	-	-	16,388
Capital Assets, Net	-	18,042,987	-	18,042,987
Net Pension Asset-Proportionate Share	-	302,860	-	302,860
<b>Total Assets</b>	<b>4,198,394</b>	<b>18,345,847</b>	<b>(243,785)</b>	<b>22,300,456</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB (GASB 75)	-	690,246	-	690,246
Pensions	-	1,847,585	-	1,847,585
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>2,537,831</b>	<b>-</b>	<b>2,537,831</b>
<b>LIABILITIES</b>				
Accounts Payable	462,263	-	-	462,263
Accrued Liabilities	16,904	-	-	16,904
Retainage	-	19,858	-	19,858
Due to Other Funds	243,785	-	(243,785)	-
Due to Other Governments	18,987	-	-	18,987
Due to Teachers' Retirement System	319,420	-	-	319,420
Due to Employees' Retirement System	38,676	-	-	38,676
Bond Anticipation Notes Payable	-	-	-	-
Other Liabilities	1,485	302,824	-	304,309
Bonds Payable Due Within One Year	-	620,000	-	620,000
Compensated Absences Payable Due After One Year	24,661	207,021	-	231,682
Bonds Payable Due After One Year	-	5,545,000	-	5,545,000
Other Postemployment Benefits	-	28,179,126	-	28,179,126
Net Pension Liability - Proportionate Share	-	214,900	-	214,900
<b>Total Liabilities</b>	<b>1,126,181</b>	<b>35,088,729</b>	<b>(243,785)</b>	<b>35,971,125</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB (GASB 75)	-	3,159,558	-	3,159,558
Pensions	-	490,297	-	490,297
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>3,649,855</b>	<b>-</b>	<b>3,649,855</b>
<b>FUND BALANCE/NET POSITION</b>				
Total Fund Balance/Net Position	3,072,213	(17,854,906)	-	(14,782,693)
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</b>	<b>\$ 4,198,394</b>	<b>\$ 20,883,678</b>	<b>\$ (243,785)</b>	<b>\$ 24,838,287</b>

The accompanying notes are an integral part of these financial statements.

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Fund Types						Total Governmental Funds
	General	Special Aid	School Food Service	Debt Service	Capital	Other Non-major	
<b>REVENUES</b>							
Real Property Taxes	\$ 4,150,730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,150,730
Other Tax Items	326,264	-	-	-	-	-	326,264
Charges for Services	6,130	-	-	-	-	-	6,130
Use of Money and Property	589	-	-	93	-	-	682
Sale of Property and Compensation for Loss	8,476	-	-	-	-	-	8,476
Miscellaneous	155,487	-	3,456	-	-	-	158,943
State Sources	4,939,210	117,383	10,542	-	-	-	5,067,135
Federal Sources	46,957	413,604	150,706	-	-	-	611,267
Surplus Food	-	-	17,588	-	-	-	17,588
Sales	-	-	73,358	-	-	-	73,358
<b>Total Revenues</b>	<u>9,633,843</u>	<u>530,987</u>	<u>255,650</u>	<u>93</u>	<u>-</u>	<u>-</u>	<u>10,420,573</u>
<b>EXPENDITURES</b>							
General Support	1,393,699	-	134,328	-	-	-	1,528,027
Instruction	4,537,106	413,116	-	-	-	-	4,950,222
Pupil Transportation	717,422	-	-	-	-	-	717,422
Community Services	-	-	-	-	-	-	-
Employee Benefits	2,144,928	117,871	20,588	-	-	-	2,283,387
Debt Service	826,506	-	-	-	-	-	826,506
Cost of Sales	-	-	115,217	-	-	-	115,217
Capital Outlay	-	-	-	-	682,298	-	682,298
<b>Total Expenditures</b>	<u>9,619,661</u>	<u>530,987</u>	<u>270,133</u>	<u>-</u>	<u>682,298</u>	<u>-</u>	<u>11,103,079</u>
<b>Excess (Deficit) Revenues Over Expenditures</b>	<u>14,182</u>	<u>-</u>	<u>(14,483)</u>	<u>93</u>	<u>(682,298)</u>	<u>-</u>	<u>(682,506)</u>
<b>OTHER FINANCING SOURCES AND USES</b>							
Premium received on Bonds	-	-	-	-	-	-	-
Proceeds from debt	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	100,000	-	100,000
Operating Transfers (Out)	(100,000)	-	-	-	-	-	(100,000)
<b>Total Other Sources (Uses)</b>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficit) Revenues and Other Sources Over Expenditures and Other (Uses)</b>	<u>(85,818)</u>	<u>-</u>	<u>(14,483)</u>	<u>93</u>	<u>(582,298)</u>	<u>-</u>	<u>(682,506)</u>
<b>Fund Balance, Beginning of Year as Previously Stated</b>	2,179,865	-	176,826	155,046	955,487	-	3,467,224
<b>Restatement</b>	283,069	-	4,426	-	-	-	287,495
<b>Fund Balance, Beginning of Year As Restated</b>	<u>2,462,934</u>	<u>-</u>	<u>181,252</u>	<u>155,046</u>	<u>955,487</u>	<u>-</u>	<u>3,754,719</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,377,116</u>	<u>\$ -</u>	<u>\$ 166,769</u>	<u>\$ 155,139</u>	<u>\$ 373,189</u>	<u>\$ -</u>	<u>\$ 3,072,213</u>

The accompanying notes are an integral part of these financial statements.

**BELLVILLE HENDERSON CSD**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Total Governmental Funds	Capital Related Items	Long-term Revenue, Expenses	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
<b>REVENUES</b>						
Real Property Taxes	\$ 4,150,730	\$ -	\$ -	\$ -	\$ -	\$ 4,150,730
Other Tax Items	326,264	-	-	-	-	326,264
Charges for Services	6,130	-	-	-	-	6,130
Use of Money and Property	682	-	-	-	-	682
Sale of Property and Compensation for Loss	8,476	7,500	-	-	-	15,976
Miscellaneous	158,943	-	-	-	-	158,943
State Sources	5,067,135	-	-	-	-	5,067,135
Federal Sources	611,267	-	-	-	-	611,267
Surplus Food	17,588	-	-	-	-	17,588
Sales	73,358	-	-	-	-	73,358
<b>Total Revenues and Special Items</b>	<u>10,420,573</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,428,073</u>
<b>EXPENDITURES</b>						
General Support	1,528,027	35,052	-	-	594,891	2,157,970
Instruction	4,950,222	345,553	-	-	1,737,077	7,032,852
Pupil Transportation	717,422	(60,669)	-	-	204,308	861,061
Community Services	-	-	-	-	-	-
Employee Benefits	2,283,387	-	278,842	-	(2,562,229)	-
Debt Service	826,506	-	-	(635,109)	-	191,397
Cost of Sales	115,217	-	-	-	25,953	141,170
Capital Outlay	682,298	(682,298)	-	-	-	-
<b>Total Expenditures</b>	<u>11,103,079</u>	<u>(362,362)</u>	<u>278,842</u>	<u>(635,109)</u>	<u>-</u>	<u>10,384,450</u>
<b>Excess (Deficit) Revenues Over Expenditures</b>	<u>(682,506)</u>	<u>369,862</u>	<u>(278,842)</u>	<u>635,109</u>	<u>-</u>	<u>43,623</u>
<b>OTHER FINANCING SOURCES AND USES</b>						
Proceeds (Uses) from Debt	-	-	-	-	-	-
Operating Transfers In (Out)	-	-	-	-	-	-
<b>Total Other Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change for the Year</b>	<u>\$ (682,506)</u>	<u>\$ 369,862</u>	<u>\$ (278,842)</u>	<u>\$ 635,109</u>	<u>\$ -</u>	<u>\$ 43,623</u>

The accompanying notes are an integral part of these financial statements.

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(CONTINUED)**

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

Net Change in Fund Balances - Total Governmental Funds \$ (682,506)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period, net of related losses on disposal of capital assets

Capital Outlays - Net	682,298
Depreciation Expense	(670,591)
Additions to Vehicles and Equipment	350,654

In the Statement of Activities, the gain/loss on the disposal of assets is reported as an increase/decrease in the financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed.

7,500

Repayment of debt 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 repayments made in the current period.

600,000

Proceeds from bond premiums are reported in governmental funds as revenues, however in the Statement of Activities, the unearned revenue is allocated over the life of the bonds as a reduction of interest expense. This is the amount that the current year premiums received exceeds the amortization in the period.

37,056

(Increases) decreases in accrued interest payable reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(1,946)

(Increases) decreases in accrued compensated absences 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.

(15,902)

On the Statement of Activities, the actual and projected long term expenditures for post employment benefits are reported, whereas, on the governmental funds only the actual expenditures are recorded for post employment benefits.

(215,997)

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

Teachers' Retirement System	(37,285)
Employees' Retirement System	(9,658)

Change in net position of governmental activities

\$ 43,623

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2019**

	<u>Private Purpose Trusts</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash	\$ 1,112	\$ 135,957
Cash in Time Deposits	6,293	-
Due from Governmental Funds	-	-
	<u>          </u>	<u>          </u>
Total Assets	<u><u>\$ 7,405</u></u>	<u><u>\$ 135,957</u></u>
<b>LIABILITIES</b>		
Extraclassroom Activity Balances	\$ -	\$ 48,020
Due to Governmental Funds		344
Other Liabilities	-	87,593
	<u>          </u>	<u>          </u>
Total Liabilities	<u>          </u>	<u>135,957</u>
<b>NET POSITION</b>		
Unrestricted	-	-
Restricted for Other Purposes	7,405	-
	<u>          </u>	<u>          </u>
Total Net Position	<u>7,405</u>	<u>-</u>
	<u>          </u>	<u>          </u>
Total Liabilities and Net Position	<u><u>\$ 7,405</u></u>	<u><u>\$ 135,957</u></u>

The accompanying notes are an integral part of these financial statements.

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Private Purpose Trusts</u>
<b>ADDITIONS</b>	
Contributions	\$ 8,375
Investment Interest Earnings	<u>4</u>
<b>Total Additions</b>	<u>8,379</u>
<b>DEDUCTIONS</b>	
Scholarships and Awards	<u>9,955</u>
<b>Total Deductions</b>	<u>9,955</u>
<b>Change in Net Position</b>	(1,576)
<b>Net Position - Beginning of year</b>	<u>8,981</u>
<b>Net Position - End of Year</b>	<u><u>\$ 7,405</u></u>

The accompanying notes are an integral part of these financial statements.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Belleville Henderson Central School District (the “District”) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**REPORTING ENTITY**

Belleville Henderson Central School 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 nine 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 Statement 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 and other organizational entities determined to be includable in the District’s financial reporting entity. The decision to include another organizational entity in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on application of these criteria, a brief description of Extraclassroom Activity Funds included in the District’s reporting entity follows.

**Extraclassroom Activity Funds**

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom 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 Extraclassroom 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.

**JOINT VENTURE**

The District is a component district in the Jefferson-Lewis-Hamilton-Herkimer-Oneida Counties 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.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**JOINT VENTURE (continued)**

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 \$1,556,887 for BOCES administrative and program costs. The District utilizes Central Business Office services during the year, which is included in the total amount billed. The District's share of BOCES aid amounted to \$259,039. General purpose 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 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.

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



**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**BASIS OF PRESENTATION (continued)**

**Fund financial statements**

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

The District reports the following major governmental funds:

- **General Fund** - this is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- **Special 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, school food service, and 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.
- **Capital Projects Funds** - these funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- **Debt Service Fund** - this fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

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:
  - **Agency Funds:** These funds are 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 Extraclassroom activity funds and for payroll or employee withholding.
  - **Private Purpose Trust Fund:** 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.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

**CASH AND INVESTMENTS**

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.

Investments are stated at fair value.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**

**PROPERTY TAXES**

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on November 1. Taxes are collected during the period September 1 to October 31.

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

**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 all accounts receivable will be collected.

**INVENTORIES AND PREPAID ITEMS**

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

Prepaid items are 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.

**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 expenditures 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.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**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 6 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

**CAPITAL ASSETS**

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1980. For assets acquired prior to June 30, 1980, 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.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 25,000	straight-line	15-50 years
Machinery and Equipment	\$ 5,000	straight-line	5-8 years
Vehicles	\$ 5,000	straight-line	5-8 years

**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 government has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to OPEB reporting in the district wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**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 four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. 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 liability (ERS System) and difference during the measurement periods between the District’s contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth 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 REVENUES**

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recognized. In the current year, there were no unearned revenues recorded as other liabilities in the governmental funds.

**VESTED EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting 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 funds 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.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**VESTED EMPLOYEE BENEFITS (continued)**

**Other Benefits**

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

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. 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 or operating transfer to other funds in the General Fund, in the year paid.

The School District follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

**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 RANs and TANs 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.

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 BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**SHORT TERM DEBT (continued)**

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, other postemployment benefits payable and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the funds 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.

**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 associated legal requirements, many of which are described elsewhere in these Notes.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.
- **Restricted net position** – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, 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 is deemed to be available for general use by the District.

**Funds Statements**

Below is the breakdown of fund balances for the fund basis statements:

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Food Service Fund</u>	<u>Debt Service Fund</u>	<u>Capital Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
<b>Non-spendable:</b>							
Inventory	\$ -	\$ -	\$ 16,388	\$ -	\$ -	\$ -	\$ 16,388
<b>Restricted:</b>							
Debt Service Reserve	-	-	-	155,139	-	-	155,139
Retirement Contribution	509,128	-	-	-	-	-	509,128
Tax Certiorari	15,004	-	-	-	-	-	15,004
Unemployment Insurance	28,529	-	-	-	-	-	28,529
Capital Reserve	50,000	-	-	-	-	-	50,000
<b>Assigned:</b>							
Capital Outlay	-	-	-	-	955,487	-	955,487
Appropriated Fund Balance	695,000	-	150,381	-	(582,298)	-	263,083
<b>Unassigned:</b>	1,079,455	-	-	-	-	-	1,079,455
	<u>\$ 2,377,116</u>	<u>\$ -</u>	<u>\$ 166,769</u>	<u>\$ 155,139</u>	<u>\$ 373,189</u>	<u>\$ -</u>	<u>\$ 3,072,213</u>



**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**EQUITY CLASSIFICATIONS (continued)**  
**Funds Statements (continued)**

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

**Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. See detail of balances in chart on previous page.

**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 School District has established the following restricted fund balances:

**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 forth in §3651 of the Education Law. This reserve is accounted for in the General Fund under Restricted Fund Balance.

**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 which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

**Employee Benefit Accrued Liability**

According to General Municipal Law §6-p, the Employee Benefit Accrued Liability Reserve must be used for the payment of accrued employee benefits 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.

**Liability Claims and Property Loss**

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

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**EQUITY CLASSIFICATIONS (continued)**  
**Funds Statements (continued)**

**Insurance**

According to General Municipal Law §6-n, the Insurance Reserve 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.

**Repair Reserve Fund**

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 Reserve Fund**

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. 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. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.

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.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**EQUITY CLASSIFICATIONS (continued)**  
**Funds Statements (continued)**

**Tax Certiorari**

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

**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.

**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.

**Committed** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has not committed fund balances as of June 30, 2019.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**EQUITY CLASSIFICATIONS (continued)**  
**Funds Statements (continued)**

**Assigned** – Includes amounts that are constrained by the school district’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

**Reserve for Insurance Recoveries**

Reserve for Insurance Recoveries (Education Law §1718(2)) is used at the end of the fiscal year to account for unexpended proceeds of insurance recoveries. They will be held there pending action by the Board on their disposition. This reserve will not be used if the insurance recovery is expended in the same fiscal year in which it was received. The reserve is accounted for in the general fund.

**Unassigned** – Includes all other General Fund amounts that do not meet definition of the above four classifications and are deemed to be available for general use by the School 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 amount had been restricted or assigned. In accordance with state guidelines, unassigned fund balance in the general fund includes the following reserve:

**Reserve for Tax Reduction**

Reserve for Tax Reduction ((Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of District real property where such proceeds are not required to be placed in the mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the general fund.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**EQUITY CLASSIFICATIONS (continued)**  
**Funds Statements (continued)**

**Unassigned Fund Balance**

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

**Order of Use of Fund Balance:**

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- Unassigned fund balance.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING**

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

- General Fund

The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations 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. No supplemental appropriations occurred during the year.

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.

There is no budget and actual comparison for the Special Aid Fund because there is not a legally authorized (appropriated) budget.

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.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)**

**NEW ACCOUNTING STANDARDS**

The District has adopted and implemented all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2019, the District implemented the following applicable new standards issued by GASB:

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

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019. This Statement improves the information disclosed in the notes to governmental financial statements related to debt including direct borrowings and direct placements.

**FUTURE ACCOUNTING STANDARDS**

GASB has issued Statement No. 84, *Fiduciary Activities* effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.

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

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.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022.

The school 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 GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS**

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

**TOTAL OF GOVERNMENTAL FUND BALANCES VERSUS 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 additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term liabilities, including pensions.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (continued)**  
**TOTAL OF GOVERNMENTAL FUND BALANCES VERSUS NET POSITION OF GOVERNMENTAL ACTIVITIES (continued)**

**Long-term Assets**

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

Original cost of capital assets	\$ 27,015,438
Accumulated depreciation	<u>(8,972,451)</u>
Net Capital Assets	<u>\$ 18,042,987</u>

**Other Liabilities**

Other liabilities such as retainage held in the capital construction project and the unamortized bond premium are reported in the Statement of Net Position but not in the governmental fund statements because they are included in carryover encumbrance. Balances at year end were:

Unamortized Bond Premium	\$ 293,983
Bond Interest Payable	8,841
Retainage	<u>19,858</u>
	<u>\$ 322,682</u>

**Long-term Liabilities**

Long-term liabilities are reported in the Statement of Net Position but not in the governmental fund statements because they are not due and payable in the current period. Balances at year end were:

Bonds Payable	\$ 6,165,000
Compensated Absences	207,021
Postemployment Benefits	<u>28,179,126</u>
	<u>\$ 34,551,147</u>

**Pension**

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 system:

Pension Asset	\$ 302,860
Pension Liability	<u>(214,900)</u>
	<u>\$ 87,960</u>



**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

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

**Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the statement of Net Position will sometimes report a separate section for deferred outflows and inflows of resources. The separate financial statement element, deferred outflows of resources, represent 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 separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Outflows and Inflows of resources were:

Deferred Outflow of Resources	\$	2,537,831
Deferred Inflows of Resources		<u>(3,649,855)</u>
		<u>\$ (1,112,024)</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE VERSUS STATEMENT OF ACTIVITIES**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown on the following page represent:

**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.

**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.

**Long-term debt transaction differences**

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

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

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

**Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities**

**Total revenues and other funding sources:**

Total revenues and other funding sources of governmental funds	\$ 10,420,573
Reconciling items:	
Add net gain on sales/trade in of assets	<u>7,500</u>
Total revenues from governmental activities - Statement of Activities	<u>\$ 10,428,073</u>

**Total expenditures/expenses:**

Total expenditures reported in governmental funds	\$ 11,103,079
Reconciling items:	
Add depreciation expense	670,591
Add other postemployment benefits	215,997
Add change in long-term compensated absences	15,902
Less change in interest accrual & Bond premium amortization	(35,110)
Less capital expenditures (capitalized in government-wide statement)	(1,032,952)
Add changes in retirement benefits	46,943
Less payment on long-term debt	<u>(600,000)</u>
Total expenses of governmental activities - Statement of Activities	<u>\$ 10,384,450</u>

**NOTE 3 - CASH AND INVESTMENTS**

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

- A. Insured or collateralized with securities held by the District or by its agent in the District's name, or
- B. Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name, or
- C. Uncollateralized.

Total financial institution bank balances at year-end, per the bank, are categorized as follows:

A.	\$ 250,000
B.	\$ 3,433,259
C.	\$ -

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 \$756,062 in the Governmental Funds.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 4 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 138,065	\$ -	\$ -	\$ 138,065
Construction in Progress	94,583	702,156	-	796,739
Total cost non-depreciable assets	<u>232,648</u>	<u>702,156</u>	<u>-</u>	<u>934,804</u>
Capital assets that are depreciated:				
Buildings and Improvements	24,090,714	-	-	24,090,714
Equipment	323,951	109,708	-	433,659
Vehicles	1,406,600	240,948	(91,288)	1,556,260
Total cost depreciable assets	<u>25,821,265</u>	<u>350,656</u>	<u>(91,288)</u>	<u>26,080,634</u>
Less accumulated depreciation:				
Buildings and Improvements	(7,407,827)	(491,751)	-	(7,899,578)
Equipment	(106,016)	(38,964)	-	(144,980)
Vehicles	(879,304)	(139,877)	91,288	(927,893)
Total accumulated depreciation	<u>(8,393,147)</u>	<u>(670,592)</u>	<u>91,288</u>	<u>(8,972,451)</u>
Net capital assets	<u>\$ 17,660,766</u>	<u>\$ 382,220</u>	<u>\$ -</u>	<u>\$ 18,042,987</u>
Depreciation expense was charged to Governmental functions as follows:				
General Support	\$ 35,052			
Instruction	455,261			
Pupil Transportation	180,279			
	<u>\$ 670,592</u>			

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 5- LONG-TERM DEBT**

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

Interest paid	\$ 226,506
Less interest accrued in the prior year	(6,894)
Plus interest accrued in the current year	8,841
Less Bond premium recognized	<u>(37,056)</u>
 Total Expense	 <u>\$ 191,397</u>

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

	Beginning Balance	Issued	Redeemed/ Refunded	Ending Balance	Amounts Due Within One Year
Government activities:					
2013 Serial Bonds, final maturity 6/15/27, interest ranging from 2.25% through 3.25% through final maturity	\$ 4,690,000	\$ -	\$ 490,000	\$ 4,200,000	\$ 505,000
2017 Serial Bonds, final maturity 6/15/32, interest ranging from 3.0% through 5.0% through final maturity	<u>2,075,000</u>	-	<u>110,000</u>	<u>1,965,000</u>	<u>115,000</u>
Total bonds payable	\$ 6,765,000	\$ -	\$ 600,000	\$ 6,165,000	\$ 620,000
Compensated Absence benefits	\$ 206,585	\$ 40,563	\$ 15,466	\$ 231,682	\$ -
Other Postemployment benefits	27,825,611	1,009,168	655,653	28,179,126	-
Net Pension Liabilities:					
ERS	<u>78,262</u>	<u>136,638</u>	-	<u>214,900</u>	-
Total long-term liabilities	<u>\$ 34,875,458</u>	<u>\$ 1,186,369</u>	<u>\$ 1,271,119</u>	<u>\$ 34,790,708</u>	<u>\$ 620,000</u>

The following is a summary of the maturity of long-term indebtedness:

	Principal	Interest	Total
Fiscal year ended June 30,			
2020	\$ 620,000	212,181	832,181
2021	635,000	196,219	831,219
2022	650,000	179,831	829,831
2023	670,000	160,456	830,456
2024	690,000	139,056	829,056
2025-2029	2,335,000	357,813	2,692,813
2030-2034	<u>565,000</u>	<u>57,250</u>	<u>622,250</u>
	<u>\$ 6,165,000</u>	<u>\$ 1,302,806</u>	<u>\$ 7,467,806</u>

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 6 - INTERFUND BALANCES AND ACTIVITY**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 242,281	\$ 1,783	\$ -	\$ 100,000
Special Aid Fund	-	234,094	-	-
School Food Service Fund	-	7,776	-	-
Debt Service Fund	1,848	-	-	-
Capital Fund	-	133	100,000	-
Total governmental activities	244,129	243,785	100,000	100,000
Fiduciary Agency Fund	-	344	-	-
Totals	<u>\$ 244,129</u>	<u>\$ 244,129</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

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

The General Fund typically subsidizes the special aid funds for short falls in operating revenues and the local share for programs.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

The General Fund transferred funds to the capital fund to be expended on authorized capital projects.

All interfund payables are expected to be repaid within one year.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 7 - PENSION PLANS**

**PLAN DESCRIPTIONS AND BENEFITS PROVIDED**

**Teachers' Retirement Systems (TRS)**

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of 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 NYSSTRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

**Employees' Retirement Systems (ERS)**

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

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 7 - PENSION PLANS**

**PLAN DESCRIPTIONS AND BENEFITS PROVIDED (continued)**

**Contributions**

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

The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2018-2019	\$ 299,169	\$ 160,450
2017-2018	\$ 267,361	\$ 111,318
2016-2017	\$ 331,392	\$ 111,058

Since 1989, The TRS' billings have been based on the Chapter 62 of the Laws of 1989 and the State of New York. This legislation requires participating employers to make payments on a current basis.

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

The State Legislature authorized local governments to make available retirement incentive programs with estimated total costs of \$0 of which \$0 was charged to expenditures in the Governmental Funds in the current fiscal year.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 7 - PENSION PLANS (continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES  
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	31-Mar-19	30-Jun-18
Net pension asset/(liability)	\$ (214,900)	\$ 302,860
District's portion of the Plan's total net pension asset/(liability)	0.0030330%	0.016749%

For the year ended June 30, 2019, the District recognized pension expense of \$160,435 for ERS and the actuarial value of \$240,751 for TRS. At June 30, 2019 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 42,318	\$ 226,325	\$ 14,426	\$ 40,996
Changes of assumptions	\$ 54,017	\$ 1,058,694	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ -	\$ 55,155	\$ 336,198
Changes in proportion and differences between the District's contributions and proportionate share of contributions	\$ 76,802	\$ 83,391	\$ 5,181	\$ 38,340
District's contributions subsequent to the measurement date	\$ 38,677	\$ 267,361	\$ -	\$ -
<b>Total</b>	<b>\$ 211,814</b>	<b>\$ 1,635,771</b>	<b>\$ 74,762</b>	<b>\$ 415,534</b>



**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 7 - PENSION PLANS (continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

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

	<u>ERS</u>	<u>TRS</u>
Fiscal year ended June 30,		
2020	\$ 61,340	\$ 309,269
2021	(21,247)	211,807
2022	14,298	27,439
2023	43,984	211,093
2024	-	149,481
Thereafter	-	43,787

**Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2019	June 30, 2018
Actuarial Valuation Date	April 1, 2018	June 30, 2017
Investment Rate of Return	7.0%	7.25%
Salary Scale	4.2%, indexed by Service	1.90% - 4.72%
Projected COLAs	1.3%	1.5%
Decrement Tables	April 1, 2010-March 31, 2015 System's Experience	July 1, 2009-June 30, 2014 System's Experience
Inflation Rate	2.50%	2.25%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on 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, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 7 - PENSION PLANS (continued)**  
**Actuarial Assumptions (continued)**

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

Measurement Date	<u>ERS</u> March 31, 2019	
<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36%	4.55%
International Equity	14	6.35
Private Equity	10	7.50
Real Estate	10	5.55
Absolute Return Strategies	2	3.75
Opportunistic Portfolio	3	5.68
Real Asset	3	5.29
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.25
	<u>100%</u>	

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 7 - PENSION PLANS (continued)**  
**Actuarial Assumptions (continued)**

Measurement Date	<u>TRS</u> June 30, 2018	Long-Term Expected Real Rate of Return*
<u>Asset Type</u>	<u>Target Allocation</u>	<u>of Return*</u>
Equities:		
Domestic Equity	33%	5.8%
International Equity	16	7.3
Global Equity	4	6.7
Real Estate	11	4.9
Private Equities	<u>8</u>	8.9
Total Equities	<u>72</u>	
Fixed Income:		
Domestic Fixed Income Securities	16	1.3
Global Fixed Income Securities	2	0.9
Private Debt	1	6.8
High-Yield Fixed Income Securities	1	3.5
Real Estate	7	2.8
Short Term	<u>1</u>	0.3
Total Fixed Income	<u>28</u>	
Total	<u>100%</u>	

\*Real rates of return are net of a long-term inflation assumption of 2.3% for 2018.

**DISCOUNT RATE**

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

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 7 - PENSION PLANS (continued)**

**SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION**

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

	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
<b>ERS</b>			
Employer's proportionate share of the net pension asset (liability)	\$( 939,578)	\$ (214,900)	\$ 393,880
<b>TRS</b>			
Employer's proportionate share of the net pension asset (liability)	\$(2,080,697)	\$ 302,860	\$ 2,299,619

**PENSION PLAN FIDUCIARY NET POSITION**

The components of the collective net pension liability of ERS as of March 31, 2019 measurement date were as follows:

Total pension liability	\$ 189,803,429,000
ERS fiduciary net position	<u>(182,718,124,000)</u>
Employers' net pension liability	<u>\$ 7,085,305,000</u>
ERS fiduciary net position as a Percentage of total pension liability	<u>96.27%</u>

The components of the collective net pension liability of TRS as of June 30, 2018 measurement date were as follows:

Total pension liability	\$ 118,107,253,288
TRS fiduciary net position	<u>(119,915,517,622)</u>
Employers' net pension liability (asset)	<u>\$ (1,808,264,334)</u>
TRS fiduciary net position as a Percentage of total pension liability	<u>101.53%</u>

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 7 - PENSION PLANS (continued)**

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

	ERS	TRS	Total
Measurement Date	March 31, 2019	June 30, 2018	
Employers' total pension liability	\$ 5,756,738	\$ 19,781,784	\$ 25,538,522
Plan Net Position	<u>(5,541,838)</u>	<u>(20,084,644)</u>	<u>(25,626,482)</u>
Employers' net pension (asset) liability	\$ 214,900	\$ (302,860)	\$ (87,960)
Ration of plan net position to the			
Employers' total net pension asset/(liability)	96.27%	101.53%	100.34%

**PAYABLES TO THE PENSION PLAN**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019 represent the projected employer contributions for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$38,676.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October, and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$319,420.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 8 - POST-EMPLOYMENT BENEFITS**

**GENERAL INFORMATION ABOUT THE OPEB PLAN**

**Plan Description**

The District provides post employment medical benefits to retired employees in accordance with the provisions of various employment contracts that the school district has in place with different classifications of employment. The benefit levels, employee contributions, and employer contributions are governed by the District's contractual agreements. The specifics of each contract are on file at the District offices and are available upon request. The plan is a single employer, defined benefit plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements because there are no assets legally segregated for the sole purpose of paying benefits under the plan.

**Benefits Provided**

The District provides healthcare for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under and required age and service terms. The specifics of each contract are on file at the District's offices and are available upon request.

**Employees Covered by Benefit Terms** – At June 30, 2019, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries	
currently receiving benefit payments	65
Active Plan Members	<u>80</u>
Total	<u><u>145</u></u>

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 8 - POST-EMPLOYMENT BENEFITS (continued)**  
**GENERAL INFORMATION ABOUT THE OPEB PLAN (continued)**

**Total OPEB Liability**

The District's total OPEB liability of \$28,179,126 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs – The total OPEB liability at the June 30, 2019 reporting date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate	3.62%
Single Discount Rate	3.62%
Salary Scale	3.50%
Rate of Inflation	2.25%
Marital Assumption	50.00%
Participation Rate	100.00%
Healthcare Cost Trend Rates	10.25% scaling down to 3.886% to ultimate trend rate in 2075

The long-term bond rate is based on the Bond Buyer Weekly 20-Year Bond GO Index as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the headcount-weighted RPH-2014 Mortality Tables for employees and healthy annuitants.

Rates of turnover and retirement rates are based on the experience under the New York State Employees' Retirement System (ERS) and the New York state Teachers' Retirement System (TRS). The ERS rates are based on the April 1, 2010-March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP2014, applied on a generational basis.

Election percentage: It was assumed that 100% of future retirees eligible for coverage will elect retiree group benefits.

Spousal Coverage: It was assumed that 50% of future retirees will elect spousal coverage upon retirement.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 8 - POST-EMPLOYMENT BENEFITS (continued)**  
**GENERAL INFORMATION ABOUT THE OPEB PLAN (continued)**

**Total OPEB Liability (continued)**

The annual rate of increase in healthcare costs developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trend Models v2018\_c (the Getzen model).

The actuarial assumptions used in the July 1, 2017 valuation were consistent with the requirements of GASB Statement No. 75 and the Actuarial Standards of Practice (ASOPs)

**CHANGES IN THE TOTAL OPEB LIABILITY FOR THE PERIOD ENDING JUNE 30, 2019**

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 27,825,611
<b>Changes for the year:</b>	
Service cost	1,031,095
Interest cost	1,015,628
Changes in assumptions or other inputs	(1,037,555)
Benefit payments	<u>(655,653)</u>
Net change in Total OPEB Liability	<u>353,515</u>
 Balance at June 30, 2019	 \$ 28,179,126

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 (2.62%) or 1-percentage point higher (4.62%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	<u>(2.62%)</u>	<u>(3.62%)</u>	<u>(4.62%)</u>
Total OPEB liability	\$33,461,108	\$28,179,126	\$23,985,334

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the total OPEB liability of the School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rates	1% Increase
	<u>Decrease</u>	<u>Current Trend Rates</u>	<u>Increase</u>
Total OPEB liability	\$22,641,780	\$28,179,126	\$35,493,191



**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 8 - POST-EMPLOYMENT BENEFITS (continued)**

**OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$906,243.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions or other inputs	\$ -	\$(3,159,558)
Benefit payments subsequent to measurement date	<u>690,246</u>	<u>-</u>
Total	<u>\$ 690,246</u>	<u>\$(3,159,558)</u>
	<u>Amount</u>	
Fiscal year ended June 30,		
2020	\$ (648,475)	
2021	(648,475)	
2022	(648,475)	
2023	(648,475)	
2024	(466,923)	
Thereafter	(98,735)	

**NOTE 9 - RISK MANAGEMENT**

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.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 9 - RISK MANAGEMENT(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 16 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 Schools 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 10 - FUND BALANCES**

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the Governmental Funds Balance Sheet.

**NOTE 11 - DONOR-RESTRICTED ENDOWMENTS**

The District administers an endowment fund, which is restricted by the donor. Donor-restricted endowments are reported at fair value. The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

**NOTE 12 - CONTINGENT LIABILITIES**

**Grants**

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 audits, the district's administration believes disallowances, if any, will be immaterial.

**Construction Contracts**

The District has remaining commitments in the amount of \$1,238,202 to various contractors for the current capital project outstanding contracts totaling \$1,615,343 at June 30, 2019.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 13 - USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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.

**NOTE 14 - SUBSEQUENT EVENTS**

The District has evaluated events and transactions that occurred between June 30, 2019 and September 25, 2019, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. On July 24, 2019, the District issued a Bond Anticipation Note (BAN) in the amount of \$1,800,000 maturing on July 24, 2020.

**NOTE 15 - PRIOR PERIOD ADJUSTMENT/CORRECTION OF ERRORS**

The following prior period adjustments were necessary to correct beginning fund balance in the governmental statements and beginning net position in the government wide statements:

	Governmental Statements	Government-Wide Statements
Compensated absences for sick days are recorded as a liability when they mature in the governmental statements and when all conditions are met in the government-wide statements:	\$279,959	\$88,878
Compensated absences for vacation days are expensed in the period matured:	(15,467)	-
TRS accrual was overstated should equal the state aid intercept for September, October and November 2018:	23,003	-
2017B Bond premium amortization should align with interest expense in bond schedule:	-	37,562
Capital assets were recorded incorrectly and over depreciated:	-	63,228
Subsequent contribution to retirement systems are deferred outflows of resources	-	48,645
Total Prior Period Adjustments	\$287,495	\$238,313

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 10,358,011
Add: Prior Year's Encumbrances	<u>5,331</u>
Original Budget	10,363,342
Budget Adjustments	<u>-</u>
Final Budget	<u><u>\$ 10,363,342</u></u>

Next year's budget is a voter-approved budget of: \$ 10,648,435

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

2019-2020 Voter-approved Expenditure Budget	
Maximum Allowed 4% of 2019-2020 Budget	\$ 10,648,435

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

Unrestricted Fund Balance:	
Committed Fund Balance	-
Assigned Fund Balance	695,000
Unassigned Fund Balance	<u>1,079,455</u>
Total Unrestricted Fund Balance	<u><u>\$ 1,774,455</u></u>

Less:	
Appropriated Fund Balance	<u>695,000</u>
Total Adjustments	<u><u>\$ 695,000</u></u>

General Fund Balance Subject to Section 1318	
Real Property Tax Law	<u><u>\$ 1,079,455</u></u>

Actual Percentage 10.14%

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
<b>REVENUES</b>				
Local Sources:				
Real Property Taxes	\$ 4,468,935	\$ 4,468,935	\$ 4,150,730	\$ (318,205)
Other Tax Items	3,000	3,000	326,264	323,264
Charge for Services	2,000	2,000	6,130	4,130
Use of Money and Property	1,000	1,000	589	(411)
Sale of Property and Compensation for Loss	-	-	8,476	8,476
Miscellaneous	90,000	90,000	155,487	65,487
	<u>4,564,935</u>	<u>4,564,935</u>	<u>4,647,676</u>	<u>82,741</u>
Total Local Sources				
State Sources	4,959,076	4,959,076	4,939,210	(19,866)
Federal Sources	15,000	15,000	46,957	31,957
	<u>9,539,011</u>	<u>9,539,011</u>	<u>9,633,843</u>	<u>94,832</u>
Total Revenues				
<b>OTHER FINANCING SOURCES</b>				
Transfers from Other Funds	124,000	124,000	-	(124,000)
Appropriated Fund Balance	695,000	700,331	-	(700,331)
	<u>\$ 10,358,011</u>	<u>\$ 10,363,342</u>	<u>\$ 9,633,843</u>	<u>\$ (729,499)</u>
Total Revenues and Other Financing Sources				

See paragraph on supplementary schedules included in auditors' report.

**BELLVILLE HENDERSON CSD**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP) BASIS AND ACTUAL-GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(CONTINUED)**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
<b>EXPENDITURES</b>					
General Support:					
Board of Education	\$ 28,282	\$ 29,374	\$ 28,716	\$ -	\$ 658
Central Administration	149,702	171,971	179,316	-	(7,345)
Finance	175,188	171,694	171,425	-	269
Staff	37,339	47,253	47,253	-	-
Central Services	740,479	849,940	831,084	-	18,856
Special Items	153,482	137,905	135,905	-	2,000
Total General Support	<u>1,284,472</u>	<u>1,408,137</u>	<u>1,393,699</u>	<u>-</u>	<u>14,438</u>
Instruction:					
Instruction - Administration & Improvement	126,546	133,941	134,746	-	(805)
Teaching - Regular School	2,497,058	2,525,938	2,489,538	-	36,400
Programs for Students with Disabilities	1,188,168	1,102,987	1,040,308	-	62,679
Occupational Education	477,392	465,686	465,686	-	-
Teaching - Special Schools	-	-	-	-	-
Instructional Media	152,619	158,209	118,109	-	40,100
Pupil Services	295,872	290,745	288,719	-	2,026
Total Instruction	<u>4,737,655</u>	<u>4,677,506</u>	<u>4,537,106</u>	<u>-</u>	<u>140,400</u>
Pupil Transportation	771,011	729,240	717,422	-	11,818
Community Services	-	-	-	-	-
Employee Benefits	2,560,866	2,544,452	2,144,928	-	399,524
Debt Service	826,507	826,507	826,506	-	1
Total Expenditures	10,180,511	10,185,842	9,619,661	-	566,181
<b>OTHER FINANCING USES</b>					
Transfers To Other Funds	177,500	177,500	100,000	-	77,500
Total Expenditures and Other Uses	<u>\$ 10,358,011</u>	<u>\$ 10,363,342</u>	<u>\$ 9,719,661</u>	<u>\$ -</u>	<u>\$ 643,681</u>
Excess Revenue and Other Sources over Expenditures and Other Uses			<u>(85,818)</u>		
Fund Balance - Beginning of Year, As Previously Stated			2,179,865		
Restatement			<u>283,069</u>		
Fund Balance - Beginning of Year, As Restated			<u>2,462,934</u>		
Fund Balance - End of Year			<u>\$ 2,377,116</u>		

See paragraph on supplementary schedules included in auditors' report.

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CAPITAL PROJECTS FUND - PROJECT EXPENDITURES AND FINANCING RESOURCES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	Fund Balance June 30, 2019
			Prior Year	Current Year	Total						
2017 Building Improvements	\$ 2,750,000	\$ 2,750,000	\$ 94,583	\$ 584,689	\$ 679,272	\$ 2,070,728	\$ -	\$ -	\$ 1,049,398	\$ 1,049,398	\$ 370,126
2018 Emergency Project	100,000	100,000	74,209	673	74,882	25,118	-	-	74,882	74,882	-
Smart Schools Tech Plan	378,728	378,728	335,106	-	335,106	43,622	-	335,106	-	335,106	-
2018 Capital Outlay	100,000	100,000	-	96,937	96,937	3,063	-	-	100,000	100,000	3,063
<b>Total</b>	<b>\$ 3,328,728</b>	<b>\$ 3,328,728</b>	<b>\$ 503,898</b>	<b>\$ 682,299</b>	<b>\$ 1,186,197</b>	<b>\$ 2,142,531</b>	<b>\$ -</b>	<b>\$ 335,106</b>	<b>\$ 1,224,280</b>	<b>\$ 1,559,386</b>	<b>\$ 373,189</b>

See paragraph on supplementary schedules included in auditors' report.

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019**

Capital Assets, Net		\$ 18,042,987
Deduct:		
Bond Anticipation Notes	-	
Short-term portion of bonds payable	620,000	
Long-Term portion of bonds payable	5,545,000	
	<u>6,165,000</u>	<u>6,165,000</u>
Net Investment in Capital Assets		<u><u>\$ 11,877,987</u></u>

See paragraph on supplementary schedules included in auditors' report.



**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS**

Measurement Date	<b>2019</b> June 30, 2018	<b>2018</b> June 30, 2017
<b>Total OPEB Liability</b>		
Service cost	\$ 1,031,095	\$ 1,202,755
Interest	1,015,628	890,616
Changes in benefit terms	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	-	-
Changes of assumptions or other inputs	(1,037,555)	(3,262,483)
Benefit payments	<u>(655,653)</u>	<u>(606,151)</u>
Net change in total OPEB liability	353,515	(1,775,263)
 Total OPEB liability - beginning	 <u>27,825,611</u>	 <u>29,600,874</u>
 Total OPEB liability - ending	 <u>\$ 28,179,126</u>	 <u>\$ 27,825,611</u>
 Covered payroll	 <u>\$ 3,844,109</u>	 <u>\$ 3,896,481</u>
 Total OPEB liability as a percentage of covered payroll	 733.05%	 714.12%

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate each period. The discount rate in effect at the current measurement date is 3.62%.

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

(1) Data not available prior to fiscal year 2018 implementation of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

\* Ratios not provided

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS**

**New York State Teachers Retirement System (TRS)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability (asset)	0.016749%	0.017843%	0.018161%	0.017616%	0.016786%
District's proportionate share of the net pension liability (asset)	\$ (302,860)	\$ (135,627)	\$ 194,516	\$ (1,829,737)	\$ (1,869,910)
District's covered-employee payroll	\$ 2,927,848	\$ 2,964,967	\$ 2,592,127	\$ 2,794,470	\$ 2,495,705
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.34%	-4.57%	(7.50%)	(65.48%)	(74.93%)
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%

Note - amounts presented for each fiscal year were determined as of the June 30th measurement date as of the prior fiscal year

(1) Data not available prior to fiscal year 2015 implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**New York State Employees Retirement System (ERS)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability (asset)	0.0030330%	0.0024249%	0.0024119%	0.0024657%	0.0029508%
District's proportionate share of the net pension liability (asset)	\$ 214,900	\$ 78,262	\$ 226,624	\$ 395,752	\$ 99,686
District's covered-employee payroll	\$ 935,894	\$ 1,115,940	\$ 817,242	\$ 720,294	\$ 841,357
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	22.96%	7.01%	27.73%	54.94%	11.85%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%

Note - amounts presented for each fiscal year were determined as of the March 31st measurement date as of the current fiscal year

(1) Data not available prior to fiscal year 2015 implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS**

**New York State Teachers Retirement System (TRS)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 267,361	\$ 351,911	\$ 389,913	\$ 463,871	\$ 402,939
Contributions in relation to the contractually required contribution	267,361	351,911	389,913	463,871	402,939
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,927,848	\$ 2,964,967	\$ 2,592,127	\$ 2,794,470	\$ 2,495,705
Contributions as a percentage of covered employee payroll	9.13%	11.87%	15.04%	16.60%	16.15%

Note - amounts presented for each fiscal year were determined as of the June 30th measurement date as of the prior fiscal year

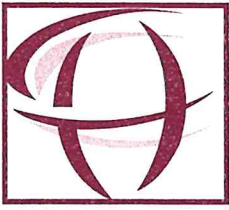
(1) Data not available prior to fiscal year 2015 implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* .

**New York State Employees Retirement System (ERS)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 160,450	\$ 111,318	\$ 111,058	\$ 98,692	\$ 158,549
Contributions in relation to the contractually required contribution	160,450	111,318	111,058	98,692	158,549
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 935,894	\$ 1,115,940	\$ 817,242	\$ 720,294	\$ 841,357
Contributions as a percentage of covered employee payroll	17.14%	9.98%	13.59%	13.70%	18.84%

Note - amounts presented for each fiscal year were determined as of the June 30th measurement date as of the prior fiscal year

(1) Data not available prior to fiscal year 2015 implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* .



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Employee Benefit Plan Audit Quality Center

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

To the Board of Education  
Belleville Henderson 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Belleville Henderson Central School District, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise Belleville Henderson Central School District's basic financial statements and have issued our report thereon dated September 25, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Belleville Henderson 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 Belleville Henderson Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Belleville Henderson 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as item 2019-001 and 2019-002, that we consider to be material weaknesses.



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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Belleville Henderson 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses, as item 2019-003.

**Belleville Henderson Central School District's Response to Findings**

The Belleville Henderson Central School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Belleville Henderson Central School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

*Crowley & Halloran CPAs P.C.*  
Watertown, NY  
September 25, 2019

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**Financial Statement Audit – Findings**

The following deficiencies have been determined to be material weaknesses over financial reporting:

**2019-001: Material prior period adjustments**

**Condition and Criteria:** The District did not have an adequate system in place to prepare financial statements with required supplementary information. As a result, the following significant prior period adjustments to correct errors were required:

- Adjustments were necessary to the Governmental Fund Statements increasing beginning general fund balance by \$260,067 and school food service fund balance by \$4,426 due to errors in accounting for compensated absences and TRS pension accrual. For the Governmental Fund Statements compensated absences are only a liability for benefits that have matured. The New York State Comptroller office issued guidance in December 2008 explaining that “the liability will include only payments for unused compensated absences for those employees that have obligated themselves to separate from service with the District by the fiscal year end.” The TRS pension accrual is equal to the covered salaries multiplied by the applicable rate for the school year. The resulting obligation is paid to the System through a state aid intercept in September, October and November of the following school year. The state aid intercept was \$287,685 the amount recorded as due to the System was \$310,687 resulting in an \$23,003 over accrual and a corresponding increase in general fund balance.
- Adjustments were necessary to the Government-wide Financial Statements increasing net position by \$238,313. The adjustments were primarily due to the following errors in accounting; compensated absences for sick time liability was overstated by \$88,878. The bond premium associated with the 2017 serial bonds was under amortized in the amount of \$37,562, reducing interest expense and increasing net beginning net position. Net capital assets were understated by \$63,228, due to incorrect depreciation calculations. The subsequent contribution to the NYSLERS retirement systems in the amount of \$48,645 was not shown as deferred outflows in the fiscal year 2018 as prescribed by GASB Statement 71.

**Cause and Effect:** The District did not have an adequate system of internal controls in place over financial statements preparation. We proposed material audit adjustments that would not have been identified as a result of the District’s existing internal controls and, therefore, could have resulted in a material misstatement of the District’s financial statements.

**Recommendation:** We recommend that the District develop a process to review financial policies and standards to ensure the proper recording of all transactions. Schedules supporting governmental and government-wide adjustments should be developed and evaluated for accuracy and compliance.

**Management’s response:** *The District will review financial policies and ensure proper schedules supporting amounts and disclosures.*

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2019**  
**(CONTINUED)**

**Financial Statement Audit – Findings (continued)**

**2019-002: Adjusting journal entries and required**

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

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

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

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

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2019**  
**(CONTINUED)**

**COMPLIANCE AND OTHER MATTERS**

The following is considered an instance of non-compliance:

**2019-003: Fund Balance: Real Property Tax Law**

*Condition and Criteria:* The District's unassigned 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.

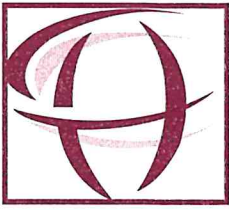
*Cause:* Fund balance was not monitored to ensure unassigned fund balance did not exceed the limit imposed by New York State Real Property Tax Law.

*Effect:* The unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit.

*Recommendation:* We recommend that the district adhere to the 4% rule when preparing upcoming school year's budget by continually monitoring its fund balance to determine projected fund balance excesses before determining tax increases for the following year. The District should continue to utilize all reserves allowed by law to decrease excess fund balance. Fund balance should be managed starting in January and updated monthly throughout the rest of the fiscal year in order to project the unassigned portion and comply with NYS Real Property Tax Law §1318.

*Management's Response:* The District will take steps to manage fund balance to comply with the 4% rule for unassigned fund balance.





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Employee Benefit Plan Audit Quality Center

## **INDEPENDENT AUDITORS' REPORT ON THE EXTRACLASSROOM ACTIVITY FUND**

To the Board of Education  
Belleville Henderson Central School District

We have audited the accompanying Statement of Assets, Liabilities and Fund Balance - Cash Basis and the Statement of Cash Receipts and Disbursements of the Extraclassroom Activity Fund of Belleville Henderson Central School District as of and for the year ended June 30, 2019, and the related note to the financial statements, as shown on pages 80-81.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



**INDEPENDENT AUDITORS' REPORT ON THE  
EXTRACLASSROOM ACTIVITY FUND  
(CONTINUED)**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance – cash basis of the Extraclassroom Activity Fund of Belleville Henderson Central School District as of June 30, 2019, and its cash receipts and cash disbursements – cash basis for the year then ended on the basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are 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.

*Crowley & Halloran, CPAs, P.C.*

Watertown, NY  
September 25, 2019

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
EXTRACLASROOM ACTIVITY FUND -  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS  
JUNE 30, 2018**

**ASSETS**

Cash		\$ 48,020
Total Assets		<u>\$ 48,020</u>

**LIABILITIES AND FUND BALANCE**

Liabilities		
Activity Accounts		\$ 48,020
Total Liabilities		<u>48,020</u>
 Total Liabilities and Fund Balance		 <u>\$ 48,020</u>

The accompanying notes are an integral part of these financial statements.

**BELLVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUND -  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balances June 30, 2018	Receipts	Disbursements	Cash Balances June 30, 2019
Class of 2017	\$ 1,121	\$ -	\$ 1,121	\$ -
Class of 2018	196	-	196	-
Class of 2019	10,170	17,221	27,356	35
Class of 2020	7,091	9,500	4,178	12,413
Class of 2021	1,095	3,901	1,640	3,356
Class of 2022	-	5,827	2,576	3,251
Art Club	191	282	180	293
Business Technology	355	1,982	2,229	108
FFA Club	2,105	45,915	40,918	7,102
Foreign Language Club	679	384	522	541
Library Club	1,210	4,431	4,499	1,142
Music Club	9,279	13,447	15,190	7,536
Junior Honor Society	2,332	2,660	2,090	2,902
Senior Honor Society	1,273	-	250	1,023
Student Council	5,058	716	1,388	4,386
Trap Shooting	1,846	-	-	1,846
Outdoor Club	-	1,120	-	1,120
Due to NYS Sales Tax	13	1,163	210	966
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 44,014</u>	<u>\$ 108,549</u>	<u>\$ 104,543</u>	<u>\$ 48,020</u>

The accompanying notes are an integral part of these financial statements.

**BELLEVILLE HENDERSON CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUND  
NOTE TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

The transactions of the Extraclassroom Activity Funds are considered a part of the reporting entity of Belleville Henderson Central School District. The transactions for the year are not included in the combined financial statements of the School District, however the June 30, 2019 cash balances are included in the Trust and Agency Fund.

The books and records of Belleville Henderson Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.

The School District's management requires that all activities included in the Extraclassroom Activity Fund meet the criteria for student activities as established by the New York State Education Department.